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FLEXIBLE ENTREPRENEURIAL ACTIVITY AND EFFECTIVE SOCIAL POLICY

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Abstract: Objective: This study aims to explore the role of entrepreneurship, specifically social entrepreneurship, in fostering economic and social development, particularly in Uzbekistan. It examines the dual impact of entrepreneurship on economic growth and social welfare, focusing on job creation, poverty reduction, and innovation. **Methods:** The research distinguishes between two primary models of entrepreneurship: traditional and innovative. Traditional entrepreneurship is characterized by resource efficiency and conventional management methods, while innovative entrepreneurship emphasizes creativity, technological adoption, and new solutions. Data from Uzbekistan's small business sector, government initiatives, and social entrepreneurship laws were analyzed to assess their impact on economic and social outcomes. **Results:** The study found that entrepreneurship, especially in small businesses, has significantly contributed to Uzbekistan's economic growth, creating jobs and fostering competition. Despite challenges, such as the COVID-19 pandemic, the government's support for micro-businesses has led to increased entrepreneurial activity. Social entrepreneurship, particularly in vulnerable sectors, is gaining prominence, with legal frameworks supporting its growth. **Novelty:** This research highlights the emerging significance of social entrepreneurship in Uzbekistan, offering a fresh perspective on its potential to address social issues. It introduces the concept of a legal framework for social enterprises, which reinvest profits into social causes, marking a new phase in the country's socio-economic development.

Keywords: entrepreneurship, classical entrepreneurship, social entrepreneurship, innovative entrepreneurship, welfare, standard of living of the population, social protection

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Introduction

It is well-known from global experience that under market conditions, entrepreneurial activity not only drives economic growth and creates new jobs but can also lead to social inequality. On the other hand, entrepreneurship helps meet population needs through the market, keeps prices in check due to competition, and, in relative or absolute terms, reduces costs. By providing employment opportunities, entrepreneurship contributes to overall welfare and creates conditions for reducing poverty. From this perspective, entrepreneurship carries both economic and social consequences. Entrepreneurship that prioritizes social objectives and serves to address societal needs is regarded as social entrepreneurship [1].

On the other hand, entrepreneurship plays a critical role in meeting the needs of the population through market mechanisms. By fostering competition, it helps keep prices in check, ensuring that consumers have access to goods and services at affordable prices. Additionally, entrepreneurship contributes to reducing costs both in relative and absolute terms by driving innovation and efficiency.

As new products and services emerge, industries become more competitive, leading to better value for consumers. Through job creation, entrepreneurship also serves as a catalyst for overall societal welfare, providing individuals with employment opportunities that can significantly reduce poverty and improve quality of life [2].

From this perspective, entrepreneurship is seen not only as an economic force but also as a social force with far-reaching implications. The traditional view of entrepreneurship has been focused primarily on economic growth and profit generation. However, a shift has occurred where entrepreneurship is now seen as a tool for addressing pressing social issues. Entrepreneurs who recognize and prioritize social objectives, alongside economic goals, are increasingly being recognized for their role in addressing societal needs. This form of entrepreneurship, which combines business success with a commitment to social value, is known as social entrepreneurship [3].

In contemporary economic literature and practice, the concepts of active entrepreneurship and social entrepreneurship have emerged. Active entrepreneurship refers to a type of economic activity that organizes business operations based on innovative approaches, advanced technologies, and modern management methods. By "active entrepreneur," we mean a businessperson capable of producing competitive products, and most importantly, creating new jobs. Such individuals not only sustain themselves and their families but also contribute positively to society as a whole [4].

Methods

According to entrepreneurship theory, two primary models of entrepreneurship are distinguished:

1. **Traditional (classical) entrepreneurship, innovative entrepreneurship**

Traditional (classical) entrepreneurship is a conservative approach to economic activity aimed at maximizing resource efficiency through the effective organization of operations, improving profitability, and expanding service types using conventional methods of management. This type of entrepreneurship relies on well-known and widely practiced methods within a country, requiring neither creativity nor innovative approaches in its organization and execution. It primarily capitalizes on opportunities arising from cyclical economic changes and focuses on activities that do not demand significant shifts in operational strategies [5].

Innovative entrepreneurship, on the other hand, involves using previously unknown or less common factors in the economy, or creatively combining traditional factors with novel approaches, to develop new solutions. The primary advantage of innovative entrepreneurship lies in its ability to achieve higher outcomes compared to traditional entrepreneurship. However, it is important to note that innovative entrepreneurship places unique demands on entrepreneurs, requiring them to be continuously creative, to seek and adopt new knowledge, and to apply it in practice [6]. Entrepreneurs must explore and effectively utilize new technologies, thereby enhancing their enterprise's competitiveness.

The core activity of innovative entrepreneurs is reforming and fundamentally transforming production processes through innovation, leveraging new technological opportunities. This, in turn, creates new jobs, particularly for low-income families, enabling them to secure employment and income. Consequently, innovative entrepreneurship plays a significant role in reducing poverty.

The primary condition for active entrepreneurship is engagement in innovative activities, which are rooted in unique historical traditions in our country. Entrepreneurship is known to be both a virtuous and responsible profession. Historically, entrepreneurs have been regarded as honest and noble individuals, often revered as exemplary members of society. Many prominent entrepreneurs

and wealthy individuals have worked toward the prosperity of the nation.

Results and Discussion

In the recent past, the territory of our country has seen the emergence of well-known and influential proprietors. For instance, in the fields of industry and craftsmanship, Mirkomilboy in Andijan and the Saidazimboys in Tashkent excelled as entrepreneurs at the beginning of the 20th century. They effectively utilized production factors, ensuring economic growth, increasing wealth for both themselves and society, and contributing to the well-being of the population. They constructed various buildings, industrial facilities, and marketplaces while sponsoring cultural and educational initiatives, building mosques, and supporting orphans and vulnerable members of society [7].

Since the early years of independence, Uzbekistan has prioritized the development of small businesses and private entrepreneurship as a key and essential direction for establishing a socially-oriented market economy. This sector has received comprehensive support. President Shavkat Mirziyoyev has emphasized the significance of entrepreneurial activity, stating:

"The first direction is creating new opportunities for small businesses. It is well known that small businesses bring a new dynamic to neighborhoods and districts and inspire our people. In many rapidly developing economies, 70–80% of jobs are created by representatives of this sector. All major companies have their origins in small and medium-sized businesses. In recent years, significant practical efforts have been made to develop micro-business and family entrepreneurship in our country. Through various programs, over \$1 billion is allocated annually to support micro-business financially. As a result, today, at least 40–50 new entrepreneurs emerge in every neighborhood, creating thousands of permanent jobs" [8], [9].

Consequently, the role of small businesses and entrepreneurship in the economy has grown significantly, as illustrated in Table 1.

Table 1. Changes in the role of small business and entrepreneurship in the economy in Uzbekistan (in percentage terms).

Indicators	2000 y	2005 y	2010 y	2015 y	2020 y	2022
Gross domestic product	31,0	38,2	60,8	64,6	55,7	51,8
Industry	12,9	10,0	26,6	40,6	27,9	25,9
Construction	38,4	50,9	52,5	66,7	72,5	71,6
Employment	49,7	64,8	74,3	77,9	74,5	74,4
Export	10,2	6,0	13,7	27,0	20,5	29,5
Import	22,8	33,7	35,8	44,5	51,7	49,4

According to the data in the table, starting in March 2020, the performance indicators for small businesses and private entrepreneurship—except in the construction sector—declined due to the COVID-19 pandemic. By 2022, their share in the gross domestic product (GDP) stood at 51.8%. Despite this, the state has consistently continued to provide comprehensive support to entrepreneurial activities during this challenging transitional period. Moreover, as noted, *"...the activity of our population, as well as their inclination toward modern technologies and professions, is steadily increasing. New sectors and fields are being developed in our economy day by day."*

As a result, the number of entrepreneurial entities and the scope of their activities have expanded. Specifically, in the distribution of active small business and entrepreneurship entities, the highest concentration was observed in Tashkent City, which accounted for 20.2% of all such entities. In contrast, the smallest proportion was recorded in Syrdarya Region, at 2.9%. Other regions such as Tashkent (9.4%), Samarkand (9.4%), and Fergana (8.8%) also had significant shares of active small businesses.

Regions like Andijan (7.4%), Kashkadarya (7.0%), and Namangan (6.2%) demonstrated average proportions of small business entities. Meanwhile, the remaining regions—including Jizzakh, Andijan, Navoi, Surkhandarya, Khorezm, and Bukhara—showed proportions ranging from 4.4% to 5.7% of active small businesses and entrepreneurial entities.

This type of economic activity has primarily facilitated the reduction of monopolies in state-controlled economic relations, enabling the free formation of prices for goods and services by fostering a competitive environment. Market laws serve as the driving force for small businesses and private entrepreneurship, maintaining a balance among them. Entrepreneurs who utilize modern technologies to produce high-quality and affordable products increase their profitability and secure a strong position in the market. As the scope of operations expands, entrepreneurs establish their presence first in domestic markets and, over time, in international markets, thereby enhancing their competitiveness.

The property owner, regardless of whether they rely on their own or others' labor, manifests as an organizer and manager of the production process aimed at creating goods with utility value. In this capacity, they assume the status of an entrepreneur. Today, the promotion of small business and private entrepreneurship nationwide has laid the foundation for significant structural changes in the national economy. These transformations include:

1. **Job creation and employment:** Additional jobs have been created due to the injection of supplementary investments into the production process, ensuring the population's employment.
2. **Local production:** The organization of production within the country has enabled the manufacture of essential production resources and consumer goods domestically.
3. **Shift from raw material to finished goods exports:** Particularly in the textile and light industries, full-cycle production processes have been implemented to facilitate the transition from raw material exports to finished goods exports.
4. **Substitution of imports:** Incentives provided to entrepreneurs producing import-substituting goods have intensified localization processes.

However, despite these developments, the growth of entrepreneurial activity has not led to significant improvements in reducing the number of impoverished individuals or enhancing the living standards of low-income families at a societal level. Entrepreneurship can contribute to poverty reduction through two primary mechanisms:

1. **Employment generation:** Creating efficient jobs in labor-intensive sectors where impoverished individuals can be employed.
2. **Self-employment opportunities:** Providing effective opportunities for individuals to start their businesses, enabling them to achieve self-sufficiency and establish sustainable operations.

In practice, much of small-scale entrepreneurial activity is conducted within the informal sector, limiting its broader impact on societal poverty alleviation.

In several countries, enterprises exclusively aimed at providing employment for disabled

individuals, unemployed people, and impoverished families have been established. For instance, the 1997 Asian financial crisis, which caused widespread unemployment and a decline in living standards in South Korea, spurred the emergence of social entrepreneurship in the country. During that period, the government decided to promote non-profit and social enterprises comprehensively.

In addition to South Korea, both developed and developing nations have embraced the social dimensions of business by implementing various initiatives. These include voluntary trade agreements ensuring equal market access for small producers, affirmative business practices such as job quotas for socially vulnerable populations, state-regulated employment measures, targeted employment search and engagement programs for specific social groups, public-private partnerships, microfinance initiatives, and other efforts to promote inclusive economic participation.

Social entrepreneurship in Uzbekistan, which is gradually developing, is a type of business that prioritizes social objectives. Unlike traditional businesses, the profits of social enterprises are not directed towards increasing the income of business owners but are instead reinvested into socially beneficial activities.

A. Social Enterprises: Definition and Purpose

A social enterprise is a private organization not managed or controlled by the state. These entities primarily aim to create social value, often employing individuals from vulnerable social groups or those with disabilities. Social enterprises also focus on producing socially valuable goods and services.

B. Legal Framework for Social Entrepreneurship in Uzbekistan

Until recently, Uzbekistan lacked a legal framework for social entrepreneurship that met the demands of market relations. However, on January 13, 2021, the draft law "On Social Entrepreneurship" (Resolution No. 707) submitted by the Cabinet of Ministers on October 31, 2020, was discussed during its first reading. This law established essential provisions for identifying enterprises that allocate resources to the social sector, providing incentives and preferences for investments in this area, and defining new forms of state support for social entrepreneurship.

Key concepts such as "social entrepreneurship," "social enterprise," "social goods," and "social services" were introduced and explained in the law. Furthermore, the criteria for identifying socially disadvantaged individuals were clearly outlined. Entrepreneurs and non-profit organizations that meet one or more proposed criteria can register as social enterprises in a designated registry.

Criteria and Requirements for Social Enterprises To be included in the registry, social enterprises must:

1. Meet specific criteria established by the law.

Reinvest at least two-thirds of their profits from the previous fiscal year into the enterprise's activities or social projects during the following financial year. This legal framework is expected to enhance the development of social entrepreneurship, promoting inclusivity and addressing the needs of socially vulnerable groups in Uzbekistan. Social Entrepreneurship: As a Socio-Economic Phenomenon.

Social entrepreneurship holds significant relevance in contemporary socio-economic processes, emerging as a practical response to prevailing social issues. This phenomenon is primarily associated with the following factors:

- a. The rise in unemployment and the deepening of poverty levels, particularly during periods of crisis.
- b. Processes of social alienation and the inefficacy of mechanisms aimed at engaging social groups in economic activities.

- c. The emergence and expansion of social conflict zones, which negatively impact both domestic and international relations.

Dees Gregory's Research. American scholar Dees Gregory (1950–2013), founder of Duke University's "Center for the Advancement of Social Entrepreneurship," characterized social entrepreneurship through the following key factors:

- a. Commitment to the idea of creating and supporting social values.
- b. Identification and utilization of new opportunities to implement the chosen idea.

Ensuring the continuity of processes such as innovation, adaptation, and learning. Executing bold and effective actions despite limited resources. High accountability of the entrepreneur to clients and society for the outcomes of their activities. The Role and Significance of Social Entrepreneurship. The distinctive features of social entrepreneurship enable the efficient utilization of economic resources, the alignment of innovative ideas with social goals, and the reduction of poverty. Through the implementation of social and economic innovations:

- a. It emerges as a "driving force" for positive social changes within society.
- b. It provides new values and opportunities to underprivileged segments of the population.
- c. It assists in identifying the causes and factors of social marginalization.

Income generated through social entrepreneurship is directed towards solving social problems. At the same time, social entrepreneurship entities contribute to the establishment of socially recognized values.

C. Social Enterprises

The Organizational Unit of Entrepreneurship. Social enterprises operate as the organizational-economic unit of social entrepreneurship, relying on successful production and socio-economic innovations. These enterprises significantly contribute to solving existing social problems through their targeted activities and play a crucial role in ensuring long-term social stability.

In this way, social entrepreneurship is increasingly becoming the foundation for important socio-economic transformations in society and a source of innovative solutions to complex challenges.

Conclusion

Entrepreneurship drives economic growth and job creation while addressing social issues through social entrepreneurship. By focusing on social goals and reinvesting profits into societal benefits, social enterprises offer solutions to poverty and unemployment. While innovative entrepreneurship reshapes industries, its impact on poverty reduction remains mixed, requiring supportive ecosystems and legal frameworks. In Uzbekistan, the development of a legal framework for social entrepreneurship provides a foundation for inclusive growth. Ultimately, social entrepreneurship fosters sustainable change by combining economic progress with social responsibility, contributing to a more equitable society.

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