



Entrepreneurship is One of the Factors of Production

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Abstract: The article reveals the theoretical trends in the concept of entrepreneurship. It also reveals the importance of entrepreneurship as a separate factor in the integration of factors of production.

Key words: entrepreneur, entrepreneurship, factors of production, entrepreneurial ability, innovator.

1. Introduction

The concepts of “entrepreneur” and “entrepreneurship” were first used by the English economist Richard Cantillon at the end of the 17th and the beginning of the 18th century. In his opinion, an entrepreneur is a person who operates in a risky environment, he combines the factor of land and labor and ensures economic well-being.

Later, at the end of the 18th century and the beginning of the 19th century, the famous French economist J.B. Say (1767-1832) in his book “Treatise on Political Economy” (1803) described the three classic factors of business production – land, capital, and the integrity of labor.

J.B. In Sey’s main thesis, it is said that entrepreneurs perform the main activity in the production of products. According to J.B. Sey, the income received by an entrepreneur is a reward given for his work, organizing production, and selling the product on time. An entrepreneur takes a risk and undertakes the production of a product.

It should be noted that the founders of economics paid little attention to the form of entrepreneurs. Entrepreneurs’ activity was not the object of analysis of their research work. English economists A. Smith (1723-1790) and D. Ricardo (1772-1823) accepted the economy as a self-coordinating mechanism. There was no place for creative entrepreneurship in this mechanism. A. Smith paid special attention to the definition of an entrepreneur in the book “Investigation of the nature and causes of people’s wealth” (1776). According to A. Smith, an entrepreneur is a capital owner. He implements a certain business idea and starts working with risk to get profit, because investing capital in a business is always associated with risk. Entrepreneurial income, according to A. Smith, is a reward for personal risk. The entrepreneur himself plans, organizes the production, owns the results of the production activity. These things, in turn, are related to the market system. Therefore, A. Smith introduces us to the central mechanism of the market system – the mechanism of competition. Every self-interested person will encounter others in the market who are self-interested. As a result, every actor in the market agrees to the prices offered by the competitor. In such a competition, it is not out of the question that a producer who sets a higher price for similar goods will lose a customer.

According to A. Smith, the market produces goods that society wants and needs to buy. At the same time, A. Smith showed that the market is a powerful force, that it always provides society with the goods it needs, and that this system is self-coordinating. A. Smith was against the state's interference in competition and revenue affairs. In his opinion, the market system, left to itself, will develop, and the wealth of the people with such a system will increase.

Many people began to understand the importance and role of the entrepreneurship institute at the borders of the XIX-XX centuries. French economist Andre Marshall (1907-1968) was the first to add a fourth factor to the three factors of production (land, capital, labor) – the factor of organization. Since then, the concept of entrepreneurship and the scope of work in this field have been expanding.

American economist J.B. Clark (1847-1938) made some changes to J.B. Say's "triple formula". According to him, four factors are always involved in production:

- 1) capital;
- 2) means of production and land;
- 3) entrepreneurial activity;
- 4) labor of the worker.

Each factor reflects its own profit from production: from capital, the capitalist receives additional interest; land gives rent; the capitalist's business activity generates income; the labor of the worker provides him with wages. In other words, in the words of J.B. Clark: "Free competition gives labor what comes from labor, capitalists get what capital creates, entrepreneurs get what comes from coordination." This is how he understood entrepreneurial activity.

Famous American economist Y. Schumpeter (1883-1950) in his book "The Theory of Economic Development" defined an entrepreneur as an innovator. The scientist considers entrepreneurial activity to be the introduction of innovations that play a major role in the development of the capitalist economy and economic growth: "We call economic entities whose function is to introduce new combinations entrepreneurs." English economist Friedrich von Hayek (1899-1992), who received the Nobel Prize in economics (1974), approached this problem differently. In his opinion, entrepreneurship is not an activity, but a search for new economic opportunities, providing actions. The scientist interprets entrepreneurship as not an activity.

There is still no universally recognized definition of entrepreneurship either abroad or in our country. American scientist R. Khizrich, "Entrepreneurship is the process of creating something new that has its own value, and the entrepreneur spends all the necessary time and day for this, takes all the financial, psychological and social risks, and receives money and achievements as a reward. A satisfied person," he says.

English professor A. Hoskin explains that "a person who conducts work at his own expense, is personally involved in business management, has personal responsibility for providing necessary tools, and makes independent decisions, is an individual entrepreneur."

Today, there are four stages in the development of the theory of entrepreneurship.

The first stage, which appeared in the 18th century, is risk-taking, in other words, it is related to risk-taking. The second stage of entrepreneurship is related to the innovation process.

American economist Y. Schumpeter made a great contribution. According to him, the innovative nature of entrepreneurship is reflected in:

- Production of new goods for the market;
- Implementation of new technologies in the production process;
- Development of new sales markets;
- Finding new types and sources of raw materials.

The third stage of the creation of entrepreneurship is defined by special personal qualities of entrepreneurship: the ability to find the right way in the changing economic and social situation,

independence in choosing and making management decisions, full manifestation of management skills.

The current stage in the development of the theory of entrepreneurship can be included in the fourth stage. Its emergence is associated with its transfer to a different aspect in the analysis of business activity. This means that the analysis of entrepreneurship problems in theory is currently carried out in the framework of many interrelated disciplines.

Current theoretical studies focus not only on entrepreneurship as a way of doing things independently, but also on intrapreneurship or intrapreneurship. The term “Intrapreneur” was introduced into practice by the American scientist G. Pinsho.

The emergence of intrapreneurship is associated with the transition of production organization to the entrepreneurial form in many large production structures. Since entrepreneurship involves the existence of freedom of creativity, units of integrated production units receive freedom of action, which implies the existence of intra-capital necessary for the implementation of the ideas underlying entrepreneurship.

Researches conducted by well-known scientists show that the work carried out by an entrepreneur in his field of activity is multifaceted. It is determined by changes in market policy or by the influence of internal and external factors of the enterprise. However, the main goal of an entrepreneur is to see interest (profit), as well as to carry out work that ensures effective operation in the market. To do this, it is necessary to create a mechanism based on modern management methods that support entrepreneurship and ensure its effective use. When managing a business in market conditions, it is necessary to take into account its following features:

- The entrepreneur always takes into account the demand and supply in the market;
- The entrepreneur makes efforts to ensure efficiency and looks for ways to reduce production costs;
- Persons who are responsible for the final results of the business, create sufficient opportunities to conduct their small business under free conditions;
- The final results of a small enterprise, i.e. its profit or loss, will be known only in the process of trading in the market;
- An entrepreneur engaged in small business does not know exactly what risks he will face in the market or what the final result will be when he puts his funds into action.

Thus, entrepreneurship is a special type of economic activity, based on independent initiative, responsibility, entrepreneurial idea, profit-oriented, goal-oriented activity.

Entrepreneurship is a special type of economic activity, the initial stage of which is usually associated with thinking activity or its result, only then it takes a material form.

Entrepreneurship is defined as the presence of creativity in the field of introducing innovation, changing the production of goods or organizing an enterprise (including a small enterprise). Creative aspects of entrepreneurial activity are expressed in the implementation of new methods or new technologies of organizing production in a new system of management.

The entrepreneur himself will be the main subject of business activity. But the entrepreneur is not the only subject, in any case he is obliged to interact with the state as a consumer of produced goods or services and in various situations as an assistant or opponent. Both the consumer, the state, and the hired (employee) employee are among the subjects of business activity.

In the interaction between an entrepreneur and a consumer, an entrepreneur belongs to the category of an active subject. And the consumer plays a passive role in this. It acts as an indicator of the consumer business process in the analysis of mutual relations. Everything that constitutes the subject of the entrepreneur's activity can be done only with a positive assessment of the consumer. In this case, the consumer evaluates the product and then determines his readiness to purchase this or

that product. An entrepreneur should take into account the consumer's mood, desire, and interests when planning and organizing his activities.

In the conditions of the market economy, there is no other way for an entrepreneur to influence the consumer than to act in accordance with the interests of the consumer. But this does not mean that the operator should act in accordance with the interests of the consumer. The entrepreneur himself can form consumer demand, create new consumer needs (if a new product needed by the buyer is created). Based on this, there are two ways of organizing business activities:

- determination of the consumer's interest;
- method of "forced acceptance" of new goods or services to the consumer.

Thus, the main goal of the entrepreneur is to determine the need for the product in order to acquire his customers. An entrepreneur should take into account the following main factors when forming his customers:

- novelty of the product and its compatibility with the buyer;
- quality of goods or services;
- price of goods or services;
- degree of universality of the product;
- appearance of the product, its compliance with the buyer's requirements;
- the possibility of using after-sales services;
- compliance of the goods with accepted general or state standards;
- attractiveness of advertising of goods and services, attraction of customer's attention, etc.

The conclusion is that if the entrepreneur is an active subject from the point of view of social production, then the consumer plays an active role in terms of the entrepreneurial process itself, its effectiveness and content, and the entrepreneur cannot deny this factor.

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