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Organizational and legal Foundations and the objective necessity for the development of family entrepreneurship

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Abstract

This article examines the objective necessity of developing family entrepreneurship, its role in the national economy, and its importance in promoting employment, increasing household incomes, and reducing poverty. It also analyzes the organizational and legal framework governing family entrepreneurship, the institutional conditions created by the government, and the mechanisms of state support and incentives. Based on the findings, the study proposes scientific and practical recommendations aimed at further developing family entrepreneurship, improving its operational efficiency, and enhancing its organizational and legal regulation.

Keywords

family entrepreneurship, small business, private entrepreneurship, organizational and legal framework, family enterprise, employment, household income, state support, economic development, institutional environment, business entities, business development.

INTRODUCTION

Family business and entrepreneurship have long been an integral part of the socio-economic development of Uzbekistan, historically serving as traditional forms of agricultural production, livestock breeding, and handicraft activities. These forms of economic activity are deeply rooted in the country's national customs and cultural heritage. In the context of a market economy, characterized by increasing competition and rapidly changing business conditions, only entrepreneurs who demonstrate initiative, adaptability, managerial competence, and the ability to implement scientific, technological, and innovative advancements can achieve sustainable success.

From a theoretical perspective, entrepreneurial activity can be broadly classified into two models: the classical (traditional) model and the innovative model. Under the

classical model, entrepreneurs seek to maximize profits by utilizing available resources efficiently and rationally. This approach is commonly referred to as resource-oriented entrepreneurship, where business objectives are achieved through the optimal allocation of existing resources, cost-effective production processes, and the application of established management methods and organizational practices.

In contrast, the innovative model of entrepreneurship is opportunity-oriented. It emphasizes the entrepreneur's ability to identify and exploit emerging market opportunities, respond effectively to dynamic market conditions, and introduce innovative products, services, technologies, and business management practices. This model is widely recognized as a key driver of competitiveness, productivity growth, and long-term economic development.

According to the legislation of the Republic of Uzbekistan, individuals may conduct joint entrepreneurial activities without establishing a separate legal entity in the form of family entrepreneurship, simple partnerships, or dehkan (peasant) farms.

A dehkan (peasant) farm is defined as a small-scale family agricultural enterprise, operating with or without legal entity status, where agricultural products are produced and marketed on a household land plot granted to the head of the family for lifelong inheritable possession. The activities of a dehkan farm are primarily based on the personal labor of family members and constitute one of the traditional forms of family-based entrepreneurship in rural areas.

LITERATURE REVIEW

Family entrepreneurship is widely practiced both in Uzbekistan and in many countries around the world. It is primarily based on family ownership, which represents a form of collective property in which all family members possess legally recognized ownership rights. The individual responsible for managing the family business and directing its entrepreneurial activities is regarded as the entrepreneur, while the remaining family members participate as employees or co-workers and are entitled to a share of the income generated through the business.

Recognizing the socio-economic significance of this sector, the Republic of Uzbekistan adopted the Law "On Family Entrepreneurship", which establishes the legal

framework for regulating and supporting family business activities. This legislation aims to promote entrepreneurship, strengthen family-based economic initiatives, create employment opportunities, and improve household incomes.

In both economic theory and business practice, such concepts as entrepreneurship, small, medium, and large enterprises (SMEs), small business, and private entrepreneurship are widely used to describe different forms and scales of business activity. Among these organizational forms, family entrepreneurship occupies a unique position because it combines economic objectives with family ownership, shared responsibility, and intergenerational continuity.

A family enterprise is defined as a business established, owned, and managed by members of the same family. The development of family entrepreneurship represents an objective necessity for several socio-economic reasons. It contributes to job creation, increases household income, promotes self-employment, encourages efficient utilization of family resources, supports regional economic development, and strengthens social stability. Furthermore, family businesses play an important role in preserving traditional skills and crafts while enhancing the competitiveness and sustainability of the national economy.

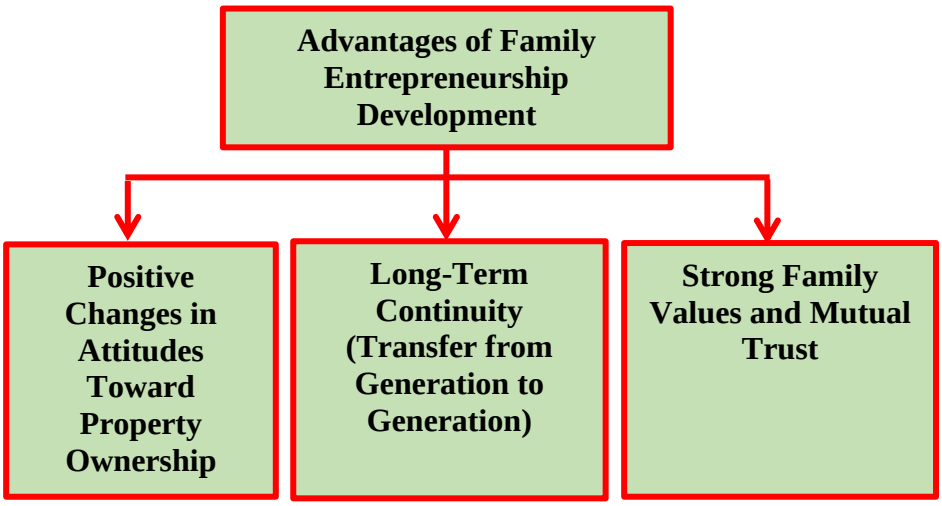

Figure 1. Advantages of Family Entrepreneurship Development

Positive Changes in Attitudes Toward Property Ownership. The development of family entrepreneurship contributes to preserving and continuing the family legacy by enabling the transfer of family values, business experience, and entrepreneurial skills to

future generations. This is particularly important for families that value their history and seek to preserve it through their business activities.

Long-Term Continuity. Family businesses are generally established with a long-term strategic perspective. Families engaged in entrepreneurial activities are interested not only in achieving short-term profitability but also in ensuring the long-term sustainability, prosperity, and well-being of future generations.

Strong Family Values and Mutual Trust. Family businesses are typically characterized by a unique organizational environment based on strong family values, mutual trust, and shared understanding. Such an environment facilitates effective decision-making, strengthens family relationships, and ultimately contributes to the long-term success and competitiveness of the business.

A family enterprise may be established in various organizational and legal forms, including a sole proprietorship, a family limited liability company (LLC), or a joint-stock company (JSC). The choice of organizational form depends on the family's objectives, operational needs, and the legal requirements established by national legislation.

The objective necessity of developing family entrepreneurship is determined by several important socio-economic factors.

First, family businesses enable family members to unite around common goals, fostering a cohesive team built on trust, cooperation, and shared values.

Second, family entrepreneurship generally possesses strong long-term development potential because accumulated business experience, reputation, and intangible assets are transferred from one generation to the next, ensuring continuity and sustainability.

Third, compared with many other forms of business organization, family enterprises are often less constrained by bureaucratic procedures and administrative formalities. Consequently, they are capable of making managerial decisions more efficiently and adapting more quickly to changing market conditions.

The organizational and legal aspects of family entrepreneurship include selecting an appropriate legal form of business organization (such as a sole proprietorship, a

limited liability company, or a joint-stock company), establishing an effective management structure, and distributing responsibilities and authority among family members. They also encompass the regulation of inheritance and succession rights, as well as the legal protection of family business interests in relationships with external stakeholders, including suppliers, customers, government authorities, and other business partners.

The organizational and legal aspects of family entrepreneurship can be effectively regulated through the implementation of relevant legislation, the company's constituent documents, and family agreements. In addition, compliance with applicable legal requirements and the establishment of effective governance mechanisms can be strengthened through the involvement of qualified legal and business advisors.

The development of family entrepreneurship is driven by objective socio-economic needs related to ensuring business continuity across generations and improving the long-term welfare of family members. Several objective factors justify the promotion and development of family businesses.

First, family entrepreneurship plays a significant role in preserving family values, traditional occupations, accumulated experience, and entrepreneurial skills. Family businesses are typically founded on long-standing family traditions and cultural heritage. Therefore, business development contributes to safeguarding these values and transferring them to future generations.

Second, family businesses enable the efficient management and utilization of key resources, including financial capital, labor, and real estate. Their development promotes the optimal allocation of these resources while creating new business opportunities and improving economic efficiency.

Furthermore, many traditional forms of family business have been passed down from generation to generation. These include handicrafts, gold embroidery, pottery, barbering, blacksmithing (such as the production of knives, axes, hoes, agricultural tools, and horse harnesses), tailoring, carpentry (including furniture, chests, cradles, and basket weaving), and livestock-related activities such as butchery and shepherding. These traditional occupations represent an important component of the country's cultural

heritage while simultaneously contributing to employment creation and local economic development.

The sustainable development of any business activity, particularly family entrepreneurship, primarily depends on the establishment of a sound organizational and legal framework. Such a framework provides legal certainty, improves management effectiveness, protects the rights and interests of family members, and creates favorable conditions for the long-term growth and sustainability of family enterprises.

METHODS

The legal framework governing family entrepreneurship in the Republic of Uzbekistan is based on a comprehensive system of constitutional provisions, laws, and regulatory acts, which are continuously being improved to meet the evolving needs of the national economy. The principal legal documents include the Constitution of the Republic of Uzbekistan, the Law "On Enterprises", the Law "On Family Entrepreneurship" (Law No. 327, adopted on 26 April 2012), the Family Code, the Labour Code, and other applicable legislative and regulatory acts currently in force in the country.

At present, family entrepreneurship in Uzbekistan may be organized in several legal forms, including family enterprises, sole proprietorships, limited liability companies (LLCs), joint-stock companies (JSCs), and family partnerships. The choice of an appropriate organizational form depends on the objectives, available resources, financial capacity, business needs, accumulated family experience, and other motivating factors, such as market competition, entrepreneurial aspirations, and the desire to preserve family traditions.

One of the principal drivers of family entrepreneurship is the intention to preserve the family business legacy and transfer it to future generations. Family enterprises are generally established on the basis of long-term objectives and shared family values, with business owners demonstrating a strong commitment to ensuring the sustainable development and continuity of the enterprise. Such an approach enhances business stability and facilitates long-term strategic planning.

Family businesses also tend to demonstrate greater flexibility in managerial decision-making. Owing to strong family relationships and mutual trust among family members, both strategic and operational decisions can often be made more rapidly and efficiently than in many other forms of business organization. This flexibility enables family enterprises to respond promptly to changing market conditions while minimizing transaction and administrative costs.

The organizational dimension of family entrepreneurship includes defining the roles and responsibilities of family members, developing a family constitution or internal charter governing relationships and business principles, and establishing effective mechanisms for corporate governance, conflict resolution, and collective decision-making.

From a legal perspective, family enterprises may encounter specific issues related to property rights, taxation, labor legislation, inheritance, and other legal matters. Therefore, obtaining professional legal advice and consulting qualified attorneys and business advisors is essential to ensure legal compliance, protect the interests of family members, and support sustainable business development.

In the management of a family business, decision-making may be exercised individually by the head of the family (father, mother, or another family member appointed by mutual agreement). At the same time, collegial decisions jointly adopted by family members play an important role in determining the strategic direction and ensuring the effective governance of the enterprise.

Source: Adapted by the author based on the **Law of the Republic of Uzbekistan "On Family Entrepreneurship"** (Law No. 327, April 26, 2012) and other applicable legal and regulatory documents.

RESULTS

The findings indicate that strong family relationships and mutual trust among family members facilitate effective strategic and operational decision-making. As a result, family enterprises are better positioned to achieve their intended social and economic objectives.

A **family enterprise** is defined as a business entity composed of family members, employees hired under employment contracts, and other wage workers, operating in compliance with the requirements of the current legislation of the Republic of Uzbekistan.

One of the principal motivations for the development of family entrepreneurship is the aspiration to improve the family's standard of living through joint entrepreneurial activity. Family businesses are generally characterized by a long-term orientation, enabling the transfer of the enterprise from one generation to another while ensuring the financial stability and economic well-being of the family.

The study also demonstrates the importance of regulating legal relationships among family members and clearly defining their roles and responsibilities within the business. These arrangements may be formalized through a partnership agreement or the company's charter, which specifies the rights and obligations of each family member, decision-making procedures, profit distribution mechanisms, business management practices, and ownership arrangements.

Furthermore, the establishment of an effective governance and communication system within both the family and the enterprise is essential for sustainable business development. Clearly defining business objectives, separating family and business interests, and developing effective conflict-resolution procedures contribute significantly to the successful operation of family enterprises.

The results further suggest that consulting specialists in legal and business advisory services enables family enterprises to design more efficient organizational structures, improve corporate governance, and ensure compliance with legal requirements.

The study confirms that a family enterprise represents a distinctive form of entrepreneurship in which family members play a central role in business ownership, management, and strategic decision-making. The development of family entrepreneurship is determined by the objective needs and aspirations of the family as well as by external economic, legal, and market factors affecting business performance.

The objective need for developing family entrepreneurship may be explained by several key factors (Figure 2):

- **Preservation of Family Heritage.** Family businesses are frequently transferred from one generation to the next. Consequently, business development serves as an important mechanism for preserving family history, traditions, and values.

- **Economic Independence.** The development of family entrepreneurship contributes to greater financial stability and economic independence by providing sustainable income, improving household welfare, and reducing economic vulnerability.

- **Business Expansion and Growth.** The development of family businesses creates opportunities to expand into new markets, attract new customers, introduce innovative products and services, increase profitability, and strengthen long-term competitiveness.

Preservation of Family Heritage. Family businesses are often transferred from one generation to another, making business development an essential mechanism for preserving family history, traditions, and core values. Intergenerational succession ensures the continuity of entrepreneurial knowledge, accumulated experience, and cultural heritage.

Economic Independence. The development of family entrepreneurship contributes to economic stability and financial independence by generating sustainable income, improving household welfare, and enhancing the long-term economic security of family members.

Expansion and Growth. Business development enables family enterprises to expand into new markets, attract additional customers, introduce new products and services, increase profitability, and strengthen their competitive position in the marketplace

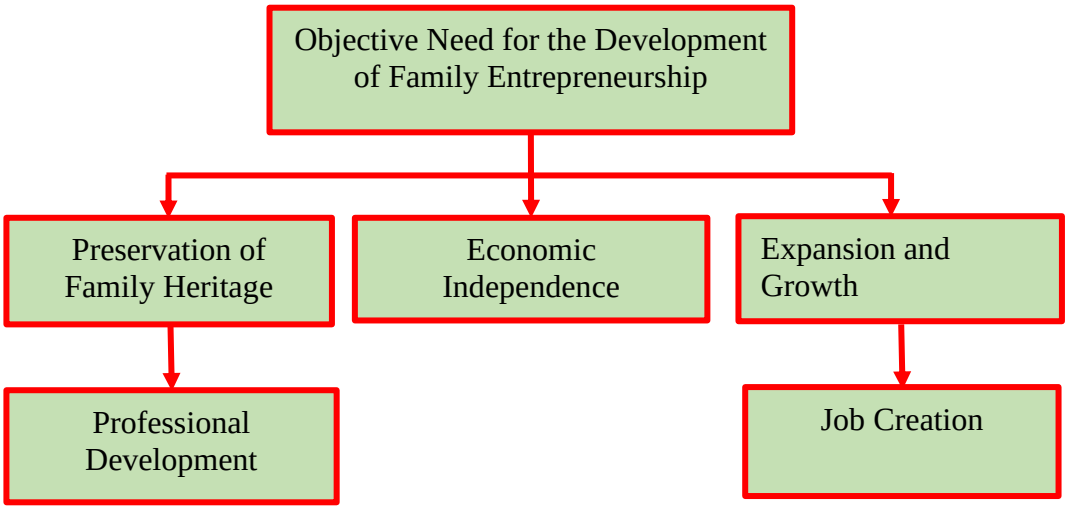

Figure 2. Objective Need for the Development of Family Entrepreneurship.

.**Professional Development.** Participation in family businesses encourages family members to improve their professional competencies, acquire new knowledge and skills, and enhance their managerial and entrepreneurial capabilities.

Job Creation. The expansion of family entrepreneurship creates employment opportunities not only for family members but also for the wider community, thereby contributing to regional economic growth, poverty reduction, and social development.

Since gaining independence, the Republic of Uzbekistan has consistently implemented systematic and gradual reforms aimed at promoting small business, private entrepreneurship, and the farming movement while increasing the contribution of the private sector to the country's Gross Domestic Product (GDP). As part of these reforms, a comprehensive legal framework has been established to ensure the free and independent development of the private sector, and this framework continues to be strengthened and improved.

These achievements demonstrate that the country has created the necessary political, economic, and social conditions for deepening democratic reforms and advancing them to a new stage of development. At the same time, expanding the scope of these achievements and introducing new legal mechanisms to support entrepreneurial activity remain essential requirements of the country's ongoing economic transformation.

Today, family entrepreneurship is recognized as one of the most important instruments for promoting employment and improving household welfare. It is widely regarded as a fundamental pillar and driving force of the national economy because of its significant contribution to income generation, business sustainability, and regional development. One of the distinctive characteristics of family businesses is that they develop in harmony with long-established family traditions and cultural values.

International experience further demonstrates the importance of family entrepreneurship. For example, approximately one-quarter of family-owned businesses in the United Kingdom have remained under family ownership for nearly four

generations, reflecting their long-term sustainability and continuity. Similarly, in Sweden, approximately 61% of the employed population is engaged in family-owned businesses, highlighting their substantial contribution to national employment and economic development.

According to the **International Family Enterprise Research Academy (IFERA)**, family businesses continue to play an increasingly significant role in the economies of developing countries. In many of these countries, family enterprises account for up to **55% of Gross Domestic Product (GDP)**, demonstrating their considerable contribution to economic growth and national competitiveness.

These international experiences indicate the necessity of further strengthening the legal and institutional framework for family entrepreneurship in Uzbekistan. The country possesses favorable conditions and extensive practical experience for the successful development of this sector. In particular, many family professions and traditional occupations have been preserved and transmitted across generations. These include handicrafts, carpentry, baking, beekeeping, fisheries, livestock farming, agriculture, sericulture, horticulture, viticulture, metalworking, leather craftsmanship, jewelry making, decorative painting, pottery, wood carving, knife making, textile production, and fur processing. Promoting family enterprises in these traditional sectors contributes not only to preserving national cultural heritage but also to creating employment opportunities and stimulating local economic development.

In addition, the expansion of family entrepreneurship in the household services sector represents another promising direction for increasing employment, improving service quality, and supporting sustainable socio-economic development.

It is evident that, in developing new legislation on family entrepreneurship in the Republic of Uzbekistan, particular attention should be paid to the distinctive characteristics of family businesses. The legal framework should be designed to reflect the specific organizational, managerial, and socio-economic features that differentiate family enterprises from other forms of business.

First, it is essential to clearly define the types of business activities eligible for registration as family entrepreneurship and to introduce simplified registration

procedures that eliminate unnecessary bureaucratic barriers. In addition, the legal status of family enterprises should be further clarified to ensure legal certainty and effective regulation. In this regard, ongoing government reforms aimed at improving the establishment and operation of small businesses and private entrepreneurial entities should be taken into account, while also incorporating international best practices in family business governance.

Furthermore, it is necessary to clearly define the rights and obligations of family entrepreneurship entities as well as the legal relationships among family members participating in the business. Family members should have the right to participate in the management of the enterprise, contribute to strategic and operational decision-making, oversee financial and business activities, represent one another within the limits established by law or internal regulations, and receive a share of the enterprise's profits in accordance with the company charter. They should also be entitled to receive appropriate compensation upon voluntary withdrawal from the enterprise under the procedures established by the charter.

In addition, family members engaged in the business should enjoy social insurance coverage and have their periods of employment recognized as part of their official employment record in accordance with national labor legislation. They should also have the right to produce goods, perform works, and provide services consistent with the enterprise's registered activities and to market these products independently or through other legally permitted channels. After fulfilling all tax liabilities and mandatory payments, family members should be entitled to dispose of the income generated from entrepreneurial activities in accordance with applicable legislation. They should likewise enjoy other rights and benefits guaranteed under the laws of the Republic of Uzbekistan.

Owners of family enterprises should personally participate in the entrepreneurial activities of the business through their own labor. Consequently, temporary work that constitutes the core activity of the enterprise should, as a general principle, be performed by family members rather than by individuals who are not members of the family. Furthermore, family business owners should bear joint liability for the enterprise's

property obligations and, where required by law, assume responsibility for business debts with their personal property in cases such as insolvency.

Finally, family members who work on a permanent basis within the enterprise should be recognized as regular employees. Their employment relationships should be formally documented, including the maintenance of official employment records in accordance with national labor legislation. Such measures contribute to strengthening legal protection, improving labor rights, and ensuring the sustainable development of family entrepreneurship.

DISCUSSION

At present, approximately one-quarter of household income in Uzbekistan is generated through entrepreneurial activities. In the long term, increasing this share to around 50% would significantly improve household welfare and strengthen the country's socio-economic development. This objective is particularly important for Uzbekistan because of its demographic structure. While in many European countries one employed person supports, on average, approximately 0.7 dependents (children and retirees), this figure is about 2.7 in Uzbekistan. Under such conditions, wage income alone is often insufficient to meet household needs. Therefore, expanding family entrepreneurship represents an effective mechanism for improving living standards and ensuring the long-term financial security of families.

The principal areas of family entrepreneurship include small businesses, sole proprietorships, farming enterprises, and dehkan (household) farms, all of which are based on family ownership. A substantial proportion of family-owned assets was formed during the privatization of state property carried out throughout the country's economic reforms. As a result, favorable institutional and economic conditions have gradually been established to support the development of family entrepreneurship and other small business activities.

Another important priority is to ensure the efficient and rational utilization of real estate, regardless of whether it is publicly or privately owned. Effective management of these assets contributes directly to accelerating economic growth and increasing national productivity.

The efficient utilization of property benefits both the state and private owners. Conversely, maintaining underutilized or idle state-owned assets imposes economic costs and reduces overall efficiency. Therefore, transferring such assets to private ownership, even at preferential prices when appropriate, may generate greater economic and social benefits. This approach has already been incorporated into the country's privatization policy.

The productive use of previously idle assets provides several important socio-economic benefits. First, it creates new employment opportunities. Second, it increases the production of goods and services for domestic markets. Third, it contributes to government revenues through taxation, thereby strengthening the country's fiscal capacity and supporting sustainable economic development.

One of the most significant areas of family entrepreneurship is the productive use of household land plots (homestead plots). Given that approximately 49.4% of Uzbekistan's population resides in rural areas and about 28% of the economically active population is employed in agriculture, improving agricultural productivity remains a strategic priority. Household (dehkan) farms account for approximately 62% of total agricultural output and nearly 90.7% of livestock production, highlighting their substantial contribution to national food security and rural livelihoods.

In recent years, particular emphasis has been placed on improving the efficiency of household land use. The Government of Uzbekistan has adopted numerous presidential decrees, resolutions, and other regulatory measures aimed at providing financial support to household landowners and increasing agricultural productivity. These policy measures include the Presidential Resolution "On Additional Measures to Improve the Activities of Farmers, Dehkan Farms and Household Landowners" (26 April 2018), Presidential Resolution No. PQ-4633, "On Measures for the Broad Introduction of Market Principles in the Cotton Sector" (6 March 2020), Presidential Resolution No. PQ-4634, "On Measures for the Broad Introduction of Market Principles in Grain Production, Procurement and Marketing" (6 March 2020), and the Presidential Decree adopted on 26 February 2021.

These reforms have strengthened financial support mechanisms for household landowners while promoting more efficient utilization of agricultural land and higher crop productivity. According to official statistics, Uzbekistan has 32,442 farms and agricultural enterprises cultivating approximately 205.2 thousand hectares of orchards, of which 52.8 thousand hectares (25.7%) are intensive orchards. Water-saving irrigation technologies have been introduced on approximately 28 thousand hectares (53%) of these intensive orchards, resulting in improved resource efficiency and the creation of approximately 1,300 new jobs.

These findings demonstrate that enhancing the efficient use of available land resources and increasing agricultural productivity remain among the government's key priorities for strengthening family entrepreneurship, promoting rural employment, and ensuring sustainable economic development.

RECOMMENDATIONS

Unemployment and family welfare are closely interconnected. An unemployed individual is not isolated from society but is a member of a family whose economic well-being is directly affected by employment status. When at least one family member has stable and sufficient employment, the household's living standards improve; conversely, prolonged unemployment may significantly increase the risk of poverty. Therefore, it is important to foster an entrepreneurial culture in which every family is encouraged to engage in productive economic activity, thereby reducing unemployment and enhancing household welfare.

At present, both the legal and institutional conditions necessary for conducting entrepreneurial activities have been established not only in urban areas but also in rural communities. The existing legislative framework and supporting regulatory mechanisms provide favorable opportunities for families to establish and develop their own businesses.

The legal basis for the development of family entrepreneurship has been considerably strengthened through a series of legislative reforms. Among the most significant are the revised Law of the Republic of Uzbekistan "On Guarantees of the Freedom of Entrepreneurial Activity" (2 May 2012), Presidential Resolution No. PQ-

3318, "On Organizational Measures for the Further Development of the Activities of Farmers, Dehkan Farms, and Household Landowners" (10 October 2017), and the Law of the Republic of Uzbekistan "On Family Entrepreneurship", adopted on 16 March 2012. The adoption of these legislative acts has accelerated economic reforms, improved the business environment, and played an important role in increasing household income and strengthening family welfare.

From a theoretical perspective, regions characterized by a well-developed small business sector generally experience lower levels of unemployment. Individuals who are unable to secure wage employment are more likely to engage in entrepreneurial activities when an enabling institutional environment exists. In this context, family entrepreneurship serves as one of the most effective mechanisms for self-employment, income generation, poverty reduction, and sustainable socio-economic development.

Based on the findings of this study, the following recommendations are proposed:

1. **Further improve the legal and institutional framework** governing family entrepreneurship by simplifying business registration procedures and reducing administrative barriers.

2. **Expand financial support mechanisms**, including preferential loans, grants, and tax incentives, particularly for newly established family enterprises operating in rural areas.

3. **Strengthen entrepreneurial education and professional training** through specialized programs aimed at improving business management, financial literacy, digital skills, and innovation capacity among family business owners.

4. **Promote intergenerational business succession** by developing legal mechanisms and advisory services that facilitate the transfer of family businesses, entrepreneurial knowledge, and traditional skills to younger generations.

5. **Encourage the commercialization of traditional family occupations**, including handicrafts, agriculture, livestock production, and household services, to enhance employment opportunities and preserve national cultural heritage.

Implementation of these recommendations would contribute to increasing employment, improving household incomes, strengthening regional economic development, and enhancing the long-term sustainability and competitiveness of family entrepreneurship in Uzbekistan.

The existence of unemployment, although unfavorable for unemployed individuals, may generate certain positive effects from a broader socio-economic perspective. First, unemployed individuals constitute a potential labor reserve that can readily engage in new employment opportunities or entrepreneurial activities when favorable conditions arise. Second, the possibility of becoming unemployed encourages employed individuals to maintain labor discipline, continuously improve their professional qualifications, and enhance their competitiveness in the labor market. Third, unemployment may stimulate the activities of labor unions, encouraging them to advocate for improved working conditions, higher wages, and more effective systems of financial and non-financial employee incentives. Fourth, concern over possible unemployment often motivates employees to work more efficiently and productively, thereby contributing to national economic growth. Consequently, these circumstances encourage family members to invest in education, professional development, and lifelong learning.

CONCLUSION

Unemployment has adverse economic and social consequences for both families and society. First, unemployed individuals do not contribute to the creation of national income or to improving household welfare. Second, prolonged unemployment may lead to the deterioration of previously acquired professional skills and work experience. If an individual is unable to find employment in their original profession, considerable financial resources and time may be required to acquire a new occupation. Third, unemployment often results in psychological stress and reduced self-confidence. In such situations, the family plays a crucial role by providing emotional support and encouraging individuals to re-enter productive economic activity.

For these reasons, the development of family entrepreneurship should be regarded as one of the strategic priorities for Uzbekistan's socio-economic development.

Expanding family businesses not only creates employment opportunities but also increases household income, reduces poverty, strengthens family welfare, and promotes sustainable economic growth.

Establishing a family enterprise is a complex and multi-stage process that requires compliance with legal, organizational, and economic requirements. A family enterprise may be defined as any business in which the majority of ownership or managerial control belongs to members of the same family and where one or more family members actively participate in its operations.

Family entrepreneurship takes different organizational forms in urban and rural areas. Urban family enterprises typically operate in sectors that are less attractive to large and medium-sized businesses, whereas rural family businesses are primarily represented by dehkan and farming enterprises. These sectors differ significantly with respect to their operating conditions, resource requirements, and business development opportunities.

In urban areas, family entrepreneurship is commonly concentrated in small-scale wholesale and retail trade, household and personal services, restaurants, teahouses, cafés, bars, passenger transportation, repair and construction services, accounting, auditing, and other service-oriented activities.

An important component of family entrepreneurship is represented by large family-controlled corporations, joint-stock companies, and family business groups, where controlling ownership has remained within the same family for several generations. Such enterprises demonstrate the long-term sustainability and continuity of family ownership and management.

The findings of this study indicate that family entrepreneurship offers several important advantages:

1. **High flexibility and innovation capacity**, enabling rapid adaptation to changing market conditions and consumer demands.

2. **Strengthening of the family institution** by promoting family cohesion, facilitating the successful upbringing and socialization of children, and contributing to the solution of demographic and social challenges.

3. **Greater production efficiency and productivity**, as family members typically demonstrate stronger commitment, higher motivation, and greater responsibility for business performance and long-term sustainability.

Overall, the expansion of family entrepreneurship represents an effective mechanism for promoting employment, increasing household income, preserving family traditions, encouraging intergenerational business continuity, and supporting the sustainable economic development of Uzbekistan.

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