

The Main Essence Of Family Business In The Country's Economy, Its Place And Role In Poverty Reduction

Ernazarova Nilufar Nozimjonovna

Researcher at the Namangan Institute of Engineering and Technology



Abstract – This article provides feedback on the main essence of family business in the country's economy, its place and role in poverty reduction.

Keywords – Income Of The Population, Family Business, Coronavirus Pandemic, Eradication Of Poverty, Poverty Rate.

I. INTRODUCTION

Unemployment, which is a topical issue in the context of complex geopolitical processes, the coronavirus pandemic and the global economic crisis, is also a major issue in Uzbekistan, which has a population of almost 34.5 million. In order to prevent the population who lost their jobs during the pandemic to fall into poverty, to preserve the well-being of the population, the Government of the Republic of Uzbekistan issued an "Iron Book"¹ introduced. A new mechanism based on the principle of "motivation, skills and financial support" has been introduced to lift every citizen out of poverty.

Creating new jobs to provide economic employment in the country is a big dilemma, and the government is now actively encouraging entrepreneurship among the population. In recent years, large-scale work has been done in the country to develop entrepreneurship, attract investment and create a favorable environment for doing business, strengthen the legal guarantees to protect the legitimate interests of entrepreneurs. In particular, the tax system has been radically reformed, the procedure for obtaining permits has been significantly simplified, and scheduled inspections not related to the financial and economic activities of business entities have been abolished. As a result of the 1.5-fold reduction of the tax burden on wages under the new tax policy in the country, the number of people employed in the public sector increased by 500,000 during the year.

In the World Bank's annual Doing Business 2020 ranking, Uzbekistan ranked 69th out of 190 countries, gaining 69.9 out of 100 points in 2019. Compared to last year's ranking, the country has risen from 76th to 7th. Achieving such positive results is the result of the broad development of entrepreneurship in 2019 - the "Year of Active Investment and Social Development" and the creation

¹ Decree of the President of the Republic of Uzbekistan "On additional measures for financial support of the population in need of social protection and assistance during the coronavirus pandemic" July 30, 2020, PF-6038 <https://lex.uz/docs/4922155>

of new conditions for this sector. To date, 5.9 trillion soums have been allocated to families starting their own businesses under the Every Family is an Entrepreneur program.²

The development of small business and entrepreneurship is the main factor and source of employment, especially for the country's youth to achieve economic independence and find their place in life. According to official data, the small business sector employs almost 80 percent of those employed in the economy. It should be noted that Uzbekistan applies the following classification to the world economy: individual entrepreneurs, micro-firms (5 to 20 employees depending on the industry), as well as small firms (25 to 100 employees depending on the industry), with a special focus on family business.

II. THE MAIN PART

If we look at the history of family business, from the early 1980s, the academic study of family business as a separate and important category of commerce began. Today, family businesses are recognized as important and active participants in the global economy. According to the U.S. Census Bureau, about 90 percent of American businesses are owned or run by families. These enterprises account for half of the country's employment and its gross national product. Family businesses may have some advantages over other businesses in that they are focused on long-term prospects and care for employees. But family businesses also face specific management challenges that stem from the overlap of family and business issues.

More than 60% of all companies in Europe, from sole proprietors to large international enterprises, are family businesses. Large or small, registered or unregistered family businesses play an important role in the EU economy. The European Commission recognizes the role of family businesses in the economy and promotes the creation of a conducive environment for the growth and development of family businesses.

According to BCG, family businesses represent an important and growing part of the economy. Globally, more than 30% of large companies are family-owned, with the number of family businesses growing rapidly in emerging markets with revenues of more than \$ 1 billion, and family businesses remaining a viable force in mature markets.³

Family business is the oldest and most common model of economic organization. Most businesses around the world - from corner shops to multinational publicly registered organizations with hundreds of thousands of employees - can be considered family businesses.

Lebanese-born entrepreneur Ramez A. Baassiri explains in his book, "Broken Entrepreneurship: Coverage of Change in Family Business," ways to overcome disruptions in the family business cycle. He noted that family business is a way of life that accounts for 80 percent of all firms in the United States, 85 percent in the European Union, 90 percent in the Middle East, and 99 percent in Japan.

The Law of the Republic of Uzbekistan "On Family Business" defines "Family business is an entrepreneurial activity carried out by family members at risk and under their own responsibility for the purpose of earning income (profit)." According to him, family business can be carried out with or without the establishment of a legal entity, "the organizational and legal form of family business is a family business." - referred to as In addition, family business in the absence of a legal entity is carried out in the manner prescribed by law (Figure 1).

1. ² Address of the President of the Republic of Uzbekistan Sh. Mirziyoyev to the Oliy Majlis January 25, 2020 <https://uza.uz/uz/posts/zbekiston-respublikasi-prezidenti-shavkat-mirziyevning-oliy-25-01-2020>

³ <https://www.bcg.com/capabilities/corporate-finance-strategy/family-business>

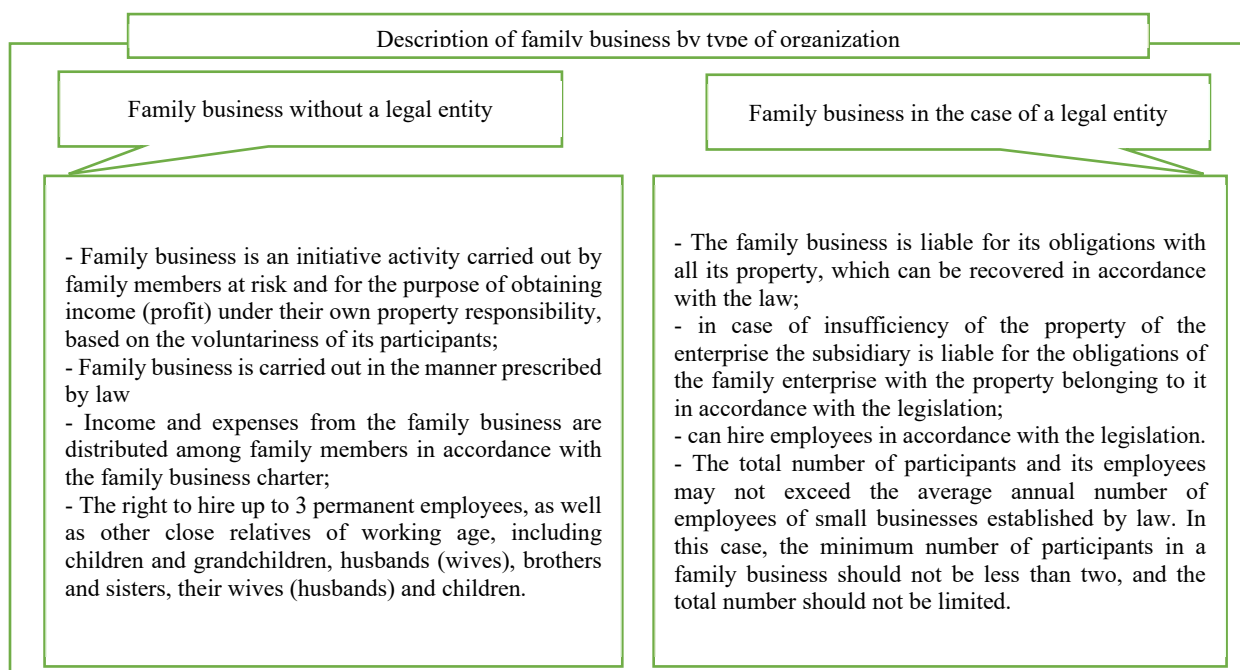


Figure 1. Description of family business by type of organization

In the early days, the economic spread and importance of this type of business was often underestimated. For most of the twentieth century, economists and scientists have been interested in a new, "improved" model of family business and enterprise management in a rational, bureaucratic way, with well-trained "people of the organization" compared to specific management models and complex psychological processes.⁴ Because it has not always been easy to study private or family-controlled enterprises.

In many cases, they are not subject to financial reporting requirements and little information about financial results is made available to the public. Such financial results can be distributed through large enterprises or holding companies, and only family members themselves will be able to obtain complete information about the property structure of their enterprises. However, "as the 21st century global economic model replaces the old industrial model, government politicians, economists and scientists are turning to entrepreneurship and family businesses as the main source of wealth creation and employment."

In some countries, most of the largest firms publicly listed (e.g., Walmart (USA), Samsung Group (Korea), and Tata Group (India)) are family businesses. If a person is a controlling shareholder, the firm is family-owned, meaning that the person may accumulate enough shares to secure at least 20 percent of the voting rights or the highest percentage of voting rights over other shareholders. It can be concluded that the future prospects of family business determine its expansion, and most importantly, its place in the development of the national economy.

The Global Family Business Index includes the 500 largest family firms in the world. The index, first published in 2015 by the Center for Family Business in St. Gallen and the EU, states that "for a private firm, if a family has more than 50% of the voting rights, a firm is a family firm." For a publicly registered firm, the firm is a family firm if the family owns at least 32 percent of the voting rights. This classification is based on the position and place of family members in the enterprise.

In a family business, the management team is taken from a family that owns two or more members. However, family businesses may also have owners who are not family members. It appears that family businesses can also be run by non-family members. However, family members are often involved in their family business operations to a certain extent, and in smaller companies

⁴ Carlock, Randel S; Manfred Kets de Vries; Elizabeth Florent-Treacy (2007). "Family Business". *International Encyclopedia of Organizational Studies*.

usually one or more family members serve as business owners or managers Research shows that many businesses in India that are now public companies were originally family businesses.

Involvement of family members in a family business as managers or business owners can enhance entrepreneurial activity because family members are committed to the family business. However, the involvement of family members as family business enterprise managers or business owners can also pose specific challenges, as the dynamics of business systems with the family system are often unbalanced. It can be seen that family entrepreneurship has a number of advantages that are unique and not found in other enterprises, as well as some difficulties associated with family entrepreneurship (Figure 2).

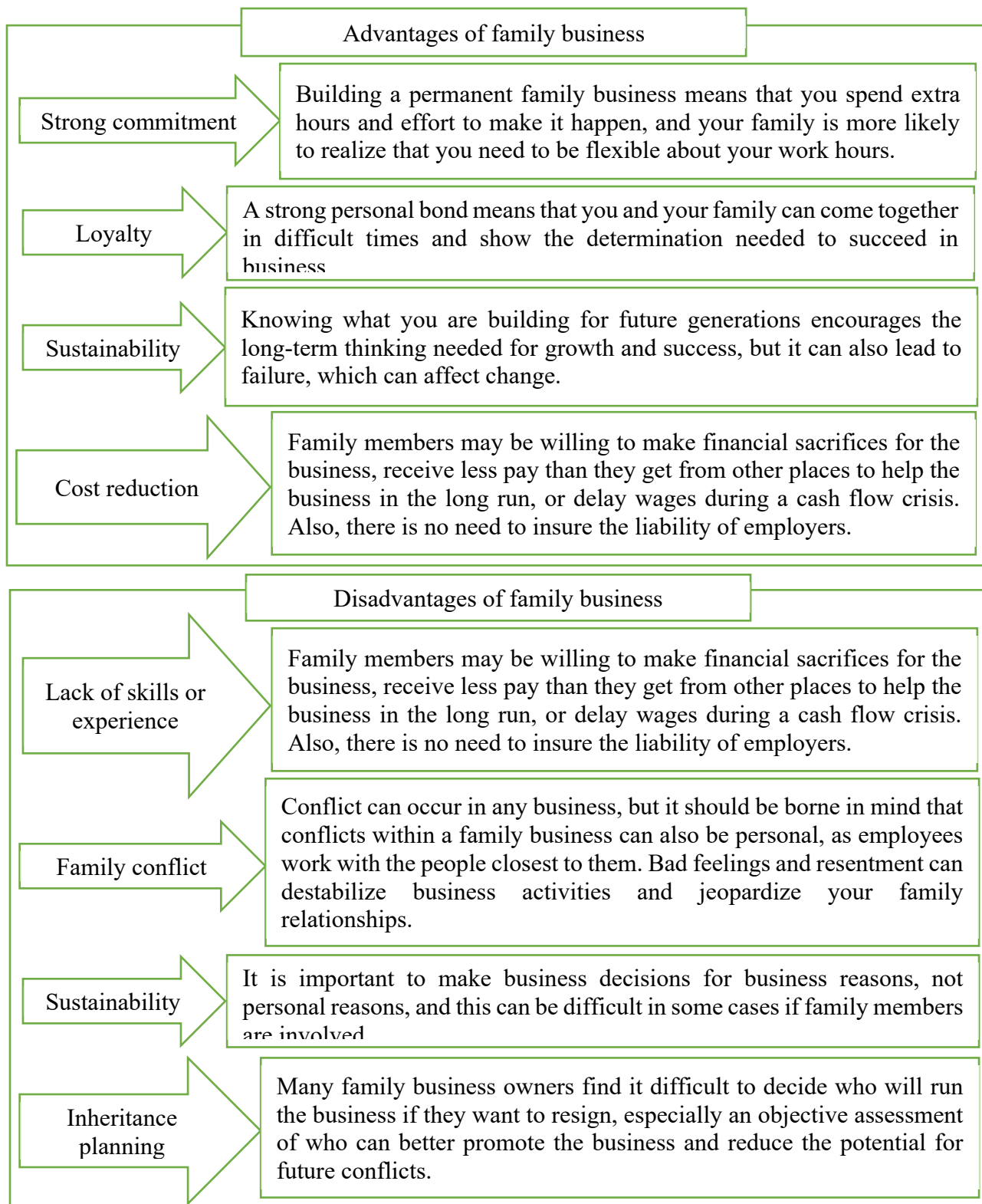


Figure 2. Advantages and disadvantages of family business

According to the data in Figure 2, family business has its own characteristics, which, along with its advantages, also have a number of disadvantages and problems. In general, summarizing the above-mentioned views of foreign and domestic economists on "Family Entrepreneurship", we believe that "Family business is any business activity in which the participation, ownership and

management of two or more family members. It is appropriate to say. It should be noted that the analysis of foreign experience shows that the importance and role of family business in economic reform and ensuring a high level of income.

Today, most small businesses in the world operate in the form of family businesses. Family business produces 40-50% of the gross national product in European countries, 65% to 82% in Asian countries, and about 70% in Latin America. Its share in the U.S. economy is more than 95 percent. Based on the experience of developed countries and the traditions of our generations, the attention to this area in our country is growing from year to year. "On additional measures for the broad involvement of the population in entrepreneurship and the development of family business in the regions" Additional measures to radically improve the system of protection of private property and strengthening the guarantees of property rights, support for entrepreneurial initiatives, as well as access to financial resources and production infrastructure of business entities on expansion" A number of tasks aimed at the consistent implementation of the tasks set out in the Decree No. PF-5780 and the development of small business, family entrepreneurship, employment, support for women and the younger generation have been implemented. is gaining ground (Figure 3).

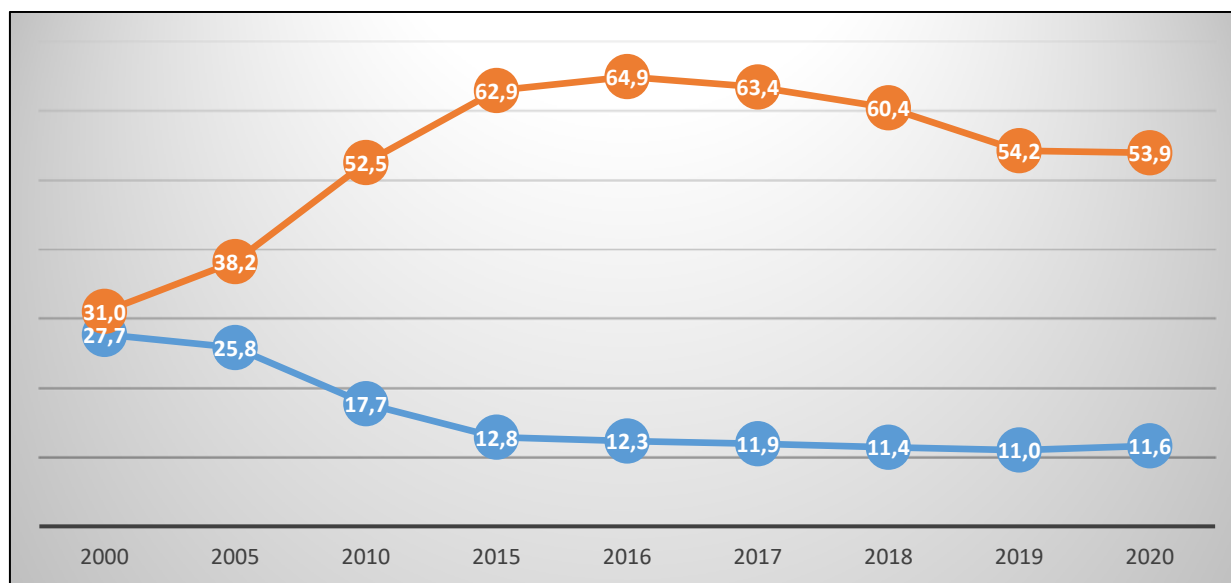


Figure 3. Change in the share of small business in GDP in the Republic of Uzbekistan in relation to the share of the poor (in%)

As can be seen from Figure 3, the share of small business in GDP in the Republic of Uzbekistan increased by 23.9% compared to 2000 to 53.9%, the share of low-income population decreased by 16.1% compared to the same period and amounted to 11.6%. This positive situation is reflected in the ongoing reforms in the development of small business and private entrepreneurship in the country, the implementation of decrees and decisions, programs, ie the implementation of the program "Every family is an entrepreneur", as well as family business, crafts, home-based and other it is expedient to consider the wide popularization of entrepreneurial activities, the creation of conditions for every family to have a stable source of income and the implementation of measures aimed at eliminating unemployment.

The study of the share of poverty in the study is aimed at achieving the goal of preventing and at least reducing the poverty that results directly from it. According to the survey, the number of members in a low-income family in our country is 7 people, the average age of the head of the family is over 50 years and he does not have higher education. In particular, 11% of the heads of low-income families are unemployed, 93% have no higher education and only 24% have secondary special education. 43% of low-income households do not have a permanent job. 93% are not connected to the central heating system, 96% to the central sewerage system and 66% to the central water supply, and such studies provide a clearer picture of poverty in Uzbekistan and the development of key measures and recommendations to combat it.

Of course, in order to develop measures and recommendations for poverty reduction, it is first necessary to be aware of this concept and to study in depth the essence of the content. Poverty is a lack of needs in the most general sense. Basic food, shelter, medical care and security are generally considered necessary on the basis of common values of human dignity. However, what is

necessary for one person is not the same necessity for others. "Poverty is based on the inability to meet the needs of the population in relation to possible social things," he said. "The essence of poverty is inequality. In other words, the main meaning of poverty is relative deprivation," said Valentin. The social relative definition of poverty provides the flexibility of the community in addressing local pressing issues, while objective definitions allow for the observation of development and the comparison of one area with another.

The "Poverty Limit" was originally created in 1963 by Molly Orshansky at the U.S. Department of Agriculture, based on a three-fold estimate of how much a family should spend on adequate but plentiful food. The most common "objective" definition of poverty is that it is given as a statistical measure defined as the annual income required for a family to survive. It should be noted that a clear definition of poverty will be the basis for the development of political and regulatory documents aimed at defining the development of poverty programs to combat poverty.

If, according to the statistical measure defined as the annual income required for a family's survival, "... taking into account inflation, the poverty line for a family of four, if we look at U.S. census data," ... annual income in 2018 \$ 25,100 in revenue "⁵. Studies show that this figure varies from state to state (\$ 25,100 for the District of Columbia, \$ 31,380 for Alaska, \$ 28,870 for Hawaii, etc.), which also allows us to identify many problems related to the concept of regional differences.

Regardless of how we look at the "science" of poverty, or what we call "knowledge about poverty," it is important to note that the definition of poverty and the policy of eradicating it are shaped by political bias. It is this status that analyzes and hides the political nature of social and economic inequality, the inequality of interests, which inevitably turns the study of poverty into a political movement. In this sense, political programs are key factors in poverty that affect not only the choice of poverty theory, but also the definition of poverty that must be explained by each theory. Strong interests help in how poverty is discussed and how to combat and reduce it. The main task in this process is to fully identify all the information about poverty, in particular the empirical evidence about the identity of the poor and their condition, which is sufficient to reduce and eradicate poverty.

In our opinion, it is expedient to approach poverty programs from the point of view of community development and to consider programs that are available to the general public. Sar Levitan commented, "As the portfolio of such programs changes over time and from team to team, it is important to try to generalize the underlying theory that covers the process, even if it changes some details. In this task, based on its analysis, it lists many federal programs available in local areas dedicated to poverty policy in the "List of Poverty Alleviation Programs" based on programs familiar to them over many years of public work.

Various theories of poverty have been recognized in the economic and political literature, but many of these theories have not been fully classified. Studies show that almost all authors differentiate the cause of poverty according to theories that lead to individual deficiencies and broader social phenomena.

In this regard, Ryan addresses this duality in terms of "blaming the victim". Goldsmith and Blakely, on the other hand, distinguish "poverty as a pathology" from "poverty as an event or misfortune" as "a structure." Jennings focuses on racial and political dynamics and considers a number of options for these individual and social concepts. Rank: focusing on individual characteristics as a cause of poverty ". These theories are varied, each of which leads to a different type of strategy for intervening in community development.

In general, an agreement is being reached with two central elements to improve the well-being of the population, provide employment and reduce poverty. First, it shows that in poor countries, a large part of the population works in family businesses, small business and private entrepreneurship, and even in developed countries, a large part of the population is employed in small and medium enterprises.

The second element of the consensus is to define common functional areas to support private sector development, which are set out in the latest report of the UNDP Commission on Private Sector and Enterprise Development and a number of similar documents. To put it more simply, the main ways to reduce poverty are common functional areas, which include the development and support of family businesses and small businesses (Figure 4).

2. ⁵ Department of Health and Human Services. Annual Update of the HHS Poverty Guidelines. January 13, 2018, <https://www.federalregister.gov/documents/2018/01/18/2018-00814/annual-update-of-the>

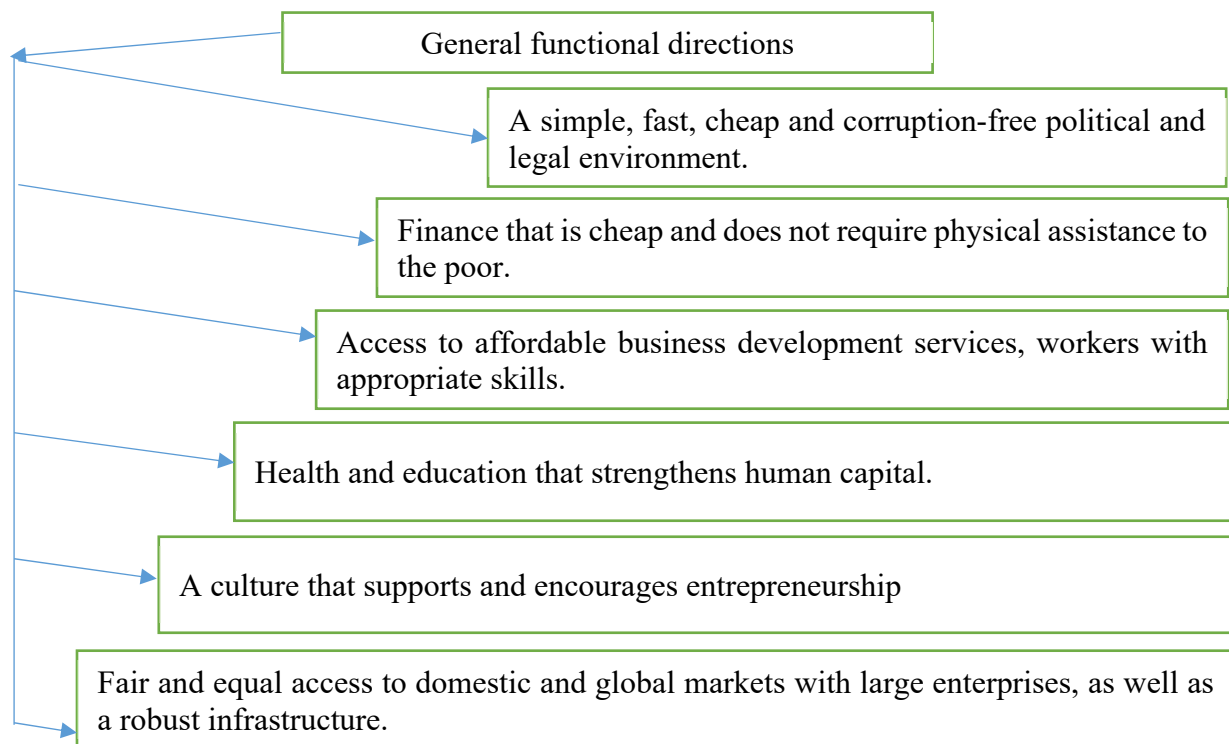


Figure 4. General functional directions of consensus

The resulting consensus (compromise) will help develop a populist strategy that encourages and helps the poor in general. However, much of this agreement remains unverified, unexplored and questionable. There are three main problems in this regard. First, while small business and family entrepreneurship are important for employment in poor countries, the long-term transformation of low-income and poor working conditions into a real sector with stable employment, income and decent productive working conditions that the process is not yet fully understood. Second, the lack of normative points in the production structure of many developing countries for medium, micro enterprises and family entrepreneurship has not been identified and much remains to be done to understand it.

III. CONCLUSION

In this regard, the country is developing measures to improve the welfare of the population and support the poor in 2020, and most importantly to reduce poverty, including: A transparent list of unemployed, needy and needy families An "Iron Book" has been established and a new mechanism has been introduced based on the principle of "motivation, skills and financial support" to lift every citizen out of poverty.

"Temir Daftar", in turn, strengthens the activities of the chairman of citizens' assemblies in cooperation with the head of the sector and the region, as well as seven categories of families in need of him to maintain the "Temir Daftar", including:

- low-income;
- with a disability;
- families in need of social protection;
- lonely elderly people;
- permanently unemployed citizens;
- Citizens who lost their jobs due to quarantine;
- Measures will be taken to lift citizens returned from difficult epidemiological areas out of poverty.

The most important factor for the people of our country to get out of poverty is the aspiration of man, based on his own strength, to move towards a clear goal. To this end, the establishment of more than a thousand vocational training centers in the regions;

- Subsidies of up to 7 million soums for the purchase of equipment for citizens who want to start their own business after completing training courses;

- The most effective factor in reducing poverty and increasing the income of the rural population is a sharp increase in productivity and efficiency in agriculture, the allocation of 10 hundred to 1 hectare of land to farming families, depending on the capabilities and development of each district;

- 500 billion soums will be allocated from the Employment Promotion and Public Works Funds to provide employment to the needy population.

It is estimated that the number of low-income people in the country is 12-15% (4.5-5 million people). Over the past 2 years, the number of recipients of social benefits has increased 1.3 times, the amount of benefits has doubled.

In short, in order to lift the population of the country out of poverty, first of all, it is necessary to develop small businesses and family businesses, and through the implementation of the tasks and reforms to achieve employment and increase incomes.

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