



THE IMPORTANCE OF CONTRACTS IN CONDUCTING BUSINESS ACTIVITIES

Tleumuratov Mambetbay

Candidate of Legal Sciences,
Associate Professor, Faculty of Law,
Karakalpak State University,

Diana Tursinbaeva

Karakalpak State University
2nd year Master's student in
Law and Business

<https://doi.org/10.5281/zenodo.15496274>

ARTICLE INFO

Qabul qilindi: 15-May 2025 yil
Ma'qullandi: 20-May 2025 yil
Nashr qilindi: 23-May 2025 yil

KEYWORDS

Contracts, rights between parties, obligations, agreements and actions, significance: the importance, relevance, and impact of contracts on entrepreneurial activity, the work of legal scholars, risk mitigation: mitigating potential risks in business operations and management strategies, commercial affairs, obligation.

ABSTRACT

This article highlights the importance of contracts in entrepreneurial activity, their role in society, the strategy adopted in the Republic of Uzbekistan and its objectives, the history of contracts, and the level of their study.

People in various spheres of society constantly enter into contractual relations with each other. A treaty is considered the most universal, democratic instrument among the instruments of legal regulation. When a legal relationship is regulated through contracts, the interests of all participants in it are maximally ensured. Typically, any contract arises on a voluntary basis, reflecting a unique balance and harmony in the definition of rights and obligations, as well as in the distribution of property interests and private property.¹

The importance of entrepreneurial activity and the agreements in them is even more clearly reflected in the newly adopted "Uzbekistan-2030" strategy. The Decree and Resolution of the President of the Republic of Uzbekistan on the approval of the Strategy and measures for its implementation in 2023 were adopted on September 11, 2023. They were developed in a new way based on the experience of Germany, France, and Korea and include 5 priority areas. Strategiyaniń II baǵdarı turaqlı ekonomikalıq ósiw arqalı xalıq párawanlıǵın támiynlew bolıp ózine 17 tiykarǵı maqsetti qamtıydı:

a) Bringing the volume of gross domestic product to 160 billion dollars and its indicator per capita to 4 thousand dollars;

b) Increase the share of technological products manufactured in industry from 25 percent to 32 percent.

c) Bringing the share of the non-state sector in the economy to 85 percent;

d) Doubling labor productivity in the processing industry;

e) Doubling exports and reaching 45 billion dollars, etc.

Dynamics of private entrepreneurship in the Republic of Uzbekistan As of February 1, 2023, the growth rate was 8.9% (233,172). Among these, handicrafts rank first, retail trade second, and other types of activities and consumer services follow. By region, the city of Tashkent, Samarkand, and Fergana regions make up the top three. By sex, there are 135,305 men and 97,867 women.

According to historical sources, the first signs of a treaty appeared in the 13th-7th centuries BC in the Avesta, the primary source of Zoroastrianism.

1) Barter agreements (Anasorani): The Avesta texts discuss barter agreements between parties, where goods or services are exchanged, laying the foundation for economic transactions. 2) Marriage contracts (vivahana): The Avestan society recognized marriage contracts for formalizing unions, defining the rights and obligations of spouses, and establishing inheritance rules. 3) Loan agreements (Dayama): References to loan agreements in the Avesta indicate the existence of procedures for borrowing and lending between individuals, indicating the terms and conditions of repayment. 4) Trade agreements (vanofratana): Commercial contracts for trade activities, including sales terms, delivery, pricing, and dispute resolution mechanisms, were widespread in Avestan trade.

After the Avesta, various forms of treaties began to emerge in the ancient Roman Republic (509-27 BC). As an example, let's consider the following:

1. Sales contracts (Emptio-venditio): In Rome, contracts for the sale of goods include agreements between buyers (emptors) and sellers (sellers) regarding price, quality, payment terms, and delivery obligations.

2. Lease agreements (Locatio-conductio): The Romans used lease agreements to lease property, land, or goods.

3. Loan agreements (Mutuum): Roman law recognized loan agreements (mutuum) that specify payment terms, interest rates, and debt repayment terms for lending money or variable goods.

4. Service contracts (Locatio-servitium): These include contracts for the hiring of services such as labor, construction, or professional services, terms of engagement, compensation, duration, and performance standards.

5. Partnership Agreements (Societas): The Romans concluded partnership agreements (societas) for joint ventures, business partnerships, or general investments, which served to define the rules of profit distribution, management, and responsibility.

Another example is the Code of Hammurabi, compiled in Babylon in 1754 BC. This code includes provisions on contracts, agreements, debts, and property rights. The Hammurabi Code, in turn, has made a significant contribution to the further expansion of the concept of obligations arising between parties. The historical significance is evident in the fact that the existence of various treaties in the Avesta and Rome demonstrates the powerful development of ancient legal systems and commercial practices in these civilizations, reflecting the harmonious nature of economic activity, social relations, and governance structures. These

historic treaties have created a place for modern treaty principles, shaped legal traditions and business practices, and continue to influence modern legal systems worldwide. Studying the evolution of contracts in ancient societies provides valuable information about the development of legal foundations, economic transactions, and societal norms, demonstrating the historical significance of contractual agreements in facilitating trade, commerce, and interpersonal relations.

It is known that the study of contracts and their significance has been a multifaceted endeavor that has attracted scholars from various fields, including economics, sociology, and management. Identifying one person as the "first scholar" who conducted extensive research on contracts and their significance can lead to considerable difficulties due to the interdisciplinary nature of contract research and the collaborative efforts of many scholars over time.

However, it is worth highlighting the contributions of Ronald Coase, a renowned economist in property rights and firm theory, who contributed to the expansion of contract theory. Coase, who won the Nobel Prize in Economics in 1991, is known for his scientific article "The Nature of Firms," published in 1937, and his substantial work "The Problem of Social Costs," published in 1960. In these works, Coase not only introduces the concept of transaction costs to science for the first time, but also deeply analyzes how contracts are used to allocate resources between firms and individuals, coordinate economic activity, and resolve disputes. Although Rose is not listed as the first scholar to study contracts, his research significantly influenced the development of contracts, incentives, and organized structures.

Other researchers, Oliver Hart (1948) and Bengt Holmström, Nobel laureates in economics, emphasize the necessity of developing effective contracts to coordinate interests and address agency matters for their contributions to contract theory and incentive structures. Ian McNeil's (1929-2020) contribution to science is evident in the fact that he focused on the role of trust, mutual and long-term relationships in contractual agreements and business operations, and developed a comprehensive and advanced work on the theory of relationships. In Uzbekistan, several renowned legal scholars and practitioners in the field of law and contracts have conducted research studying the nuances of contract law, the fundamentals of legislation, and commercial transactions. Specifically, Shuhrat Yusupov is known for his research and contributions to commercial law, contract formation, and dispute resolution. His books thoroughly analyze contractual relations, obligations, and the legal nuances of economic activity in Uzbekistan.

Furthermore, the renowned legal scholar Rustam Kurmanov conducted research encompassing the conclusion, interpretation, and enforcement of contracts. His works primarily provide insights into the practical application of contract law. Furthermore, academic and legal scholar Nargiza Tolipova's articles emphasize the importance of resolving contractual disputes. Furthermore, Doctor of Juridical Sciences, Professor O'qyulov, in his collaborative work "Contract Law," focuses more on the role and importance, history, and principles of contracts in business.

What is the importance of a contract in entrepreneurial activity?

Contracts are an essential part of establishing civil relations and completing business transactions. But what other purposes do they serve?

In 2017, the International Association for Contracts and Commercial Management (IACCM) conducted a study to determine the most relevant reasons for people to enter into contracts. All they found was that contracts have multiple purposes, and therefore, there are various reasons for their necessity. For beginners, contracts are the main source of income for the organization and the establishment of relationships. Contracts are of paramount importance, as they formalize agreements between the parties and define their terms and obligations. They play a crucial role in determining payment terms, generating revenue, and increasing operational efficiency by clearly defining roles and deadlines. Moreover, the agreements ensure compliance with relevant rules and contribute to good relations through clear communication and partnership.

Let's take a closer look at a few key elements of why contracts are important to the company:

A contract is a visual representation of these relationships. That is, through them, the two parties will agree to work together and establish connections that, if beneficial and advantageous for their interests, could last for years.

1) Prevents conflicts and reduces risk. Contracts often undergo negotiations and processing, which is a factor ensuring the achievement of the most favorable agreement by both parties.

2) Contracts help the entire organization maintain compliance.

If employees do not have a legal education, they often do not think about compliance. However, having the established process for contracts helps employees remember the need to conclude a contract that must be legally approved.

It helps to earn income

In reality, contracts are binding agreements that imply the provision of services by one party for a fee. Moreover, the ability to process contracts effectively and on fair terms will help companies generate more revenue.

Economic development and business growth

The agreements create a foundation for attracting investments, developing partnerships, and promoting economic growth within Uzbekistan's business ecosystem. Well-established contracts contribute to the creation of a strong business environment in the country.

In conclusion, understanding the importance of contracts in business activities and their role in shaping business practices is crucial for creating a favorable environment, ensuring compliance with laws and regulations, and strengthening trust between businesses and stakeholders in Uzbekistan.

References:

1. Mualliflar jamoasi. Shartnoma huquqi. Darslik. T.: 2022
2. International Encyclopaedia for Contract law (IEL Contract law). Prof. Dr J Herbots. Print: Wolters Kluwer. 2003
3. Rim huquqi. Topildiev V. T.: Yangi asr avlodi. 2013
4. "Changing concepts of Contract" David Campbell, Linnda Mulcahy, Salyy Wheeler (Palgrave Macmillan London publisher 2013) 239 pages
5. "Ózbekiston – 2030" strategiyasi to'grisida Ózbekiston Respublikasi Prezidentining Farmoni, 11.09.2023 yildagi PF-158son. www.lex.uz

6. <https://www.iupr.ru> Экономика и социум №1-2011 ISSN 2225-1545

7. <https://www.concord.appblog>



**INNOVATIVE
ACADEMY**