

COMPETITIVENESS OF A FAMILY BUSINESS WAYS TO IMPROVE

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**Abstract:** The introduction of the previously described ways and mechanisms to increase the competitiveness of the family business in our country will ultimately ensure the rapid development of this sector and create the basis for increasing the level of use of its economic opportunities.

**Key words and phrases:** family business, competitiveness, economic potential, high technology, innovation, family business, market infrastructure, individual business, limited liability company, joint stock company, state (unitary) enterprise, production cooperative, business associations.

**Introduction.** Today, the competitiveness of family business in the conditions of Uzbekistan is largely related to ensuring the competitiveness of small businesses. It should be noted that it is not logical to interpret small business as a separate branch of the economy, but to distinguish it as an area representing a set of economic entities with a general description according to certain organizational and economic characteristics can be shown.

The competitiveness of small business is necessary to maintain the ability of self-reproduction of this sector both at the level of the national economy and the world economy. Also, the competitiveness of small business represents the level of potential and opportunities of this sector in fulfilling its tasks in the economy.

"Competitiveness of small and medium-sized business structures can be defined as the ability of business structures to show variability and adapt to constant changes in the external environment in order to increase, decrease or maintain their share in the market, depending on the company's strategy." [1] Accordingly, the competitiveness of family business can be expressed as the ability of a set of economic entities organized in this form to demonstrate their efficiency.

The competitiveness of a family business mainly depends on the level of conditions created for its effective operation (favorable environment, state order, level of cooperation with large enterprises, setting of benefits and preferences, etc.). From this point of view, state regulation of the competitiveness of family business is of great importance. The main principle in this is not direct intervention in the formation of industry competitiveness, but indirect influence methods, that is, assistance by creating equal economic conditions for the activity of family business entities.

"In order to carry out the extremely difficult task of continuing or developing a family business, first of all, a business idea is necessary. Its development and implementation is related to the assessment of the current situation. Based on these, the network and territorial structure of family business formed in our country, population employment in this field, socio-economic efficiency are evaluated. In this way, directions for expanding this activity, principles and criteria for its sustainable development, and mechanisms for creating a suitable business environment for family enterprises to operate stably for a long time will be developed. In this, extensive study of foreign experience is required" [2].

In our opinion, relevant line ministries and agencies are responsible for ensuring the level of competitiveness of small, including family, businesses in the national economy. Because small and family business entities are the most dynamic part of every branch of the economy, although they are small in scale, they provide flexibility to the activity of the branch. Accordingly, each sector ministry or management office must work to ensure the activity of small and family businesses within its sector to create a competitive environment.

Since family business is considered one of the organizational and legal forms of economic management, its competitiveness depends to a large extent on the study of its interrelationship with other forms of economic management. First of all, it is appropriate to dwell on the meaning of the concept of "organizational-legal form", which means the method of attaching property and using it by an economic entity, and based on this, its legal status and business activity goals are understood.

First of all, it should be recognized that family business is competing with other economic entities in the national economy. At the same time, it has aspects that express its competitiveness with other forms, giving it the quality of competitiveness. In order to get a deeper and wider picture of these aspects, we will consider the aspects that increase and decrease competitiveness of various organizational and legal forms of business management (table-1).

**Table-1**

**Aspects of increasing and decreasing competitiveness of various organizational and legal forms of economic management [12]**

| <b>Business forms</b>      | <b>Aspects that enhance competitiveness</b>  | <b>Aspects that reduce competitiveness</b>  |
|----------------------------|--|---|
| Sole entrepreneurship      | <ul style="list-style-type: none"> <li>- conducts activities at his own expense;</li> <li>- makes business decisions independently and operatively;</li> <li>- able to respond immediately to the demands of consumers</li> </ul>  | <ul style="list-style-type: none"> <li>- unable to expand the volume of production due to limited financial resources;</li> <li>- production costs will be high</li> </ul>  |
| Limited liability company  | <ul style="list-style-type: none"> <li>- the ability to accumulate a significant amount of funds in a relatively short period of time;</li> <li>- possibility of organization by one person;</li> <li>- participation of both legal and physical persons in its activities;</li> <li>- limited liability of society members for society obligations</li> </ul> | <ul style="list-style-type: none"> <li>- that the charter fund is not less than the amount determined by the law;</li> <li>- unattractiveness for creditors due to the limited liability of society members;</li> <li>- strict determination of the upper limit of the number of society participants</li> </ul>  |
| Joint stock companies      | <ul style="list-style-type: none"> <li>- the possibility of collecting a large amount of capital;</li> <li>- the ability to immediately transfer capital from one sector to another by managing shares;</li> <li>- limited liability of shareholders (within the scope of their shares) in case of bankruptcy of the company</li> </ul>                        | <ul style="list-style-type: none"> <li>- inability of all shareholders to participate in the real management of the joint-stock company;</li> <li>- the possibility of abuse of their position by some persons who have concentrated a large part of the shares in their hands;</li> <li>- the difficulty of harmonizing corporate interests</li> </ul> |
| State (unitary) enterprise | <ul style="list-style-type: none"> <li>- there will be no shortage of funds for the enterprise;</li> <li>- the enterprise will be provided relatively stably with the volume of work (on the basis of the state order).</li> </ul>   | <ul style="list-style-type: none"> <li>the appearance of the founder, that is, the state, as the owner of the property, reduces the effectiveness of the effective use of the property;</li> <li>the indivisibility of unitary enterprise property reduces the sense of ownership;</li> </ul>   |

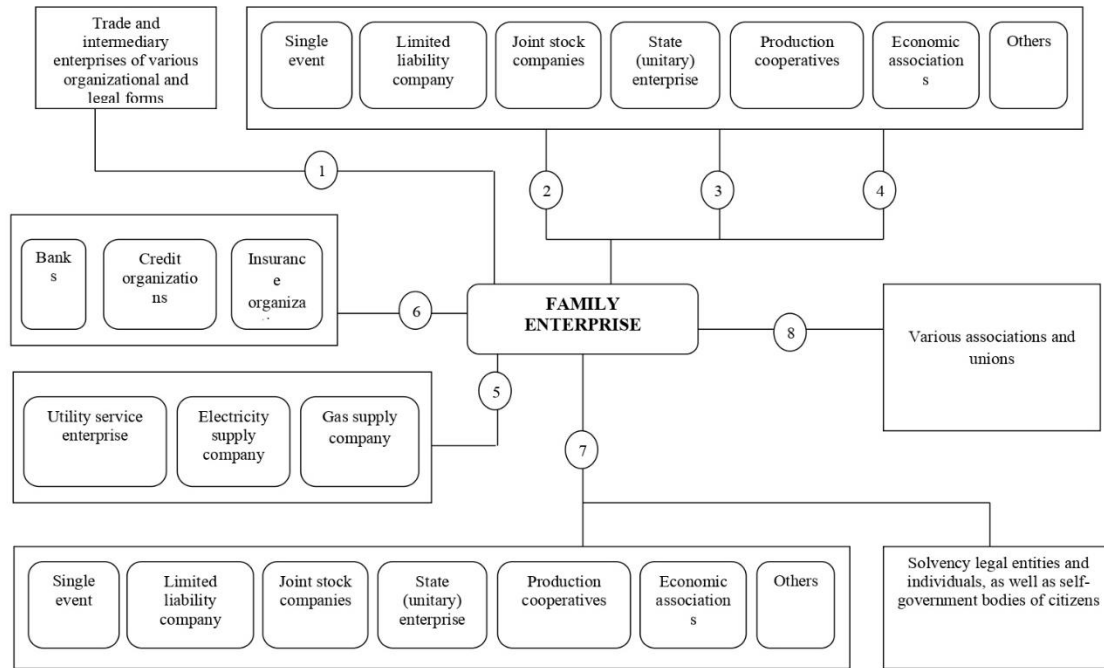
|  |  |   |
|--|--|---|
|  |  | - the appointment of a sole manager by the owner of the enterprise affects the efficiency of management   |
| Production cooperatives                              | - the distribution of profit in proportion to the contribution of labor creates an interest in cooperative members' conscientious attitude to labor;<br>- the fact that the number of cooperative members is not limited by legislation creates great opportunities for individuals to enter the cooperative;<br>- all members have equal rights, each of them has only one vote | - the fact that the minimum number of members of the cooperative is strictly determined limits the possibilities of their organization;<br>- each member has limited liability for cooperative debt |
| Economic associations (physical and legal entities). | - allows to increase the volume of production resources involved   | - the existence of several owners in the enterprise reduces the efficiency of making business decisions   |
| Small business entities                              | - cleanliness (obviousness) of economic activity, ease of management   | - limited production and financial resources lead to high production costs  |
| Large enterprises                                    | - low production costs due to large production volumes   | - low management efficiency;<br>- low interest of employees in the final results of the activity  |

Based on the information in the above table, we analyze the competitiveness of family business as an organizational and legal form of economic management. (2- table).

From the data of the table, it can be seen that, in terms of competitiveness, family business has a lot of advantages compared to other organizational and legal forms of business, but it also has a number of negative aspects that can reduce competitiveness. Accordingly, in economic practice, it is important not to accept family entrepreneurship as an absolute perfect form, but to use the factors that influence it to increase its positive aspects and reduce its negative aspects as much as possible based on each specific situation.

**Analysis of the competitiveness of family business as an organizational and legal form of business management**

| <b>Analysis directions</b>  | <b>Aspects that enhance competitiveness</b>   | <b>Aspects that reduce competitiveness</b>  |
|---|---|---|
| Organization of activity  | conducts activities at his own expense;<br>the economy will have a relatively wider opportunity to accumulate funds;<br>organized by family members or close relatives;   | - limitation to family members limits access to potential resources with higher productivity;<br>- limited production and financial resources lead to high production costs   |
| Management efficiency   | - makes business decisions independently and operatively;<br>- transparency (clear visibility) of economic activity, ease of management;<br>- the manager is elected by natural (father, mother or eldest child, a family member recognized from all sides) and generally accepted;<br>- harmony and harmony in the family have a positive effect on the efficiency of management | - negative impact of personal relations in the family (disagreements, disputes and conflicts) on management efficiency;<br>- the possibility of abuse of family relations   |
| The level of realization of the interests of the company's employees        | - since employees are composed of family members and relatives, common interests are at the highest level;<br>- mutual understanding and respect are in the leading place in the work process   | - the possibility of an approach to the distribution of labor processes and results based on the level of kinship rather than on the employee's ability and contribution;<br>- the possibility of neglecting the current needs of some members while striving for the general development of the family |
| Operability in economic activity, level of response to the market situation | - in the division of labor, the ability and talent of each member are taken into account at a high level, which ensures the quality and efficiency of work;<br>- mutual understanding between members increases the efficiency of making and implementing business decisions;<br>- able to respond to the demands of consumers immediately  | - lowering the quality of work of a family member in cases where he is not a mature specialist;<br>- negative impact of personal relationships in the family on the efficiency and quality of economic activity   |



**Figure 1. Other organizational and legal aspects of the family business management system**

**interaction with forms**

The overall system picture of this process can be clearly visualized by the diagram in Figure 1.

It can be seen from the diagram that a family enterprise can use the services of various types of trade and intermediary enterprises in the realization of the products produced by it on cash and (or) non-cash settlement(1).

State bodies carry out the tasks of supporting the development and strengthening of family enterprises through various forms of entrepreneurship and economic management, institutions and agencies. (2); allotment of land to a family enterprise for construction of production areas (3); they ensure the connection of the production facilities of the family enterprise to the engineering and communication networks (4).

Also, utilities, electricity and gas supply enterprises ensure the delivery and connection of the necessary communication networks to the place where the activities of the family enterprise are carried out, according to the tariffs and on the basis of the conditions established for the population (5).

Lending to a family enterprise is carried out on the basis of a loan agreement concluded with a bank or other credit organization, and banks, other credit or insurance organizations can act as guarantors when granting loans to a family enterprise (6). At the same time, solvent legal entities and individuals, as well as citizens' self-government bodies, can be guarantors in accordance with the procedure established by law (7). In order to protect their rights and interests in the conditions of market relations, family enterprises may join associations (associations) and other associations in accordance with the law through institutions of various forms (8). From the above comments, it is clear that the family business can effectively fulfill its economic tasks only if it establishes a systematic connection with other organizational and legal forms of economic management.

At the same time, it would be appropriate to include the following among the main tasks of state structures regarding the development of family entrepreneurship on the scale of the regions of

our republic. These include: studying the possibilities of organizing family business in the regions, developing and implementing a program based on this, coordinating and supporting the activities of organizing and developing family business, solving existing problems in a quick manner, family business in the household, crafts, development of ways to research and further expand such forms of agriculture in the region, create normal and stable conditions for family business entities, provide them with the necessary equipment, raw materials and materials, create social guarantees for homesteaders control over its creation, organization of extensive explanation and promotion work on the development of family entrepreneurship[2].

It is known that today a significant part of family enterprises in Fergana region operates in the industry, trade, catering industry. The main reason for this is the relatively small amount of capital required for activity in these sectors and the relatively high speed of capital turnover. Although a significant share of the industrial network is noted here, the share of enterprises using high-level equipment and innovative technologies is not enough. The existence of many problems in the application of high-tech equipment and technologies is the reason why these enterprises are content with low-level equipment and technologies.

Now, based on the advanced trends in the world, the task of transitioning to modern innovations and high-tech production is being set in our country. This can be seen through the following comments expressed by President Sh. Mirziyoyev in his address to the Oliy Majlis: "Today we are moving to the path of innovative development aimed at radically renewing all spheres of state and community life. It's not for nothing, of course. Because in today's fast-paced world, who wins? The country that relies on a new idea, a new idea, and innovation will win.

Innovation is the future. If we start building our great future today, we should start it on the basis of innovative ideas and an innovative approach."[3]

It is clear from this that every enterprise, every business entity in our country needs to widely introduce innovations in its activities. For this, without a doubt, it is necessary to switch to high-tech and technological production processes.

However, research shows that there are many problems in the implementation of high-tech production processes in family enterprises, among which the following can be identified as the main ones:

- insufficient financial resources for the introduction of high technology and technology in enterprises;
- high risk of production instability in the implementation of modern innovative activities;
- the amount of capital required for activities based on high techniques and technologies;
- the length of capital turnover in modern production processes;
- non-availability or lack of small-scale, compact technologies for introducing advanced techniques and technologies in small enterprises, etc.

The experiences of foreign countries on the organization and development of family entrepreneurship and the results of research conducted within the framework of the dissertation show that today family enterprises can be used as a means of encouraging the use of modern techniques and technologies in production in our country. For this purpose, it is recommended to consider the following conditions and aspects.

First of all, the owner of a family business should receive a certain benefit and incentive from the use of high-tech equipment and technology in his activities. True, high technology means high profitability, that is, an increase in profit. However, this rule may not be effective in conditions where the principles of the market have not yet been fully formed, the environment of healthy competition and the level of economic freedom are insufficient. Accordingly, in our opinion, first of all, it is appropriate to create a sufficient incentive for family enterprises to introduce high-tech equipment and technology in their activities.

"If we study the experience of advanced and economically developed countries abroad, we can see that the basis of their development is the special attention paid to innovative activities, research and development (Research and Development) and stimulation of their commercialization. possible We can see that the state encourages innovative activities in the form of direct financial support and tax incentives. According to scientists, the importance of incentives through tax preferences and incentives in supporting innovative activities is more important than direct financing. After all, these incentives will have a long-term nature, and they will create conditions for the intensive development of not only the innovative sector, but also other industries and ensure the growth of the entire national economy."

In particular, the experience of supporting innovative activities in a number of countries of the world can be seen in the table below (Table 3).

**Table-3**

**Innovative activities in many countries of the world support experience**

| <b>Country</b>             | <b>Support form</b>  |
|----------------------------|--|
| People's Republic of China | Various deductions are applied to the taxable income for enterprises engaged in innovative activities.   |
|                            | High and New Technology Enterprises (HNTE) program applies.  |
|                            | In order to receive statutory preferences for research and development, the enterprise must have the status of high and new technology.  |
|                            | According to Article 28 of the Corporate Income Tax Law of China, the profit tax for high and new technology enterprises is set at 15% less than the rate established by the law.  |
| Japan                      | An accelerated depreciation system is used for scientific equipment.   |
|                            | There are special incentives for purchasing foreign technologies.  |
|                            | Special deductions apply for research and development expenses.  |
| Republic of Belarus        | Profits from the sale of innovative goods and high-tech goods are exempted from profit tax for legal entities.   |
|                            | Turnovers on the realization of property rights to inventions, utility models, industrial samples, breeding achievements, topologies of integrated microcircuits, production secrets (know-how) are exempted from value added tax (VAT). |

Based on the above considerations, experts emphasize the following points. "For the development of scientific and technical development in the Republic of Uzbekistan, as well as for the development of innovations, it is important to strengthen the support of these innovative activities through taxes. The current tax legislation does not contain many provisions aimed at the development of innovative activities through tax incentives. Only Article 208 of the Tax Code stipulates that the turnover of scientific research and innovation works carried out at the expense of budget funds is exempted from value added tax. That is, only innovation works performed by scientific research institutions or recipients of budget funds, which are considered budget organizations, can be exempted from VAT.

It is necessary to apply the above privilege for scientific research and innovation works carried out at the expense of non-governmental organizations or private funds. The introduction of this amendment will lead to the exemption from VAT of the turnover related to the realization of scientific research and innovation works carried out by any organizations, regardless of the form of ownership, and will be an additional incentive for business entities engaged in innovative activities.

Also, if the tax legislation of the Republic of Uzbekistan includes a rule on deducting from the taxable income the costs incurred by enterprises related to the implementation of scientific research and the creation of new technologies, new products and new techniques, then the business entities will have to pay every what expenses they would have made without fear".

Accordingly, in our opinion, in Uzbekistan, as well as all private enterprises, it is appropriate to establish certain tax incentives for the part of production carried out with the introduction of modern innovative technologies and techniques for family enterprises.

However, before that, it is necessary to determine the procedure and criteria for determining the level of innovation, i.e. novelty, of the techniques and technologies used by the family enterprise.

First of all, the policy in this regard should be implemented under the joint leadership of the Ministry of Innovative Development and the Ministry of Economy and Industry. Also, the Chamber of Commerce and Industry, the relevant branch ministry or office to which the family enterprise belongs, should actively participate in the assessment of the level of modernity of the equipment in the branches. Because it is important to implement differentiated incentive measures based on the specific characteristics of each branch, the possibility of introducing high technologies in them.

For example, when developing criteria in this regard, it is appropriate to take into account the following main aspects:

- the level of newness of the equipment (year of manufacture, to which "generation" it belongs);
- its productivity (productivity) (the ability to produce a certain amount of products during a certain period of time);
- the degree of incorporation of the results of the technical revolution (for example, regarding digital technology);
- level of savings, etc.

At the same time, in the process of innovation and the use of modern technology in a family business, financial failure and losses may occur. In order to prevent the negative impact of this situation on innovative processes in the network, it is advisable to establish a fund for compensation for extraordinary damage caused by the competent authorities and organizations.

The emergency compensation (guarantee) fund can be composed of the funds of the Ministry of Innovative Development, the branch office or ministry to which the family enterprise belongs, interested ministries, sponsors, entrepreneurs, and others. According to its content, it will have the description of a venture fund. It is appropriate to stratify the damage caused by this fund based on the size and level of innovations in the family enterprise.

It is also important to introduce special low-interest loans of commercial banks for modern technologies in encouraging the wide introduction of innovations in family enterprises. It should be noted that in case of lack of financial resources for the implementation of innovative activities, it is appropriate to introduce the possibility of using interest-free loans from commercial banks by the family enterprise.

The most important link in this mechanism is the satisfaction of the family enterprise's need for compact and convenient technologies. Because today's practice shows that there is no production base of mini-technologies for small production facilities in our country. In many cases, private entrepreneurs are forced to turn to neighboring countries, including China, for the production of some spare parts for their technologies and technical equipment.



Accordingly, in our opinion, it is appropriate to implement the process of providing family enterprises with modern mini-technologies in two stages:

- 1) to systematically find and buy high-quality and relatively cheap mini-technologies from foreign countries, which are in high demand for a short period of time;
- 2) in the medium and long term (5-10 years) it is necessary to form and develop the basis of the national production of mini-technology.

The implementation of the above-mentioned ways and mechanisms of increasing the competitiveness of family business in our country will ultimately ensure the rapid development of this sector and increase the level of use of its economic potential.

In short, to ensure social and economic development in our republic, as well as to ensure stable development by eliminating some problems arising in some industries and sectors in the regions, effective use of the unique features and opportunities of family business as an organizational and legal form is important.

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