

MAIN DIRECTIONS AND TRENDS OF AGRICULTURAL FINANCING

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Annotation

The article examines the opinions of the world's leading scientists on the main directions and trends of agricultural financing, the current state of agricultural financing in the economy of Uzbekistan, the volume of investments made in this sector and the absorption of them in the cross-section of sectors, and the development of justified conclusions and proposals for the improvement of agricultural financing. developed and recommendations for application in our country.

Keywords: Agriculture, cluster, foreign investments, investment, resource, enterprise.

Introduction

It is also an important area from a socio-political point of view. Today, due to global climate changes, population growth, and limited land and water resources, ensuring food security is one of the urgent tasks facing all mankind.

Taking these circumstances into account, under the leadership of the head of our state, "rapid reforms are being implemented in our country to achieve quantitative and qualitative changes in the agricultural sector. In the Development Strategy of New Uzbekistan and the Strategy for the Development of Agriculture until 2030, reforming the agrarian sector, and increasing its efficiency by introducing the principles of market relations and advanced experience and technologies are defined as priority tasks[1].

In 2022, within the framework of the goals and tasks indicated in the operational documents of this program, several systematic measures will be implemented, 1 Law of the Republic of Uzbekistan, 2 Decrees, and 10 decisions of the President of the Republic of Uzbekistan on the rapid development of market relations in the field, support of business entities in terms of improving the regulatory legal framework. and 15 decisions of the government were adopted. In particular, the Law "On Organic Products" created legal norms for the production, processing, storage, and sale of ecologically clean organic products. The system of financing the costs of growing agricultural products and purchasing them has been further improved.

Literature Review

In the process of analyzing the literature on the topic, scientific research was conducted by several leading economists and specialists of the world on the main directions and trends of

agricultural financing. Among them, the scientists of our country, N.M.Babayeva focused on the issues of the reforms implemented in the agriculture of the Republic of Uzbekistan and the distribution of investments within the sector, carried out an econometric analysis of their effective use, and gave scientific recommendations on the effective organization of the agricultural economy. A. M. Maksumkhanova discusses the concept of "investments" in her research and reveals the composition of investments in the agro-industrial complex. It determines the investment potential based on a factor approach. The scientist showed the main features of attracting investments to the agriculture of the Republic of Uzbekistan, and analyzed the current state of agriculture and trends in the development of investment activity in the agrarian sector. State reforms necessary to attract investments in the agrarian sector are also considered in the work.

Z.S.Shokho'jaeva, D.O.Boqieva in their research paid attention to the need to "...reveal the role of the credit system in financial support of agricultural producers and develop the state and market mechanisms of credit system regulation."

M.E. Rakhmonov in his article "...issues of increasing the stability and effectiveness of the introduction of digital technologies to agriculture are considered. At the same time, taking into account that one of the global problems, food security, is directly related to the agricultural sector today, it is possible to solve the problems by bringing agriculture to a new level and introducing innovations into the system.

O.I. Rashidov, I.A. Rashidova, M.V. Shatokin analyzes the relationship between investment and gross domestic product using the MNC (multinational corporation) method and provides values for the investment multiplier and accelerator. The time interval between the growth of investments in the regional economy and their return in the form of GDP growth is defined.

Research Methodology

Economic research methods such as analysis of the research conducted by world scientists to clarify in detail the main directions and trends of the financing of the agricultural sector, collection of all information on the subject, comparison, and logical thinking were used.

Analysis and Discussion of Results

A general condition for restoring the production potential of agriculture, eliminating its economic and technological backwardness. the transition to technical modernization and innovative development is to attract investments in the sector, and the financing process is difficult for most agricultural producers due to the lack of their own funds.

By the end of 2022, the gross product of our country was 888 trillion soums, the increase compared to 2021 is 105.2 percent. The volume of gross domestic product is 80.4 billion. It is equal to the equivalent of the US dollar and has increased by 1.5 times compared to 2018. The volume of agricultural, forest, and fishery products in the gross domestic product is 208 trillion soums or 19 billion. It has increased by 1.7 times in the last five years. Its share in the GDP will be 25.1 percent (29.7 percent in 2018).

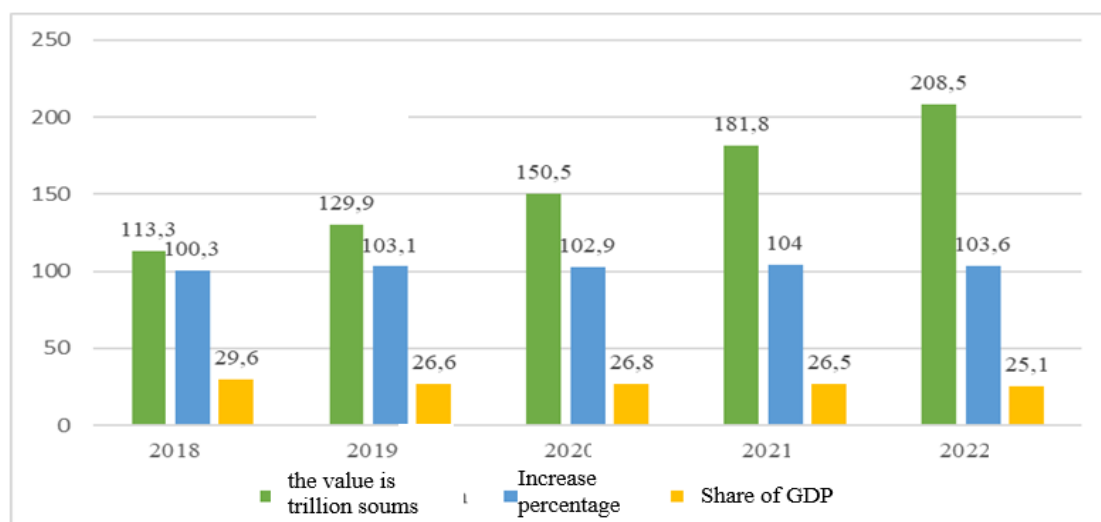


Figure 1. The size of agricultural, forest and fishery products in the gross domestic product¹

The volume of agricultural, forestry, and fisheries products produced in January-December 2022 is 264.5 trillion. amounting to 3.6% compared to the corresponding period of the previous year.

The equivalent in US dollars of the volume of manufactured products is 33 billion. USD and the volume of production has increased by 1.4 times in the last five years.

Of this, 347.6 trillion in Agriculture. Soums (\$31.5 billion) or 3.6% more products were developed.

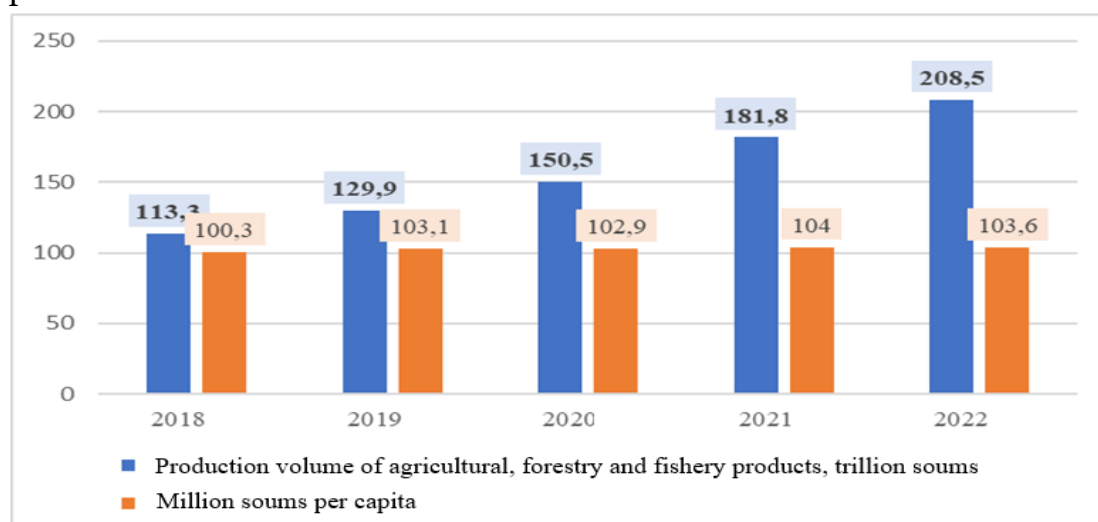


Figure 2. Distribution of production volume of agricultural, forestry and fishery products per capita²

¹ Information from the Statistical Agency of the Republic of Uzbekistan. (www.stat.uz)

² Information from the Statistical Agency of the Republic of Uzbekistan. (www.stat.uz)

The volume of production of agricultural, forestry, and fisheries products per capita is 10.2 million soums (925 US dollars), compared to 2018 (+5.9 million soums; 734 dollars) 1 increased by 6 times. This indicator is good on the one hand and bad on the other. On the positive side, the production of agricultural, forestry, and fishery products is increasing day by day, but the population and their needs are increasing in a geometrical progression, and the cost of production of agricultural, forestry, and fishery products is also increasing. is increasing significantly. On the other hand, it is a pity that we are not taking measures despite the above problems and international practice. In particular, work in the field of seed production, which is considered an important link to food security in our country, increasing the level of mechanization in vegetable growing, policing, and fruit growing, especially expanding the scale of mechanized picking of cotton, public-private partnership in land development the principles of widespread use, the creation of plant varieties adapted to climatic conditions, the use of alternative water saving technologies, the improvement of drainage and water treatment systems and the reuse of treated water in irrigation, the lack of incentive and financial resources for farmers to maintain and improve soil fertility There are problems such as the lack of funds or the fact that budget funds for financing agriculture are not used effectively.

Especially in our country, the policy of optimization of arable land and regionalization of agricultural crops, cluster system, creation of modern greenhouses, and expansion of homesteading practices made it possible to significantly increase the standard of living of the population in the village.

Investments in the agricultural sector of Uzbekistan are one of the most important factors of development, and agro-industry sectors are used: machinery manufacturing industries (the first agricultural sector), agriculture (the second agricultural sector), and processing industry (the third agricultural sector). Among the listed sectors of the republican agro-industrial complex, agriculture occupies a special place, because this sector produces primary products for processing industries and ultimately serves as the basis for its stable operation.

Table 1. Impact of investments on agricultural development³

Years	Investments in agriculture, billion soums	Gross agricultural output volume, billion soums	Agriculture, added value, billion soums	Food production index, %	Agricultural exports, thousand US dollars
2002	102.2	3255.3	2244.2	38.51	140,486
2003	98.5	4083.3	2801.8	41.76	194,784
2004	113.6	4615.8	3242.3	43.61	368,258

³ Asrarovna, R. M. (2023). Financing the green economy in developing countries: a focus on Uzbekistan. Best Journal of Innovation in Science, Research and Development, 2(10), 507-511.

2005	138.2	5978.3	4192.8	46.62	431,318
2006	164.4	7538.8	5298.0	52.03	592,249
2007	200.9	9304.9	6550.2	53.7	546,679
2008	261.2	11310.7	7673.0	56.6	400,335
2009	385.9	13628.6	9200.0	61.42	459,742
2010	531	30856.7	21251.3	66.01	689,232
2011	942.5	45285.9	30658.6	70.84	894,713
2012	1089.2	55750.0	36954.7	76.81	639,746
2013	1335.6	66435.3	42636.8	83.27	741,783
2014	1448	81794.3	53613.2	89.15	733,675
2015	1375.5	99604.6	64680.3	96.22	562,049
2016	1646.4	115599.2	74779.0	114.63	746,812
2017	2004.3	148199.3	90983.9	102.93	859543,0
2018	3561.1	187425.6	113660.7	105.03	1081403,0
2019	15141	216283.1	130306.9	104.36	1533268,0
2020	18025.5	250250.6	151250.9	106.28	1481928,0
2021	18934,9	303415.5	183518,5	N/A	1456421,0
2022	19900,0	347600,0	N/A	N/A	1631600,0

In Table 1, it can be seen that in 2002, the volume of investments directed to agriculture amounted to 102.2 billion soums, and in 2010, this indicator increased by 5 times and amounted to 531 billion soums. In 2020, this amount increased by 33.9 times compared to 2010 and amounted to 18,025.5 billion soums.

In 2020, agricultural investments increased by 176.7 times compared to 2002, and the total value of the gross agricultural product in 2020 amounted to 250,250.6 billion soums, which increased by 76 times compared to 2002.

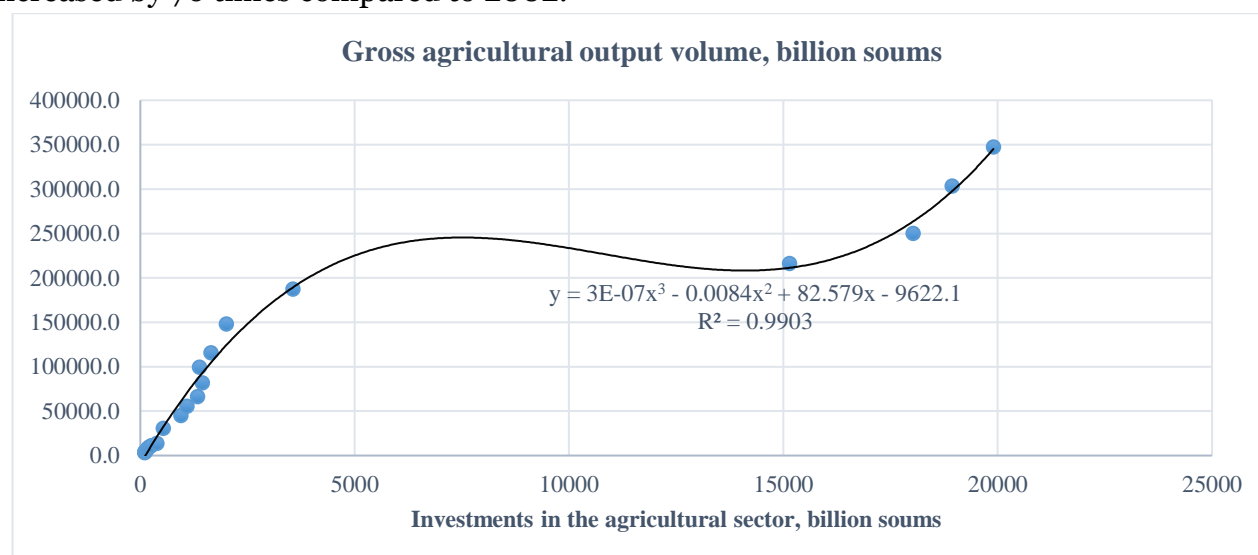


Diagram 1. Economic model of agricultural gross product⁴

⁴ Asrarovna, R. M. (2023). Financing the green economy in developing countries: a focus on uzbekistan. Best Journal of Innovation in Science, Research and Development, 2(10), 507-511.

As can be seen from the model in Figure 1, $R^2=0.9903$ indicates a very strong relationship between agricultural investment and agricultural gross output.

The existence of a favorable agribusiness climate in Uzbekistan is very important, it is important for the creation of the added value chain, the wide introduction of market principles in the purchase and sale of agricultural products, the development of quality control infrastructure, the promotion of exports, the production of high-value agricultural products. It serves to make them competitive in the production of food products and international markets. The effect of investments in agriculture can be seen by analyzing how much it is reflected in the added value created. Therefore, Figure 2 provides an analysis of the relationship between agricultural investment and agricultural value added.

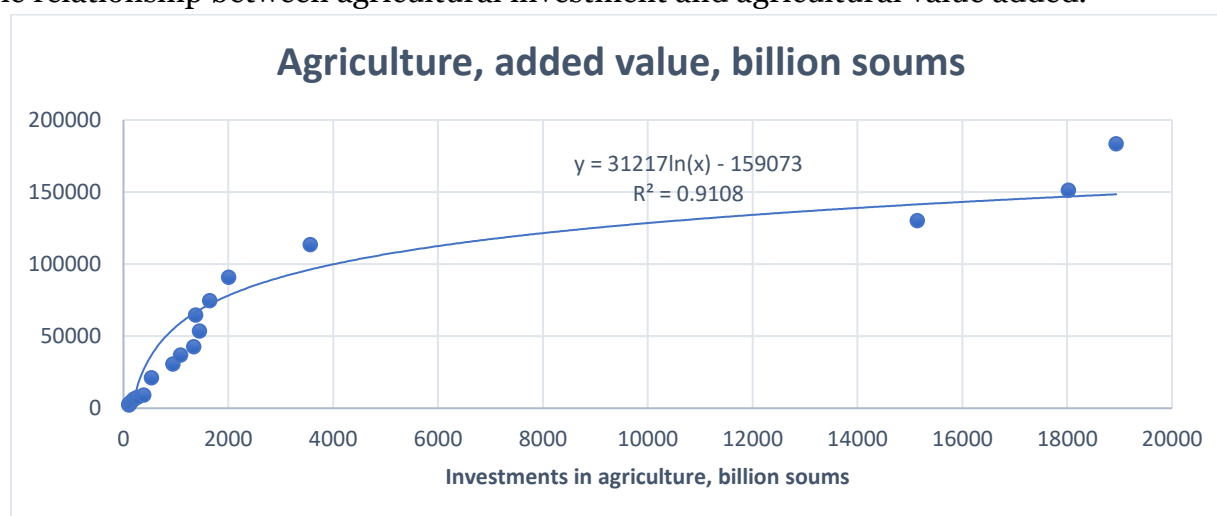


Diagram 2.

An economic model of added value created in agriculture⁵

As can be seen from the economic model presented in diagram 2, a very positive correlation ($R^2=0.9108$) was formed between the investments made in agriculture and the added value created in agriculture. The impact of investments in agriculture on the value-added chain created in agriculture is very high, which means that the more investment in agriculture, the more positive the result.

These and other implemented measures, achievements, future problems, and threats, as well as future plans to solve them, were held within the framework of the international partnership initiative week "New Uzbekistan: Development, Innovation and Enlightenment". The strategy of development of agriculture in new Uzbekistan until 2030: opportunities and prospects" were also discussed at the event.

In particular, at the event, the strategy of agricultural development for 2020-2030 and the following 9 priority directions are being implemented at the event:

- development and implementation of the state food safety policy;

⁵ Asrarovna, R. M. (2023). Financing the green economy in developing countries: a focus on Uzbekistan. Best Journal of Innovation in Science, Research and Development, 2(10), 507-511.

- creating a favorable agribusiness environment and added value chain;
- introduction of mechanisms to reduce state participation in the sector and increase investment attractiveness;
- rational use of natural resources and improvement of the environment protection system;
- development of modern management systems;
- increasing the efficiency of state expenditures and gradual redistribution through the development of network programs;
- development of the system of science, education, information and consulting services;
- implementation of programs for the development of rural areas;
- creation of a transparent system of network statistics was recognized.

In addition to the above measures, widespread use of murabahah contracts and leasing agreements based on the principles of Islamic finance in agricultural financing.

Also, implementation of transformation of state administration in agriculture and further deepening of reforms based on world experience. In particular, it is necessary to attract experts from international countries such as the USA, Germany, Holland, Finland, and France and gain experience in the mechanisms of organization and management of agroclusters and cooperatives in the field of agriculture.

Today, it is necessary to reconsider the mechanisms of working together with enterprises operating in the agricultural sector and institutional investors, including insurance companies, commercial banks, leasing companies and foreign investors.

To sum up, today about 50% of the country's population lives in the regions that make up 4 quarters of the economy and about 3.5 million people. Acceleration of relevant reforms in this field, where people are busy, will definitely serve to increase the well-being of the population of our country and ensure stable economic development in the future.

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