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## Economic Foundations for the Development of Family Business in Uzbekistan

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**Abstract:** *The article talks about the types and structure of the family business. Researches of incomes and growth rates of family business in Germany and Uzbekistan are given. The article describes plans for the development of family business in the Republic of Uzbekistan.*

**Keywords:** *family business, entrepreneurship, population, entity, finance, credit, cooperation, development, small business.*

The business is a family business. Family business is a type of commercial activity, characterized by its belonging to a particular family or several families, whose members are reborn among themselves by dynastic marriages and other informal ties, are the owners and beneficiaries of the specified business. The distribution of key positions and roles in the created business entities, profits and dividends received from their activities is also carried out within the framework of a family or a group of families. A family business is characterized by the name of the company by the name of its founder and owner, which is often also a trademark under which the products and services of a particular company owned by a particular family or families are sold. The family business is the oldest and most widespread model of economic organization. The vast majority of businesses around the world, from corner stores to multinational public organizations with hundreds of thousands of employees, can be considered family businesses.<sup>1</sup>

The sphere of family business is expanding, their opportunities and volumes of manufactured products and services are growing. According to research in Germany and Canada, 58% of companies with a turnover of more than 1 million euros are family companies. According to a study by the *Institut für Mittelstandsforschung*, 95% of companies in Germany are family businesses, which generate 41.5% of all sales in the country and provide 57.3% of all jobs. Family businesses make up over 30% of companies with more than \$1 billion in sales. However, given the rich human capital available in our country, its presence in the process of forming the gross domestic product is not as impressive as we would like. According to the Institute for Forecasting and Macroeconomic Research of the Republic of Uzbekistan, the number of family businesses as of September 1, 2021 amounted to 50,924, an increase compared to the same period last year averaged 133.4%, and family businesses account for 10.9% of the total number

<sup>1</sup> [https://ru.wikipedia.org/wiki/%D0%A1%D0%B5%D0%BC%D0%B5%D0%B9%D0%BD%D1%8B%D0%B9\\_%D0%B1%D0%B8%D0%B7%D0%BD%D0%B5%D1%81](https://ru.wikipedia.org/wiki/%D0%A1%D0%B5%D0%BC%D0%B5%D0%B9%D0%BD%D1%8B%D0%B9_%D0%B1%D0%B8%D0%B7%D0%BD%D0%B5%D1%81)

of business entities. When considered by type of economic activity, the largest growth of these enterprises was observed in trade (150.8%), health and social services (136.8%), agriculture, forestry and fisheries (128.5%) and industry (126.9%).

In 2016-2020, the net profit of family businesses in Uzbekistan increased by almost 6.0 times, and by the number of enterprises - by 5.2 times. In terms of economic activity, the fastest growing sectors are trade (by 6.6 times), agriculture, forestry and fisheries (by 3.9 times), industry and healthcare (by 3.0 times).<sup>2</sup>

In order to financially support entrepreneurial initiatives of the population, improve the environment for small businesses in mahallas, and continue on a systematic basis measure to ensure employment of youth and women, the head of state signed the Decree “On additional measures to raise support for business initiatives of the population to a new stage within the framework of the family development program. Entrepreneurship”<sup>3</sup>.

According to the Decree of the President, a program is being implemented to financially support entrepreneurs to expand their activities in 2018-2022, more than 34 trillion soums were allocated to 1.4 thousand business entities. The Decree of the President serves to continue measures to support the initiatives of the population and financial support for entrepreneurship, improve the conditions for small business and entrepreneurship, ensure the work of unemployed youth and women. In 2022, as part of the population program, 10 trillion soums were allocated, for comparison, this year this amount will reach 13 trillion soums.

The accumulation will be carried out as follows, almost 7 trillion will be directed through the repayment of previously issued loans of 3 trillion 3 billion. This is a means of the Republican Fund for Reconstruction and Development, and the remaining 2.8 trillion is the money of authorized domestic financial institutions. In addition, the head of the financial and economic complex instructed, by July 1 this year, together with banking structures, to additionally find opportunities to attract another 2 trillion soums for the implementation of the program. The allocation of loans, as before, will be carried out at 14% per annum. At the same time, a number of benefits are added: dekhkan farms and small businesses will be able to receive up to 50 million soums without collateral obligations.

In 2022, it was possible to take 33 million for the implementation of projects in microcenters and mahallas to organize small industries and provide services. In order to expand cooperation in the development of handicrafts and home-based work, it will already be possible to use loans in the amount of up to 300 million soums. Loan amounts provided to legal entities on the recommendation of assistant khakims will be increased from 225 million to 300 million soums. Of these loans, which are allocated 10 million for ordinary entrepreneurs, 20 million for artisans can be transferred to their bank cards. More precisely, if earlier a loan could be received by those persons who have an agreement with a certain enterprise, for example, for the purchase of equipment or products, then from now on this allocated credit amount is transferred (accrued) to the card of the artisans or entrepreneurs themselves within 20 minutes. As a result, they themselves can dispose of with whom to conclude contracts.

Priority in the allocation of funds will be given to citizens included in social notebooks, as well as those who have already received loans and have achieved good results using them effectively. At the expense of the funds, a mechanism for allocating microcredits for 3 million soums through the “*Oila kredit*” platform will be established. In 2022, a loan of 2 million soums was allocated for the population involved in household plots. They used these funds to purchase the necessary seeds and seedlings. According to the

<sup>2</sup> <https://ifmr.uz/infographics/120>

<sup>3</sup> Decree of the President of the Republic of Uzbekistan dated January 31, 2023 “On additional measures to raise to a new stage of support for business initiatives of the population within the framework of the family business development program” No. PP-39

current Decree, this amount has increased to 3 million soums, this will certainly serve to support the population in the development of their household plots. In 2023, it is planned to allocate 13 billion soums to 4,300 owners of household plots. These funds are given for 3 years on a preferential basis for 6 months for the development of agriculture, in particular, poultry farming, fish farming, animal husbandry, and beekeeping. At the same time, for the development of the service sector and the organization of small industries, the main aspect of the resolution is that a practice has been introduced when the first deputies of city and regional khakims, respectively, with family and business support centers, will submit quarterly reports on the results of the effectiveness of allocated loans, as well as on the progress of implementation programs.

The program coordinator, consisting of the Deputy Minister of Economy and Finance, Poverty Reduction and Employment, the Chairman of the Central Bank, is given the right to promptly redistribute funds by banks and regions, as well as distribute loans at the level of districts of cities and mahallas. This document is a logical continuation of the previous Decrees and the Decree of the head of state on supporting the development of family business, and in it these conditions are much more improved both financially and in the availability of these finances. The family business received another impetus for widespread development. And this along the chain will be the key to solving the issues of employment of the population, increasing people's incomes and, in general, increasing business activity in the country.

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