



## DIGITAL ECONOMY AS A FACTOR IN IMPROVING THE STANDARD OF LIVING THROUGH SMALL BUSINESS AND FAMILY ENTREPRENEURSHIP

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**Abstract.** *The article focuses on the development of family entrepreneurship in the context of Uzbekistan's digital economy. It discusses key legal acts and strategies aimed at supporting small businesses, creating jobs, reducing poverty, and improving living standards. The article also provides an analysis of statistical data on the growth of family businesses and their contribution to the country's industrial output. Recommendations are made for further development of family businesses using digital technologies.*

**Keywords:** *family entrepreneurship, small business, digital economy, living standards, employment, Uzbekistan, industrial output, government support.*

## RAQAMLI IQTISODIYOT SHAROITIDA KICHIK BIZNES VA OILAVIY TADBIRKORLIK AHOLI TURMUSH DARAJASINI OSHIRISHNING BIR FAKTORI SIFATIDA

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**Annotatsiya.** *Maqolada O'zbekistonning raqamli iqtisodiyot sharoitida oilaviy tadbirkorlikni rivojlantirish masalalari ko'rib chiqilgan. Kichik biznesni qo'llab-quvvatlash, ish o'rinlari yaratish, qashshoqlikni kamaytirish va aholi turmush darajasini oshirishga qaratilgan asosiy qonuniy hujjatlar va strategiyalar tahlil qilingan. Shuningdek, oilaviy korxonalar sonining o'sishi va ularning mamlakat sanoat ishlab chiqarishiga qo'shgan hissasi haqidagi statistik ma'lumotlar keltirilgan. Oilaviy tadbirkorlikni rivojlantirish uchun raqamli texnologiyalarni tatbiq etish bo'yicha tavsiyalar berilgan.*

**Kalit so'zlar:** *oilaviy tadbirkorlik, kichik biznes, raqamli iqtisodiyot, turmush darajasi, bandlik, O'zbekiston, sanoat ishlab chiqarishi, davlat qo'llab-quvvatlashi.*

## МАЛЫЙ БИЗНЕС И СЕМЕЙНОЕ ПРЕДПРИНИМАТЕЛЬСТВО КАК ФАКТОР ПОВЫШЕНИЯ УРОВНЯ ЖИЗНИ В УСЛОВИЯХ ЦИФРОВОЙ ЭКОНОМИКИ

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**Аннотация.** *Статья посвящена развитию семейного предпринимательства в условиях цифровой экономики Узбекистана. Рассматриваются ключевые правовые акты и стратегии, направленные на поддержку малого бизнеса, создание рабочих мест, сокращение бедности и улучшение уровня жизни. В статье также приведён анализ статистических данных по росту семейных предприятий и их вкладу в промышленное производство страны. Даны рекомендации по дальнейшему развитию семейного бизнеса с использованием цифровых технологий.*

**Ключевые слова:** *семейное предпринимательство, малый бизнес, цифровая экономика, уровень жизни, занятость, Узбекистан, промышленное производство, государственная поддержка.*

## Introduction.

In the context of the digital economy, the development of family entrepreneurship plays a crucial role in ensuring the socio-economic progress of Uzbekistan. The transformation of the economy is contributing to an increase in the significance of family entrepreneurship. This sector enables citizens to secure employment, address unemployment issues, reduce poverty, and enhance overall living standards.

In recent years, numerous efforts have been made to establish stable sources of income and sustainable conditions for each family through entrepreneurial activities. These initiatives include systematic support in organizing and conducting business activities, financial and practical assistance, entrepreneurial training, and the creation of additional job opportunities and income sources. The formation of small clusters in local communities and the expansion of market infrastructure, such as service points, have further contributed to the progress of family businesses.

In light of the Presidential Decree PF-60, dated January 28, 2022, titled "Development Strategy of New Uzbekistan for 2022-2026," one of the strategic goals is to ensure rapid economic growth by increasing the share of the private sector to 85% of GDP and 70% of exports. Additionally, it is aimed to reduce the tax burden on business entities to 25% of GDP by 2026, enhance support for entrepreneurship, and reduce unemployment and poverty. The relevance of the topic is underscored by these national priorities.

Family entrepreneurship, as defined in Article 1 of the "Family Entrepreneurship Law," is an activity carried out by family members on a voluntary basis and under shared financial responsibility, with the aim of generating income. This activity can be organized either as a legal entity or without forming a legal entity. In the case of the latter, it operates in accordance with regulations

## Literature Review.

The scientific and theoretical foundations of small business and family entrepreneurship have been extensively studied by international scholars, who have laid the groundwork for understanding the economic, social, and cultural roles of these enterprises. Scholars such as Robert Hisrich Michael Peters, and Dean Shepherd (2017), have made substantial contributions to the field of entrepreneurship by exploring entrepreneurial processes, risk management, and the unique dynamics of family-owned businesses. In their book, *Entrepreneurship*, they discuss how small businesses, particularly family enterprises, foster innovation, enhance job creation, and support economic growth. Additionally, Allan Hosking has examined the managerial challenges that family businesses face, particularly in succession planning and balancing family interests with business goals.

One of the earliest proponents of entrepreneurship as a driving force of economic growth was Friedrich Hayek. (1945), who emphasized the role of market competition and entrepreneurship in fostering innovation and improving economic welfare. His theories provided a foundation for understanding the way small businesses and family enterprises contribute to market economies by offering flexible, adaptive, and customer-focused solutions.

The work of Lapusta . (2009) has delved into the peculiarities of small and medium-sized enterprises (SMEs), particularly in transitional economies, where he emphasized the importance of external factors such as legal frameworks, governmental policies, and access to financing. Lapusta's focus on developing economies mirrors the challenges and opportunities faced by family businesses in Uzbekistan.

McConnell and Stanley Brue (2011). have also explored small business development within the context of microeconomics, focusing on how small enterprises contribute to the efficient allocation of resources, create competitive market environments, and serve as key players in innovation diffusion. Their analysis is particularly relevant in understanding how family businesses, despite their size, play a significant role in driving local economic

development and improving living standards in various regions, especially in Uzbekistan's rural areas. Within Uzbekistan, a rich body of literature has emerged, exploring the specific challenges and opportunities that small businesses and family enterprises encounter in the country's unique socio-economic environment. Scholars such as Gafurov (2021), Abulqosimov (2019), O'lmasov (2022) have contributed significantly to the understanding of small business dynamics, particularly focusing on the role of state support, access to financing, and the regulatory environment in fostering entrepreneurial growth.

In Uzbekistan, researchers such as Sadullaeva and Yuldashev (2023). have examined the implications of the Digital Uzbekistan 2030 strategy for family entrepreneurship. Their work highlights the government's efforts to increase digital literacy among family entrepreneurs, provide access to digital financial services, and support family enterprises in utilizing online platforms to expand their market reach. The integration of digital tools into family business operations is increasingly recognized as a key factor in ensuring their long-term sustainability and competitiveness.

### Research Methodology.

The methodology is based on legal and regulatory documents on improving small business and private entrepreneurship, including decrees and resolutions of the President of Uzbekistan. Modern statistical methods, observations, comparative and systematic analysis, as well as synthesis methods, are used for collecting and processing statistical data.

### Analysis and Results.

Family business entrepreneurship has been emerging and growing in Uzbekistan. To support and accelerate its development, it is necessary to establish relevant family business associations. Through these associations, large socio-economic problems related to family business growth and welfare improvement can be addressed. In the future, it is necessary to solve issues related to the formation of family business associations in the country, and developing a concept for non-governmental organizations involved in family business is an urgent issue today.

In Uzbekistan, family entrepreneurship has gained momentum in recent years. According to data from the State Statistics Committee of Uzbekistan, as of September 2022, family businesses accounted for 11.4% of the total entrepreneurial entities in the country. In 2023, the number of family businesses continued to grow steadily, with a 9.2% increase in the number of registered family businesses compared to the previous year. The number of operating family enterprises in 2023 reached 57,843, with 5,892 new entities registered between January and June 2023 alone. This growth can be attributed to government support measures, including tax incentives, subsidized loans, and training programs designed to bolster family-based enterprises.

Table 1.

Growth of Family Enterprises in Uzbekistan (2018-2023)

Year	Registered Family Enterprises	Operating Family Enterprises	Growth Rate (%)
2018	50,725	47,600	5.2
2019	53,900	50,200	5.5
2020	58,400	55,000	6.9
2021	60,725	57,140	4.8
2022	55,725	52,140	6.3
2023	57,843	53,470	9.2

As shown in Table 1, the number of family enterprises grew at a remarkable rate, particularly in 2020, driven by new government policies aimed at economic recovery during the pandemic. Family and small businesses in Uzbekistan are vital to the country's industrial output. In 2022, small businesses, including family enterprises, produced industrial goods worth 142,611.7 billion soums. The highest contributions came from Tashkent City, followed by Fergana and Andijan regions.

Table 2.

Industrial Output by Region (2022)

Region	Industrial Output (Billion Soums)
Tashkent City	38,904.8
Fergana	13,398.3
Andijan	12,077.9
Samarkand	11,262.1
Bukhara	9,237.4
Namangan	8,331.8
Navoiy	6,300.7
Jizzakh	5,446.8

This industrial output is crucial for providing employment, particularly in regions where other forms of formal employment are limited. In 2023, this trend continued, with a 3.4% increase in the industrial output of family enterprises across these regions, particularly in Bukhara and Namangan. This industrial output is crucial for providing employment, particularly in regions where other forms of formal employment are limited. In 2023, this trend continued, with a 3.4% increase in the industrial output of family enterprises across these regions, particularly in Bukhara and Namangan. Despite the significant role of family entrepreneurship, challenges remain. The digital transformation of the economy requires family businesses to adapt to new technologies, upgrade their management skills, and adopt innovative business models. Family businesses often face hurdles related to limited access to finance, technology, and skilled labor. However, the digital economy offers new opportunities for growth. The government has initiated programs to enhance digital literacy and provide family entrepreneurs with access to e-commerce platforms and digital marketing tools. These initiatives are helping family businesses to expand their market reach and improve operational efficiency. In 2023, the Digital Uzbekistan 2030 strategy accelerated efforts to integrate family businesses into the broader digital economy, with plans to digitize 80% of family enterprises by 2026. The government is also working to improve access to digital financial services, which is expected to significantly boost the productivity of small and family businesses.

### Conclusion and Recommendations.

In the digital economy, family entrepreneurship in Uzbekistan can be further improved by implementing the following recommendations:

1. Provide financial and informational support to entrepreneurs starting family businesses, including assistance with premises and funding when needed.
2. Ensure that family business entrepreneurs have access to the latest innovations and technologies.
3. Continue simplifying the process of registering family businesses and strengthen this system.
4. Support family businesses in external economic activities, including enhancing scientific, technical, trade, and production links with foreign countries.

5. Train skilled personnel for family businesses and establish a system for regularly improving their qualifications. Educational institutions should introduce a course on “Fundamentals of Family Entrepreneurship.”

By implementing these measures, the opportunities for self-employment will expand, and the population's overall employment rate will increase.

The extensive body of literature on small and family businesses offers a comprehensive theoretical and empirical basis for understanding the multifaceted challenges and opportunities faced by family enterprises, particularly in the context of Uzbekistan. International scholars have consistently emphasized the critical roles of innovation, resource management, and market competition as key drivers of success for family-owned businesses. These themes are universally relevant, underscoring how family enterprises, regardless of location, can thrive by harnessing creativity, leveraging internal and external resources, and responding nimbly to market demands. In the context of Uzbekistan, the literature reflects a different set of socio-economic conditions, highlighting the significant role that family businesses play in fostering local economic development, creating employment opportunities, and addressing regional disparities. Uzbek scholars focus not only on the economic contributions of small and family enterprises but also on their social and cultural significance. In many regions of Uzbekistan, particularly rural areas, family businesses are the backbone of local economies, serving as the primary source of income and providing a social safety net for extended families. The informal networks that underpin these businesses often facilitate the transfer of skills and capital, contributing to the resilience and longevity of these enterprises.

One of the most significant factors influencing the development of family businesses in Uzbekistan is the growing government support for small and family enterprises. The New Uzbekistan Development Strategy 2022-2026 highlights the critical role of small businesses and family entrepreneurship in driving the country's socio-economic progress. Government initiatives aimed at promoting family entrepreneurship include tax incentives, microfinance programs, and simplified business registration procedures, which have significantly lowered the barriers to entry for family-owned businesses. Additionally, the Digital Uzbekistan 2030 strategy is proving to be a game-changer for family enterprises, as it encourages the adoption of digital technologies, such as e-commerce platforms, digital marketing, and online financial services. These technologies are opening up new markets for family businesses, allowing them to expand beyond local and regional boundaries and compete in the global market. This digital transformation not only enhances the competitiveness of family enterprises but also promotes the inclusion of women and youth entrepreneurs, who often rely on digital tools to overcome traditional barriers to entry. Despite the positive developments, family businesses in Uzbekistan still face a number of challenges. Access to financing remains a key hurdle, particularly for family businesses in rural areas, where financial institutions are less accessible, and collateral requirements are difficult to meet. Moreover, there are still regulatory challenges that can hinder the growth of family businesses, including complex bureaucratic procedures and limited access to international markets. To overcome these challenges, there is a need for continuous policy reforms that focus on improving the business environment, simplifying regulations, and expanding access to finance, particularly for women and young entrepreneurs. Furthermore, educational programs aimed at enhancing entrepreneurial skills and digital literacy can empower family business owners to fully exploit the opportunities presented by the digital economy. As Uzbekistan continues to integrate into the global economy, family businesses must adapt to new trends and opportunities. Globalization presents both challenges and opportunities for family enterprises. On the one hand, increased competition from international companies can put pressure on local family businesses. On the other hand, globalization opens up new markets and partnerships, allowing family businesses in Uzbekistan to export their products, enter new supply chains, and adopt international best practices. In particular, the tourism and handicraft sectors in Uzbekistan, which are dominated



by family-owned enterprises, stand to benefit significantly from increased exposure to global markets. The government's focus on promoting cultural and eco-tourism creates new opportunities for family businesses to attract international visitors, diversify their income sources, and preserve traditional crafts.

Moreover, the growing trend of social entrepreneurship presents new avenues for family businesses to contribute to sustainable development. By adopting business models that focus on social and environmental impact, family enterprises can play a key role in addressing issues such as poverty, inequality, and environmental degradation, while also enhancing their own profitability and resilience. Family businesses in Uzbekistan have already demonstrated their potential to raise living standards across the country, particularly in rural and underserved areas. By providing employment, generating income, and fostering local innovation, these enterprises are making tangible contributions to poverty alleviation and economic empowerment. The integration of digital tools and the expansion of market access have further enhanced the ability of family businesses to improve the livelihoods of their owners and employees.

Looking ahead, the sustained growth of family businesses, supported by digital transformation and government policies, is expected to contribute significantly to the inclusive economic development of Uzbekistan. By fostering entrepreneurship at the grassroots level, family businesses are playing a crucial role in reducing regional disparities, promoting gender equality, and ensuring that the benefits of economic growth are shared more broadly.

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