




Theoretical Foundations of Selected Economic Approaches to The Development of Entrepreneurial Entities

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Abstract: The development of entrepreneurial activity constitutes a critical driver of sustainable economic performance and structural transformation within the national economy. Over time, this subject has been investigated through a variety of theoretical lenses, shaped by differing temporal and regional contexts. In the present stage, there is a pressing need for the systematic classification, typological differentiation, and sectoral analysis of entrepreneurial entities, taking into account current socio-economic conditions and practical outcomes. Such a comprehensive approach not only enhances the effectiveness of policy interventions but also contributes to fostering sustainable economic growth, increasing employment levels, and stimulating foreign trade activities.

Keywords: Entrepreneurial entities, economic approach, economic objectives, economic growth, employment, price dynamics, sustainable development, foreign trade activity.

Introduction: The idea that "developed and stable institutions create a favorable environment for entrepreneurship" has been explored by scholars such as Douglass North and Oliver Williamson. In his seminal work *Institutions, Institutional Change and Economic Performance* (1990), Douglass North defines institutions as the "rules of the game" and emphasizes their role as mechanisms that influence all types of interactions within society—political, social, and economic. He argues that "well-functioning institutions encourage entrepreneurship, whereas dysfunctional ones restrict

economic activity."

From the perspective of the neoclassical approach, Ludwig von Mises and Friedrich Hayek have examined the idea that "entrepreneurs allocate resources efficiently through market signals." Meanwhile, Joseph Schumpeter viewed entrepreneurship as "a source of innovation and a driver of economic growth."

In the field of behavioral economics, Herbert Simon and Daniel Kahneman proposed that "not all entrepreneurs act rationally at all times; rather, they make decisions based on risk, confidence, and intuition."

In the field of economics, various theoretical approaches have been developed and applied to foster entrepreneurial activity. These economic approaches aim to enhance the entrepreneurial environment, promote efficient resource utilization, introduce innovations, and increase competitiveness. Among the key economic resources — land, labor, capital, technology, and entrepreneurial ability — special emphasis is placed on the latter. Entrepreneurial ability plays a crucial role in combining and organizing other factors of production effectively.

Entrepreneurs perform several essential functions: they integrate land, labor, and capital to produce goods and services; they make strategic decisions regarding the direction and development of the business; and they introduce innovations by implementing new products, technologies, and production methods. Furthermore, they assume commercial risk by making decisions under uncertainty, accepting the possibility of both success and failure. These functions underscore the pivotal role of entrepreneurship in economic processes.

In a market economy, one of the primary roles of entrepreneurs is to foster a competitive environment. By intensifying market competition, entrepreneurs provide consumers with higher quality and more affordable goods and services. Conversely, when competition is distorted, consumers are less likely to access high-quality and cost-effective products. Another fundamental contribution of entrepreneurs lies in the efficient allocation of resources, which is guided by market-based signals of supply and demand. This process enhances economic efficiency and contributes to the overall performance of the economy.

Entrepreneurial activity also plays a significant role in stimulating economic growth through the creation of new businesses and the diffusion of innovation. The interconnection between innovation and entrepreneurship is well-established; innovation is regarded as an inseparable component of

entrepreneurial activity. Through the development of new products and services, entrepreneurs meet evolving market demands and create added value.

Moreover, entrepreneurs contribute to technological advancement by adopting and implementing new technologies that increase production efficiency. In doing so, they accelerate the pace of economic development by facilitating structural transformation and modernization. Innovation-driven entrepreneurship, therefore, serves as a dynamic force that not only responds to current market needs but also anticipates future demands, thereby playing a strategic role in long-term economic development.

METHODS

This study employs a combination of methodological approaches to analyze the theoretical underpinnings of economic approaches to entrepreneurship. Specifically, the research investigates the genesis and evolutionary development of these approaches. The methods of analysis and synthesis, as well as induction and deduction, are utilized to examine the logical structure and interrelation of key concepts. Furthermore, the research is conducted from both normative and positive economics perspectives, allowing for a comprehensive evaluation of theoretical propositions and their practical implications in the context of entrepreneurial development.

Findings: The research identified and examined several key economic approaches that contribute to the understanding and development of entrepreneurial activity.

- **Institutional Approach:** This perspective emphasizes the role of institutional factors such as the legal and regulatory framework, property rights, and the enforcement of contracts in facilitating entrepreneurial activity. It underscores that well-functioning institutions create a conducive environment for entrepreneurship by reducing uncertainty and transaction costs.
- **Neoclassical Approach:** Within this framework, entrepreneurship is evaluated based on market efficiency, competition, resource allocation, and the dynamics of supply and demand. This approach assumes rational decision-making and focuses on optimizing outcomes through market mechanisms.
- **Innovation-Based Approach:** This perspective highlights the role of new ideas, technologies, products, and processes as key drivers of entrepreneurial growth. Entrepreneurs are seen as agents of change who introduce innovations that disrupt existing markets and create new opportunities for value creation.
- **Behavioral Approach:** This approach investigates the psychological and social factors

influencing entrepreneurial decision-making. It acknowledges that entrepreneurs do not always behave in a fully rational manner; instead, their decisions may be shaped by intuition, heuristics, risk perception, and social context.

- **Macroeconomic Approach:** This viewpoint considers the broader economic environment in which entrepreneurship operates, including factors such as tax policy, access to credit, inflation, unemployment, and general macroeconomic stability. It also emphasizes the importance of government support and macro-level policy interventions in fostering entrepreneurial development.

- **Systemic Approach:** The systemic perspective recognizes that entrepreneurship does not exist in isolation, but rather as part of a complex economic system. It suggests that entrepreneurial development

should be integrated with other sectors of the economy, promoting synergies and coordinated progress across various components of the economic structure.

- **External Economic (Export-Oriented) Approach:** This approach focuses on the role of international trade and access to global markets in enhancing entrepreneurship. Supporting export activities and increasing international competitiveness are viewed as significant factors that drive entrepreneurial growth and expansion beyond domestic markets.

These approaches collectively offer a comprehensive framework for understanding the multifaceted nature of entrepreneurship and the various economic conditions necessary for its development. (Figure 1)

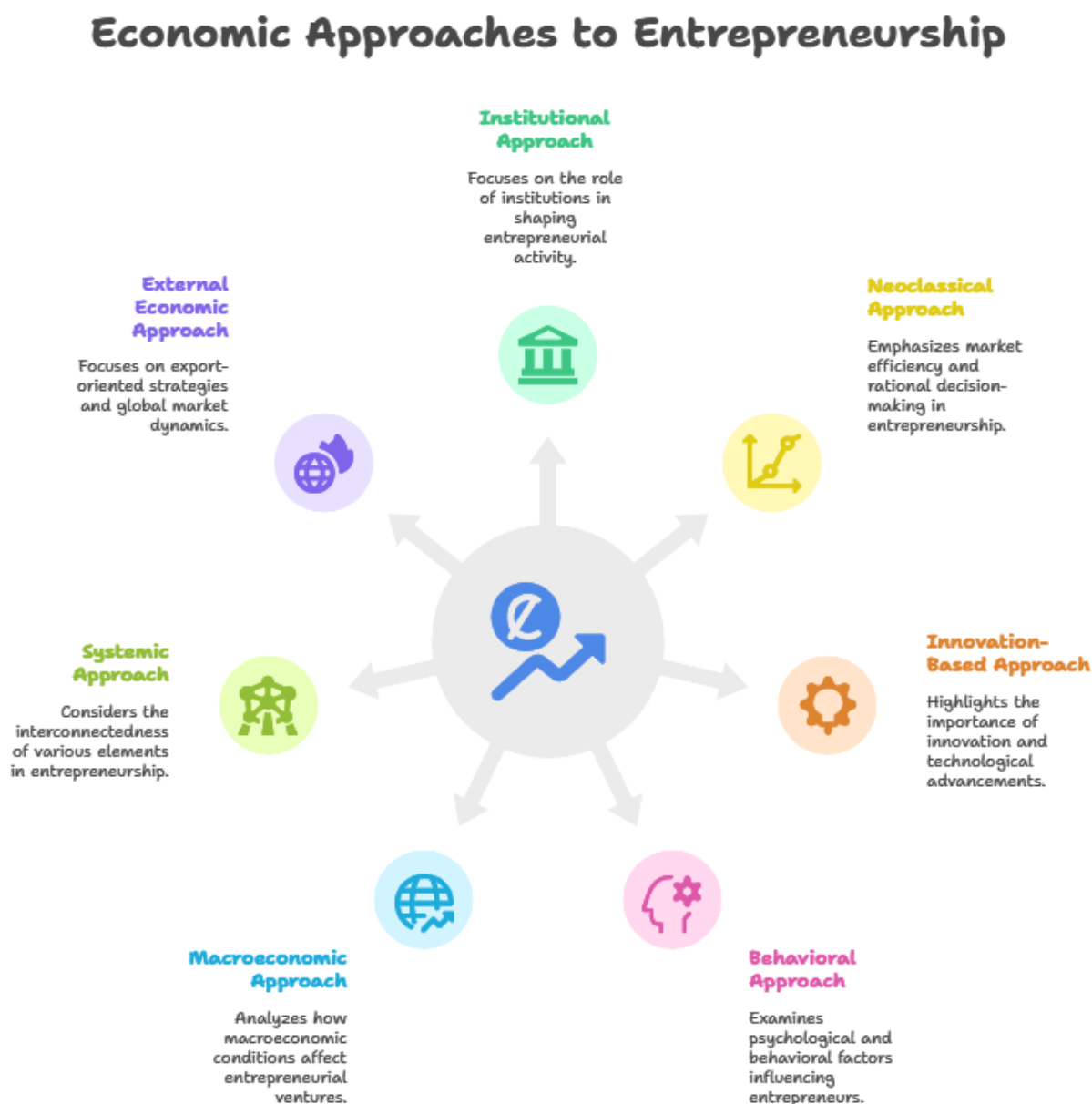


Figure 1 Approaches to the development of entrepreneurial activity

Based on the aforementioned approaches, we adopted a practical methodology for analyzing entrepreneurial activity. Specifically, we classified existing entrepreneurial entities according to their size—small,

medium, and large—and examined their activities by sector, namely: production, services, and trade.

Entrepreneurial Activity Analysis



Based on this framework, we analyzed the application of economic approaches within the context of Uzbekistan.

DISCUSSION

Table 1. Application of Economic Approaches in the Context of Uzbekistan

No	Economic Approach	Example of Application in Uzbekistan	Expected Outcome
1	Institutional Approach	In the <i>Development Strategy of New Uzbekistan for 2022–2026</i> , institutional reforms were implemented to support entrepreneurship, such as judicial reforms, digitalization of licensing processes, and integration with international arbitration systems.	Institutional improvements are expected to contribute to the development of entrepreneurship.
2	Neoclassical Approach	During the gradual transition to a market economy, the protection of private property and the expansion of small businesses operating on the basis of supply and demand reflect practical implementation of neoclassical principles.	Addressing challenges in protecting private property and promoting demand-driven business operations.
3	Innovation Approach	The activities of the Ministry of Innovative Development and programs such as “ <i>Youth – Our Future</i> ” and “ <i>Startup Initiative</i> ” provide support for technology-driven new businesses.	Technological advancement through the development of value-added production chains.
4	Behavioral Economics Approach	Entrepreneurs' cautious use of government subsidies, the role of trust and risk perception, and the influence of social capital in business decisions reflect a psychological dimension of	Strengthening behavioral economic considerations to further stimulate entrepreneurship.

No	Economic Approach	Example of Application in Uzbekistan	Expected Outcome
		entrepreneurship.	
5	Macroeconomic Approach	Measures such as reducing inflation, introducing low-interest loan programs (e.g., “ <i>Har bir oila — tadbirkor</i> ” [“Every Family is an Entrepreneur”]), and providing tax incentives aim to support entrepreneurship.	Comprehensive development of entrepreneurial entities.
6	Systemic Approach	The creation of tourism and agro-industrial clusters (e.g., in Bukhara and Samarkand), as well as industrial zones, demonstrate the systemic approach in practice.	Sector-based development through integrated systems.
7	External Economic Approach	Initiatives such as “ <i>Made in Uzbekistan</i> ” trade fairs, the Export Promotion Agency, and export credit programs aim to support entrepreneurs in accessing foreign markets.	Increased hard currency earnings and achieving a positive foreign trade balance.

CONCLUSION

The limited implementation of economic approaches in the development of entrepreneurial activity often results from the neglect or lack of understanding of their theoretical foundations. Within the framework of economic approaches, the scarcity of resources, the use of opportunity cost theory, rational decision-making, and marginal analysis play a crucial role.

If economic approaches are properly applied by both entrepreneurs and government institutions, a number of key economic objectives can be achieved, including stimulating economic growth, ensuring employment, improving living standards, providing access to affordable and high-quality goods, resolving unemployment issues, and maintaining price stability.

This can lead to technological advancement and the development of foreign trade in the national economy. Therefore, making rational, economically grounded decisions in the development of entrepreneurship can have a significantly positive impact on the further economic growth of New Uzbekistan.

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