

RESEARCH ARTICLE

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CONCEPT AND CLASSIFICATION OF ENTREPRENEURSHIP ENTITIES

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Abstract

This article provides an overview of the concept and classification of business entities, focusing on the main characteristics and legal definitions of an individual entrepreneur and family entrepreneurship. In addition, the role of regulatory measures in promoting and supporting entrepreneurial activity in Uzbekistan is discussed, with an emphasis on legislative provisions aimed at developing small businesses and private entrepreneurship as vital components of economic stability and employment. The classification of business entities in Uzbekistan is detailed according to their organizational and legal forms, types of activities and ownership structures.

Keywords Business entities, individual entrepreneur, family entrepreneurship, legal framework, economic development, small business, regulatory support, classification of enterprises.

INTRODUCTION

The entire history of human societal development traces back to ancient times, where activities like production, exchange, and service provision were limited to satisfying primary needs. With the advent of conscious labor and the advancement of human thought, these fields evolved into sectors and industries, sparking diverse perspectives grounded in scientific frameworks. The significance of entrepreneurship throughout its stages of development is closely tied to concepts such as "entrepreneur," "entrepreneurship," and "entrepreneurial entity." Without clearly defining these concepts, it is impossible to improve the management of entrepreneurial activities.

To define the concept and status of entrepreneurship entities, it is essential to understand the essence of the terms "legal subject" and "subject of civil law." A legal subject is a broad legal category that includes all participants in

social relations who hold rights and obligations under current legislation. As each branch of law has its subjects, entrepreneurship law also has distinct subjects.

All subjects of civil law are generally referred to as "persons," divided into three groups:

1. Individuals (natural persons), encompassing citizens of the Republic of Uzbekistan, foreign nationals, and stateless persons;
2. Legal entities, which include organizations aiming to generate profit (commercial organizations) and those that do not (non-commercial organizations). These may take the form of domestic, foreign, or joint ventures within the Republic of Uzbekistan;
3. The state, which acts as an independent subject either directly or through administrative-territorial units or government agencies on its

behalf.

The term "entrepreneur" was first introduced by French economist Richard Cantillon in the 1720s. According to Cantillon, an entrepreneur is someone who buys goods at a known price and sells them at an uncertain price. Adam Smith later expanded on this concept, describing the entrepreneur as a proprietor who undertakes business ventures to earn profit by taking calculated risks. Entrepreneurship entails assessing market opportunities, utilizing them, and implementing innovative ideas.

In the words of Amir Timur, "A diligent, courageous, and determined entrepreneur is far more valuable than countless indifferent people." Thus, entrepreneurship is viewed as a multi-faceted activity involving the art of management, creativity, free expression of initiative, innovation, and readiness for risk. To engage in entrepreneurship, one must possess skill, intelligence, and alertness, which are essential qualities.

The legislature defines entrepreneurship as an independent, initiative-driven activity conducted by entrepreneurship entities in accordance with legislation, involving risk and personal property responsibility to generate income (profit).

Subjects of entrepreneurship law are those individuals or entities authorized to engage in entrepreneurial activities.

Both natural and legal persons can participate in civil legal relations as entrepreneurs or without obtaining such a status. The difference is that within entrepreneurial legal relations, the subject always operates at risk, assuming responsibility and aiming to earn profit.

Since gaining independence, Uzbekistan has made significant efforts to enable small businesses and private entrepreneurship to play a crucial role in increasing GDP, improving welfare, addressing

unemployment, and fostering economic growth. Legislative reforms have opened pathways for private sector development, expanding entrepreneurship and leading to broader recognition of citizens as subjects of entrepreneurship-related legal relations.

Only when activities are specialized and aimed at generating profit through the production of goods (or providing services) with risk, can the participants be classified as entrepreneurs. In cases where individuals engage in occasional sales of surplus products or unneeded items without the aim of profit, such activities are not considered entrepreneurial. For example, a citizen who sells surplus agricultural products or accepts remuneration for occasional services would not be classified as engaging in entrepreneurship since these actions fall under civil law regulations.

The legislature defines key characteristics of entrepreneurship law subjects, which include:

- Registration with the state;
- Possession of a permit (license) for certain types of activities;
- Ownership of property;
- Possession of entrepreneurship rights and obligations as determined by Uzbekistan's laws and foundational documents of the respective entrepreneurship entities;
- Independent liability within the scope of their own property;
- The right to protect their rights and legitimate interests through judicial means.

According to Article 4 of the Law on Guarantees of Freedom of Entrepreneurial Activity (revised), entrepreneurship entities (entrepreneurship subjects) are legal and natural persons registered with the state and conducting entrepreneurial activities. Furthermore, government bodies, officials, and individuals prohibited by law from

engaging in entrepreneurial activities cannot be recognized as entrepreneurship subjects .

The Resolution No. 103 issued by the Cabinet of Ministers of the Republic of Uzbekistan on March 6, 1992, specifies a list of officials prohibited from engaging in entrepreneurial activities. This list includes employees of state administration and law enforcement bodies, heads of state banks and their deputies, executives of state enterprises with authority over financial documents, and officials tasked with supervising entrepreneurial activities.

Based on regulatory acts, entrepreneurship law subjects can be classified by various criteria, including:

- Ownership structure (e.g., private, communal, or state property),
- Authority (such as direct entrepreneurial operations or management entities),
- Subject type (natural or legal persons),
- Type of activity (commercial and non-commercial organizations).

Entrepreneurship entities are classified as follows:

- Commercial organizations, which aim to generate profit as their primary goal (e.g., private companies, joint-stock companies), with legal status defined by the Civil Code and other legislation of the Republic of Uzbekistan.
- Non-commercial entrepreneurship entities, which operate to achieve specific objectives without the goal of profit. These entities include public associations, social funds, and institutions funded by owners .

Further classification criteria for entrepreneurship entities include size (small, medium, large businesses), type of activity (production, trade, services), ownership form (state, private, joint), and legal status (sole proprietor, LLC, JSC, etc.).

According to Article 65 of the Constitution of

Uzbekistan, the state promotes the development of market relations, fair competition, and guarantees freedom of economic activity, entrepreneurship, and labor, taking into account consumer rights .

Under Article 24 of the Civil Code, a citizen may engage in entrepreneurial activities as an individual entrepreneur from the moment of state registration. This article equates the legal capacity of individual entrepreneurs to that of legal entities .

Types of entrepreneurship subjects include:

- Sole proprietors, who operate without forming a legal entity;
- Small and medium-sized businesses, which contribute to job creation and local market development;
- Large enterprises, which have extensive turnover and workforce, typically involved in production or industrial activities;
- Family businesses, which are managed and funded by family members.

A sole proprietorship is an individual engaging in entrepreneurial activities independently without establishing a legal entity. These individuals use their personal resources and capital to conduct small to medium-sized operations. Typically classified as small business entities, sole proprietors can operate in various economic sectors, including trade, services, agriculture, industry, and other areas.

One of the defining characteristics of sole proprietorship is that these entrepreneurs bear personal liability for the capital they invest in the business. Due to the absence of a legal entity, their operations are regulated by simplified legal requirements, which helps them avoid additional expenses and bureaucratic processes. Sole proprietors can also make rapid and efficient decisions in production or service processes, as

they manage their business independently.

Establishing and launching a sole proprietorship does not require registering an additional legal entity, making it a straightforward and efficient process for newcomers, aiding them in establishing their place in the market. Sole proprietors have the right to make independent decisions for their businesses, granting them greater managerial freedom. This autonomy enables them to make quick and profitable decisions, providing a competitive advantage.

Sole proprietors typically operate under a simplified tax regime, which eases the tax payment process. However, their legal status may be subject to certain restrictions, such as limitations on specific types of activities or contractual agreements.

Sole proprietors represent one of the most active segments of small business, contributing to the sustainable development of the economy, as well as to increasing employment and income levels. In developed countries, small businesses and private entrepreneurship are recognized as effective means of ensuring socio-economic stability and play a vital role in promoting employment and income growth. From the early years of independence, Uzbekistan has been building and continually improving a regulatory and legal framework to facilitate effective activities for this sector.

It is also noteworthy that on April 26, 2012, the Law of the Republic of Uzbekistan "On Family Entrepreneurship" was adopted, along with the Cabinet of Ministers' resolution from July 29, 2009, "On Measures for Developing and Expanding Family and Handicraft Entrepreneurship without Establishing a Legal Entity." These regulatory acts created additional opportunities and convenience for citizens wishing to engage in entrepreneurship. According to these legal documents, family

entrepreneurship is defined as a joint entrepreneurial activity carried out by spouses based on their jointly owned property. This activity involves the personal labor of spouses and assisting family members and does not involve forming a legal entity.

A craftsman (master craftsman or artisan) is an individual who, either independently or with the assistance of apprentices, uses traditional techniques, tools, and small-scale mechanization to create items that meet established functional and national aesthetic standards. These items (works, services) reflect the functional and aesthetic norms of craftsmanship rooted in national tradition.

Legal entities engaged in entrepreneurial activities can be classified based on the following main criteria:

Equity contributions (limited liability companies, additional liability companies, joint-stock companies);

Participation in entrepreneurial activity (general or limited partnerships);

Personal labor participation (production cooperatives, private farms);

Participation in management (private companies, farming enterprises).

CONCLUSION

In conclusion, state-guaranteed freedom of entrepreneurial activity plays a crucial role in the continued development of the economy in Uzbekistan. Reforms and incentives supporting entrepreneurship have resulted in a yearly increase in the number of entrepreneurial entities in various organizational-legal forms across the country.

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