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THE IMPACT OF FAMILY BUSINESS ON THE ECONOMIC DEVELOPMENT OF THE COUNTRY

Toshpulatov Murodulla
Independent Researcher, Tashkent Institute of Finance, Tashkent, Uzbekistan

Abstract. *This article analyzes family business development, its role in economic development, capital structure, and business management characteristics. The advantages and disadvantages of the family model of corporate governance have been identified.Conclusions, scientific proposals and practical recommendations have been developed for the development of family business and the effective use of the advantages of the family model of corporate governance.*

Keywords:*family business, family model, participants, capital structure, controlprocedure, profit*

INTRODUCTION

Family business groups, family business empires of the world series countries most run into whole the world. In this case, large businesses are managed by single family members. Business-oriented capital is distributed among family members in the order of control and management rights.

In most countries, family business accounts for more than 70% of the country's business and is an important source of economic development and employment and income. In Spain, for example, about 75 percent of businesses are owned by families or family business groups, and the products they create account for up to 65 percent of the country's gross domestic product [8]. A recent study in Brazil found that 51.5% of the 200 companies on the list of the largest companies were controlled by families [6].

As a result, due to the complexity and improvement of business management, a family model of corporate governance has emerged to date.

In this context, the development of family business is a priority in our country. Including "Every family is an entrepreneur" programs to this obviously example can be. Through this in the future business enlargement achieve national and international degree business development and population life well-being provided.

LITERATURE REVIEW

Corporate management in the field research Bob Trickertook consideration some of the family companies consist of highly diversified groups and subordinate firms with large power, whose superior management owner consists of a small group based on the family, he said. emphasizes [1].

Kelin E.Gersick. According to research by John A. Davis, Marion McCollom Hampton, Ivan Lansberg, the components of the family model of corporate governance and the management structure change according to the stages of development of the family business. The development and management of a family business is usually divided into the stages of the founding period, the period of sibling cooperation (2nd generation), the period of confederation of relatives (3rd generation) [3].

Rushdie MRRazzaque, Muhammad Jahangir Ali, Paul Mather, etc., conduct research on corporate governance reforms in developing countries and their impact on family firms, focusing primarily on changes in ownership and governance patterns [4].

S. Elmirzaev, while studying the models of corporate governance, highlights the family model of individual corporate governance and draws attention to its specific features [2].

In addition, the European Family Business Association has been established, in cooperation with KPMG, annually publishes reports containing analysis and research on family business and management practices in it [7].

ANALYSIS AND RESULTS

Most family businesses three stages based on evolving goes though this aspect family business duration is directly related. This is because some businesses may face bankruptcy, liquidation or merger in the first place for a variety of reasons. In general, we can see the properties of each stage in the table below (Table 1).

Table 1

Family business development and management [3]

The first stage is the founding period	The second stage is the period of brotherhood	The third stage is the period of the Confederacy of Relative Seeds (3rd generation)
1. The business is wholly owned and operated by the founders. **2. Most founders seek advice from external consultants or business partners, but make key key decisions themselves.** **3. A strong commitment to business success and a correspondingly simple management structure apply.** **4. The most important issue is the successful selection and planning of the next manager.**	1. Ownership and management pass to the children of the founders. 2. Business managementcomplexity. 3. Emphasis will be placed on maintaining the harmony of brothers and sisters and the formal management of business processes. 4. Effective communication channels will be established between family members and suitable candidates will be selected for key management positions.	1. The range of business owners is expanding and management is becoming more complex. 2. There is an increase in family conflicts over business ownership. 3. The complexity of defining the overall strategy and making other financial decisions will increase. 4. Clear definition of future goals is required and special attention will be paid to the resolution and prevention of family conflicts.

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Control over companies in the family business group is established through a pyramid-based management system. In this case, there is a system of issuance of shares of secondary category and mutual ownership of shares. The pyramid-based structure of groups is the basis for the formation of virtually all family business groups. It is the pyramid structure that allows family companies to control capital and resources and is increased based on the real property of the family (Figure 1).

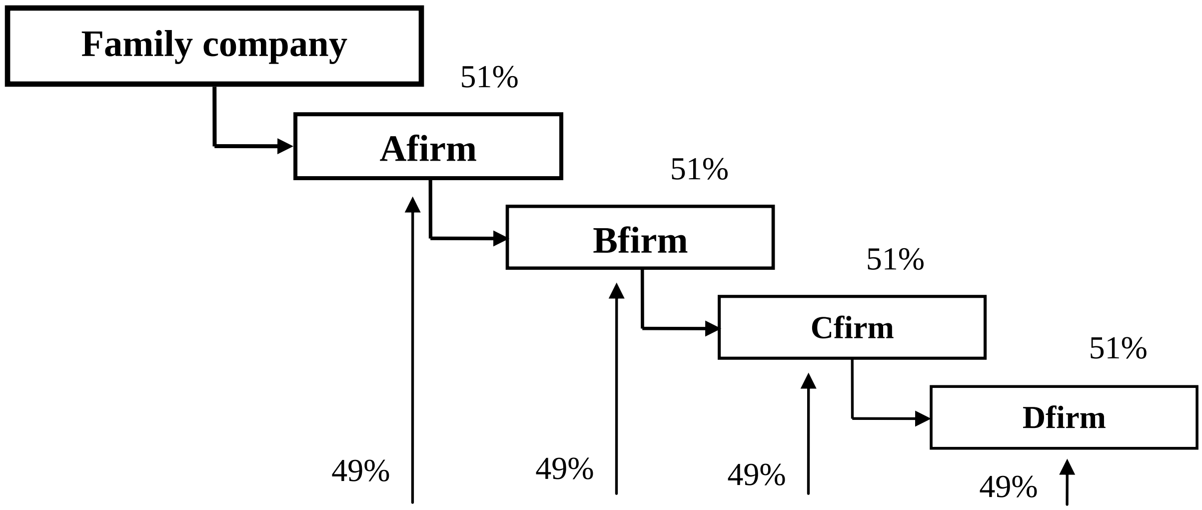

Figure 1.Pyramid structure in family business groups [2]

The family company owns 51% of firm A and controls its operations. In turn, firm A controls firm B. In this case, the family company owns 25.5 percent of the cash flow, but firm A has full control over the activities of firm B. Similarly, family C has full control of firm C, but owns 12.75 percent of the profits. While the share of the family company in the income of the pyramid decreases, control is fully maintained.

To maintain control over other firms, family business groups issue shares that give them an unequal amount of voting rights. That is, the number of votes on the shares placed on the stock exchange will be less than the number of voting shares owned by the family firm. It is also common for all voting shares to be retained under the control of the family company and for the issuance of preference shares in order to attract additional resources. In this case, there is no problem in electing members to the board of directors. The practice of issuing shares of the second category on the structure of the pyramid in family business groups allows to strengthen the control system. A horizontal structure is also used to form a family business group by owning mutual shares in a pyramid (vertical) structure. At the same time, all firms in the subsystem organize their activities through the exchange of shares. The family company, on the other hand, as the parent company, has full control from above, owning all the capital. Redistribution of cash flows is done by the method of transfer pricing. In addition, mutual insurance and mutual financing apply.

As aresultfamily The business management system is also improving goes Europe family business association and by KPMG in 2017 "Does your family business have the following

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mechanisms and practices?" The results of the survey show that (Fig. 2).

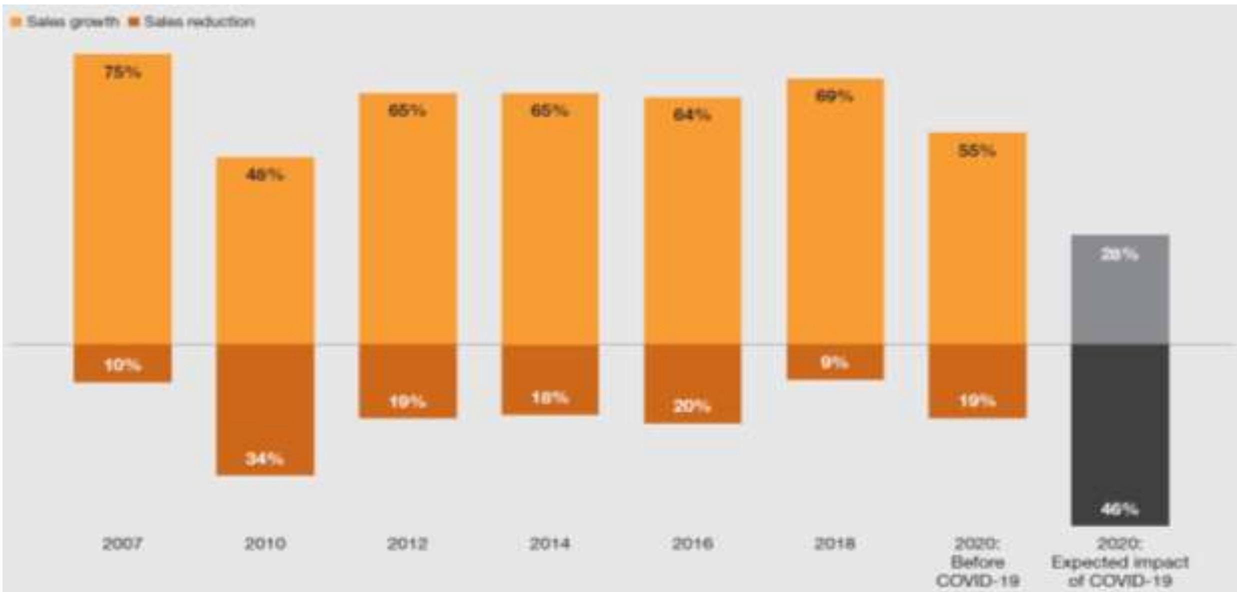

Figure 2.Figure 1: Family businesses expect the COVID-19 pandemic to impact growth more than the great recession did[5]

The board of directors is a central management institution in family business, as it is in most business management. The structure, role, and composition of the board of directors in different families differ. This is usually determined by the size, complexity of the business and the family that organizes it. Typically, most family businesses form a board of directors to comply with legal requirements as early as the first stage of their existence. As the family business becomes more complex, it will become necessary to establish a board of directors that will play a key role in such important matters as responding to management efficiency and defining the company’s strategy. As a result, the board is required to convene more meetings in terms of independent resolution of issues in the management of the company. This happens when the family business board of directors is well organized, more accountable, and open to external independent directors.

In a family business, there are situations that can lead to conflicts between landlords. For example, different family members may have different opinions when it comes to reinvesting a company without distributing its profits as dividends. A family business owner may not be interested in the decision at all because he or she has already been paid by the company. On the other hand, the main source of income is the dividend paid by the family business and is viewed quite differently from the point of view of the owner who does not work in the family business. This owner will be in favor of receiving more and more permanent dividends.

Family business managers will have a variety of motives depending on their other roles within the business. A common problem on this front is the different attitudes towards managers who are family members and those who are not. In most family businesses, all or part of the key management positions are strictly reserved for family members. This situation affects the motivation and effectiveness of non-family managers who know that no matter how much they work in the future, they will never be able to work in the executive branch. As a result, many family businesses are constantly struggling to attract and retain qualified external managers. The formation of a clear and fair employment policy (for those with and without family members) will make it easier for family businesses to motivate their best and qualified employees and keep them interested in business development. Such a policy makes the employee's wishes dependent on their effectiveness, whether or not he or she is a family member.

These aspects show that the family model of corporate governance, family business management has its own advantages and disadvantages (Table 2).

Table 2

Family model of corporate governance, the advantages and disadvantages of family business management

Advantages	Disadvantages
1. Strict y on businessregulation based on management and ability to control;	1. Priority of family interests in business and a one - sided to the goal orientation;
Low level of risk associated with large business acquisitions;	2. The interests of minority shareholdersThe issue of protection is out of focus stay;
3. Capital investment for the implementation of large projects, profits high reinvestment potential;	3. Innovation developments low level of aspiration and business to expand motivation lack of;
4. Preservation of family values and high level of business development;	4. Openness of information and activity transparency degree inferiority;
5. Family employment and profitability provision;	5. The complexity of investing in business;
6. Family business groups (holdings) arrival	6. Internal family conflicts over business management.

** Authors by functional out*

In general, the development of family business in any conditions, in which the improvement of management is important for the well-being of the family, the economic development of the country. And the globalization of the family business will help it to take its rightful place in the face of global competition

CONCLUSION

Family business management and corporate management family models about instead increased our research during following conclusions we came:

First, the family business expanding go family from employment except activity area and in the country employment level increase take is coming.

Second, national in the economy family business enlargement product, business and services of the volume increasing go as a result healthy competition of the facility face to come service does.

Third, some countries family business gross internal in the product share sharp high, it also enters the global competition get options show does.

Fourth, family business expansion and management complicated go corporate management family models application take is coming.At this shareholders general meeting, directors board, executive organ, internal control active can be applied begins.

As well as our studies based on family business development and corporate management family model apply as following scientific offer and practical recommendations functional was released.

First, the family business opportunities effective use in order to ownership classification firm any look business financing, taxation gravity, external economic activity on a kind of mode current reach should.

Second, family business expansion conditions Create should. That's it for additional the work seats created cases social tax on tax holidays give provided reach to the goal appropriate.

Third, the family business management point of view in terms of corporate management family models advantages, advantages should be used effectively and there is shortcomings the way not to put family business development service does.

Fourth, family in business capital composition and control instead increase right point of view in terms of, initially 25 percent minus one action share, later while 50 percent one action share open to trade issue should. This practice family by management right save left without shares market development take is coming.

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