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ENTREPRENEURIAL CAPITAL, ITS CIRCULATION AND THEIR FEATURES AND FUNCTIONS IN MODERN SOCIETY

Annotation: A dynamic and complex idea, entrepreneurial capital is essential to the establishment, expansion, and long-term viability of businesses. It is made up of intellectual, social, human, and financial capital, and as it moves through the economy, it spurs economic growth, innovation, and job creation. These resources are used by entrepreneurs to solve issues, upend markets, and add value. This article refers that The characteristics and uses of entrepreneurial capital emphasize its vital role in contemporary economies.

Keywords: Entrepreneurial capital, Financial capital, entrepreneurs, Credit, Social capital.

Annotatsiya: Dinamik va murakkab g'oya, tadbirkorlik kapitali biznesning tashkil etilishi, kengayishi va uzoq muddatli hayotiyli uchun muhim ahamiyatga ega. U intellektual, ijtimoiy, insoniy va moliyaviy kapitaldan iborat bo'lib, iqtisodiyot bo'ylab harakatlanar ekan, iqtisodiy o'sishni, innovatsiyalarni va ish o'rinlarini yaratishni rag'batlantiradi. Ushbu resurslar tadbirkorlar tomonidan muammolarni hal qilish, bozorlarni ko'tarish va qiymat qo'shish uchun ishlatiladi. Ushbu maqolada tadbirkorlik kapitalining xususiyatlari va qo'llanilishi uning zamonaviy iqtisodiyotdagi muhim rolini ta'kidlaydi.

Kalit so'zlar: Tadbirkorlik kapitali, Moliyaviy kapital, tadbirkorlar, kredit, Ijtimoiy kapital.

Entrepreneurial capital is a comprehensive concept that encompasses all the resources and assets that entrepreneurs need to initiate, manage, and expand their businesses. It's central to the entrepreneurial process and plays a vital role in driving innovation, creating jobs, fostering competition, and supporting economic growth. Entrepreneurial capital is often divided into four primary categories: financial capital, human capital, social capital, and intellectual capital. Each type plays a specific role in supporting entrepreneurial activity and has unique characteristics. Financial capital refers to the money or liquid assets that an entrepreneur needs to fund the establishment, operations, and expansion of a business.

Personal Savings: Many entrepreneurs use their own money to fund their businesses, especially in the early stages.

Loans and Credit: Entrepreneurs may borrow money from banks or other financial institutions to finance startup costs and operational expenses.

Venture Capital (VC): Investment from venture capital firms typically goes into high-growth potential startups in exchange for equity or convertible debt.

Angel Investors: Wealthy individuals who provide seed funding to early-stage startups in exchange for equity or convertible debt.

Crowdfunding: Platforms like Kickstarter or Indiegogo allow entrepreneurs to raise funds from many small investors or backers, often in exchange for early access to products or other perks.

In its early days, PayPal raised funds from investors like Peter Thiel (venture capital) and Max Levchin (angel investor), enabling it to expand quickly into a global payment system. Human capital refers to the knowledge, skills, experience, and abilities of the entrepreneur and the people they hire (employees, partners, etc.). These can be technical skills (e.g., programming, engineering) or management skills (e.g., leadership, strategic thinking). The practical knowledge gained from previous business ventures or related work that helps entrepreneurs make informed decisions. The employees, contractors, or partners who contribute their expertise and effort to the business. Elon Musk's human capital includes his engineering background and extensive experience in software and technology startups (e.g., Zip2, X.com). He has applied these skills to build ventures like SpaceX and Tesla, where human capital (including engineers, scientists, and designers) plays a key role in innovation.

Social capital is the value derived from relationships and networks, both personal and professional, that provide support, advice, resources, and opportunities. The entrepreneur's connections with other professionals, suppliers, investors, mentors, and customers that can offer strategic insights, funding, or partnerships. The trust an entrepreneur builds within their business and social community, which helps them attract capital, talent, and customers. The guidance from experienced individuals, such as advisors or mentors, who assist with decision-making and strategic direction. Mark Zuckerberg's social capital was a key factor in Facebook's rapid growth. Zuckerberg leveraged his Harvard alumni network and relationships with early investors (like Sean Parker) and engineers (e.g., Dustin Moskovitz) to help grow Facebook into a global tech giant.

Intellectual capital refers to the intangible assets that provide value to a business, such as intellectual property (IP), brand value, proprietary technologies, and business models.

Intellectual Property (IP): Patents, trademarks, copyrights, and trade secrets that protect unique ideas, processes, or inventions. Intellectual capital played a significant role in Apple's success. Its design patents, proprietary software (iOS), and branding (which is seen as a symbol of quality and innovation) are key assets that set it apart from competitors.

Business Models and Innovations: The unique business strategies or methods that an entrepreneur develops to provide competitive advantages.

Proprietary Knowledge and Data: Specialized knowledge, databases, or algorithms that give a business an edge in the marketplace.

The circulation of entrepreneurial capital refers to how different forms of capital flow through the economy, from their initial acquisition to their ultimate reinvestment or distribution. Capital circulation is vital to sustaining entrepreneurial ecosystems, ensuring continued business creation and growth. Entrepreneurs gather capital from personal savings, family/friends, loans, or investors to fund initial operations. This capital is used to cover costs such as research and development, product prototypes, and initial marketing. Warby Parker: The founders of Warby Parker raised seed capital from friends, family, and angel investors to create an online eyeglass business. This initial capital allowed them to develop their first product and test the market. As the business proves its viability, entrepreneurs often seek additional capital through venture capital (VC) or private equity. This funding is used to scale operations, hire employees, expand into new markets, and enhance products or services. Uber raised multiple rounds of venture capital to expand its ride-hailing business globally. Venture capital firms like Benchmark and Goldman Sachs helped fund its global expansion, which involved hiring thousands of drivers, launching new services (Uber Eats), and improving the technology platform. Successful businesses reinvest profits back into the business to fund new projects,

innovations, or product lines. Additionally, retained earnings often allow businesses to self-finance their growth, reducing reliance on external sources of capital. Amazon reinvested its early profits back into research and development, logistics, and expansion into new product categories. This reinvestment strategy allowed Amazon to grow from an online bookstore to one of the largest e-commerce and cloud computing companies in the world.

Entrepreneurs may choose to exit their businesses through mergers, acquisitions, or initial public offerings (IPOs). These events allow the original entrepreneur(s) to cash out their investments, while also redistributing capital in the economy as the new owners or investors continue to fund the business. WhatsApp's founders sold the company to Facebook for \$19 billion in 2014. The capital from this sale was redistributed to the founders, investors, and employees, and Facebook continued to invest in the app, growing its user base and integrating it into its broader ecosystem. Entrepreneurial capital serves several important functions within the entrepreneurial process, the business lifecycle, and the broader economy. Entrepreneurial capital is essential for the creation of new businesses. Without capital, entrepreneurs cannot fund the development of new products, hire talent, or market their services effectively. The founders of Airbnb used seed capital to build the platform that allowed people to rent out their homes to travelers. This innovation disrupted the hotel industry and created an entirely new segment of the travel market. Entrepreneurs use intellectual capital (ideas, knowledge) and financial capital (money to fund R&D) to create new products or services that drive innovation in the market. Tesla's innovative electric vehicles and energy storage products were made possible by significant investments in R&D and intellectual property, as well as human capital that included engineers and designers.

As businesses grow, they require employees, leading to job creation. Job creation is one of the key contributions of entrepreneurial capital to economic development. Netflix's transition from a DVD rental service to a streaming platform and eventually to original content production required substantial investment, creating thousands of jobs in tech, creative production, marketing, and customer service. Entrepreneurs use capital to manage the risks inherent in starting a business. By investing in human capital (e.g., hiring experienced managers) or diversifying their operations, entrepreneurs can reduce uncertainty and improve their chances of success. Spotify minimized the risk of its music-streaming service by diversifying its revenue streams. Initially, it relied on advertising and subscriptions to generate revenue, later expanding into podcasting and content creation.

Entrepreneurial capital exhibits several important features that distinguish it from other types of capital. These features contribute to the dynamics of entrepreneurship and influence business outcomes. Many forms of entrepreneurial capital, especially intellectual capital (knowledge, ideas) and social capital (relationships), are intangible. They do not have a physical form but contribute significantly to a business's success. Google's intellectual capital, including its proprietary search algorithm and innovative advertising model (AdWords), has been a key factor in its dominance of the search engine market. Entrepreneurial capital is flexible in how it can be utilized. For example, entrepreneurs can pivot a business model or invest in new technologies depending on market conditions and opportunities. Initially created as an internal communication tool for a gaming company, Slack's founders pivoted the business model, turning it into a widely used team collaboration tool, attracting substantial investment and scaling globally. Entrepreneurial capital is inherently linked to risk and uncertainty. Entrepreneurs invest capital with the understanding that there is a possibility of failure, but also the potential for high returns. Snapchat's early investors took on

significant risks, believing in the company's potential despite uncertain long-term prospects. The company's eventual success made these risks worthwhile. Below is a detailed table form summarizing **Entrepreneurial Capital**, its **circulation**, and corresponding **examples** at each stage.

Entrepreneurial capital and its circulation. TABLE 1.

Stage	Description	Examples
1. Initial Accumulation of Capital	The first stage where entrepreneurs gather the necessary resources (financial, human, intellectual, social) to start their venture. This may include personal savings, loans, and investments.	- Warby Parker: The founders raised seed capital from friends, family, and angel investors to develop the online eyewear business.
	Sources: Personal savings, bank loans, venture capital (VC), angel investors, crowdfunding, etc.	- Tesla: Elon Musk provided initial funding from his personal wealth and venture capital to establish the company and build the first prototype of the electric vehicle.
	Entrepreneurs begin to set up their legal structures, develop initial business models, and set the groundwork for operations.	- Airbnb: Raised initial funding from angel investors to create a platform allowing individuals to rent out spare rooms to travelers, disrupting the hotel industry.
2. Start-Up Phase	Entrepreneurs use the gathered capital to launch their business, conduct market research, develop products or services, and begin sales.	- Uber: Seed capital was used to build the ride-sharing app, market the service, and recruit early drivers.
	Use of Capital: Funding early-stage operations, including product development, marketing, hiring key employees, and initial working capital needs.	- Dropbox: The founders used initial funding to develop their cloud storage service and establish their customer base.
	In this phase, the entrepreneur often seeks to prove the concept of their business model and attract early customers.	- Snapchat: Raised seed funding to build and launch the Snapchat app, initially targeting young audiences with its unique disappearing messages feature.
3. Growth and Scaling	After proving the business model, entrepreneurs seek additional capital to expand operations, reach larger markets, and scale production or service delivery.	- Spotify: Raised venture capital to scale from a Swedish startup to an international music-streaming platform.
	Sources: Venture capital (Series A, B, etc.), private equity, reinvested profits, loans, and reinvestment from angel investors.	- Facebook: After demonstrating early growth, Facebook raised significant rounds of funding from venture capital firms to expand its user base, hire more

Stage	Description	Examples
		talent, and develop new features.
	Entrepreneurs focus on customer acquisition, improving infrastructure, and refining products/services.	- Instagram: Instagram raised funding from venture capitalists to expand rapidly and enhance the photo-sharing platform, growing its user base from a few thousand to millions within months.
4. Expansion and Diversification	With success in initial markets, entrepreneurs look to enter new markets, diversify their product offerings, or expand their geographic reach.	- Amazon: Initially a book retailer, Amazon used reinvested profits to expand into other categories like electronics, cloud services (AWS), and international markets.
	Use of Capital: Expanding product lines, international expansion, enhancing infrastructure, or investing in technological advancements.	- Netflix: Expanded from DVD rental to online streaming and original content production, using capital to invest in technology, content production, and international market penetration.
	Entrepreneurs may also seek strategic partnerships, joint ventures, or licensing agreements to boost growth.	- Apple: Apple used capital to diversify from personal computers to mobile devices (iPhone, iPad), and later ventured into services like iCloud, Apple Music, and App Store.
5. Maturity and Profit Optimization	At this stage, the business becomes stable and profitable. Entrepreneurs seek to optimize operations, maximize efficiency, and enhance profitability.	- Microsoft: Reached maturity with Windows and Office products, using its significant profits to reinvest in cloud computing (Azure) and expand into new markets such as gaming (Xbox).
	Use of Capital: Focusing on operational efficiency, process optimization, and maintaining market leadership.	- Coca-Cola: Focuses on improving global distribution, marketing, and efficiency while maintaining market dominance in the beverage industry.
	At this stage, businesses often use retained earnings for further investments, acquisitions, or innovation.	- Walmart: Invests in technology and global supply chain efficiency, furthering its dominance in retail and e-commerce.
6.Exit or Succession	Entrepreneurs may decide to exit their business or transfer ownership to new leadership through mergers, acquisitions, or IPOs.	- WhatsApp: Sold to Facebook for \$19 billion, representing an exit strategy for the founders and redistribution of entrepreneurial capital back into the economy.
	Methods: Mergers, acquisitions, initial public offerings (IPOs), or passing on leadership to new management.	- Instagram: Acquired by Facebook for \$1 billion, providing the founders with a profitable exit and capital reinvestment

Stage	Description	Examples
		opportunities.
	At this point, capital is redistributed through sales, equity, or stock ownership. The entrepreneur may then reinvest in new ventures or retire.	- Google (Alphabet) : Reached an IPO in 2004, allowing its founders to access capital and reinvest in new projects under Alphabet, such as Waymo (self-driving cars) and Google X .
7. Reinvestment into New Ventures	After exiting a business or achieving substantial returns, entrepreneurs often reinvest their capital into new ventures, further contributing to the entrepreneurial ecosystem.	- Elon Musk : After the sale of PayPal to eBay, Musk reinvested in new ventures such as SpaceX , Tesla , SolarCity , and The Boring Company , fueling innovation in multiple industries.
	Reinvestment: Entrepreneurs often reinvest profits, not only into businesses but also into social causes, research and development, or new entrepreneurial initiatives.	- Richard Branson : After the success of Virgin Records , Branson reinvested in new ventures like Virgin Galactic (space tourism) and Virgin Hyperloop (transportation).

Entrepreneurs need initial capital to turn ideas into reality. This stage often involves bootstrapping (using personal savings), seeking investment from family or friends, or approaching angel investors or venture capitalists for seed funding. The goal is to gather enough resources to develop a prototype, conduct market research, and build the first iteration of the product or service. This is when the business launches, and capital is used to build the foundation: developing products or services, setting up operations, hiring the first employees, and gaining early customers. The goal is to prove the business model works and start generating revenues. Entrepreneurs also need to attract attention from customers and investors. With a proven business model, entrepreneurs look to scale. This phase typically involves raising more capital through additional rounds of venture funding, which can be used to expand marketing efforts, hire more talent, and grow production capacity. Entrepreneurs may enter new markets and refine their products based on customer feedback. In this phase, businesses seek growth through diversification (new products or services) and geographic expansion (new markets). Capital is used to enter new industries or regions, develop additional product lines, or strengthen technological capabilities.

At this point, companies often turn to private equity or strategic partnerships. The business is now established and profitable. Capital is used to optimize operations, maximize efficiency, and maintain competitiveness. Businesses may reinvest in R&D, look for new opportunities, or acquire smaller competitors. The goal at this stage is to enhance profitability while sustaining market leadership. Entrepreneurs may choose to exit their business via an IPO, merger, or acquisition. This allows them to capitalize on the value created by the company and redistribute their entrepreneurial capital, either by selling the company to a larger entity or by going public. The capital is then available for reinvestment or new opportunities. After an exit, entrepreneurs often reinvest their gains into new businesses, creating a cycle of continual innovation and business creation. This helps rejuvenate the entrepreneurial ecosystem and drive further economic activity.

To conclude, Entrepreneurial capital is a dynamic and multifaceted concept that plays a central role in the creation, growth, and sustainability of businesses. It consists of financial, human, social, and intellectual capital, and its circulation through the economy drives innovation, job creation, and economic development. Entrepreneurs leverage these resources to solve problems, disrupt industries, and create value. The features and functions of entrepreneurial capital highlight its essential role in modern economies and underscore the critical importance of capital circulation in fostering a thriving entrepreneurial ecosystem. The circulation of entrepreneurial capital is a continuous and dynamic process that drives innovation, growth, and economic development. Each stage of capital circulation — from initial accumulation to reinvestment into new ventures — plays a crucial role in the entrepreneurial ecosystem. By moving through these stages, capital fosters new business creation, job opportunities, and technological advancements, with entrepreneurs leveraging various forms of capital (financial, human, intellectual, and social) to achieve success and contribute to broader economic progress.

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