



Development Prospects through Subsidies of the Agricultural Sector

Khatamov Adkham Sobirovich¹,

¹ Independent researcher of the International Center for Strategic Development and Research in the field of food and agriculture of MARUz, xatamov35@gmail.com

Annotation: This article examines the role of agriculture in the country's economy, the importance of subsidization in its development, and traditional forms of financing. At the same time, the processes of allocating bank loans and subsidies from the state budget in the financing of agricultural activities were analyzed and appropriate conclusions were drawn.

Keywords: agriculture, intensive, agro-industry, food products, financing, subsidy, bank loan, interest rate.

Introduction

As part of the socio-economic reforms implemented in Uzbekistan, special attention is paid to ensuring high growth rates through the wider use of the economic potential of the national economy, including agriculture.

The UN Food and Agriculture Organization estimates that the current rate of world population growth will increase to 9.7 billion people by 2050. If current population growth continues at the same rate, population demand for calories will increase by 70 percent. In developing countries, the demand for crops for population and animal feed will almost double [6]. The only way to meet this ever-growing demand is to intensively develop agriculture and provide financial support for all the products created in time so that the chain of implementation is not broken through a combination of processing technologies or the concept of bio-processing.

Today, the agricultural sector is one of the leading sectors of the economy of Uzbekistan. 888 trillion in our country by the end of 2022. gross domestic product of soums was produced, which is 105.7 percent compared to 2021 [9]. As of January 1, 2022, about 17.3 million of the country's population (49.2 percent of the total population) will live in rural areas. The country has a high birth rate (23.3 per thousand) and a corresponding surplus of labor in rural areas, with people under 25 making up 45.5 percent of the population and under 30 making up more than 55 percent [1].

Large-scale changes and qualitative updates are taking place in agriculture itself in our country. According to President Sh.M. Mirziyoev: through the intensive development of agriculture on a scientific basis, to increase the income of peasants and farmers by at least 2 times, to bring the annual growth of agriculture to at least 5%. Specialization of districts in the cultivation of a specific type of product. Expanding the scope of state support in agriculture and implementing new insurance mechanisms. Development of 464,000 hectares of new and disused land and allocating it to clusters based on an open selection process. Reduction of 200,000 hectares of cotton and grain areas and long-term lease to the population on the basis of open competition. One of the main problems to be solved in this field is the determination of the tasks of growing exportable products and developing fruit and vegetable farming, increasing the area of intensive gardens by 3 times and greenhouses by 2

times, increasing the export potential to 1 billion US dollars [2].

In the implementation of these tasks, it is an urgent issue to subsidize the timely financing of agriculture at the expense of the state budget and to increase the credit operations and increase their efficiency by attracting free funds of the population, business entities and potential investors, including foreign investors.

Literature review on the topic

According to A.Boymuratov's conclusion, it is necessary to introduce subsidization of at least 25% of the interest rate of loans given by commercial banks to agricultural producers by the commercial banks from the state budget [4]. This idea is very relevant because agricultural enterprises are facing problems in paying loan payments due to the fact that they cannot sell their products at the planned prices.

Economist E.Shodmonov came to the opinion that considering the instability of the financial situation in a significant part of the existing agricultural enterprises in our republic, the possibility of using sources of financing investment expenses is seriously limited, it is necessary to introduce the practice of financing their activities on the basis of leasing [5].

In the research of Zhuang Zhang et al., the Ministry of Finance of China investigated the reduction of the bank's lending risk by implementing a policy of subsidizing agricultural loans for the bank in providing agricultural loans [7].

Research methodology

A number of research methods such as analysis and synthesis, induction and deduction, logical abstraction, economic-mathematical, systematic analysis, statistical analysis, empirical evaluation, factor analysis, expert evaluation are widely used in the research work. With the help of these methods, the scientific literature on the subject was critically studied, the legal documents on the goods were studied from the point of view of improving the research work, and the subsidization of agriculture was analyzed from the point of view of content and form.

Results

The agro-industry complex is an important sector of the economy of Uzbekistan. The reforms carried out in the field have given a number of positive results: the structure of crops has improved, the supply of food products to the population has been guaranteed. The well-thought-out policy of optimization of arable land and zoning of agricultural crops in our country has made it possible to increase the production of other agricultural products several times while maintaining the relatively stable volume of cotton cultivation, which is the most important raw material and exportable product. The most important thing is that it has created a basis for the complete supply of food products to our people, and if necessary, allows them to be exported to foreign countries.



Figure 1. Gross added value of agriculture, forestry and fisheries created in our country in 2018-2022, dynamics of the share of growth rate in GDP [9]

The analysis of the data in Figure 1 shows that by the end of 2022, the volume of agricultural, forestry and fishery products in the gross domestic product will be 208.5 trillion soums or 19 billion. We can see that it has increased 1.7 times over the last five years in terms of the US dollar. We can say that this is the result of intensive development of agriculture in our country and great attention to achieving effective productivity parameters.

However, the problem of providing clean water and food security to the population, which has become the most urgent problem of the world, has a negative impact on the social and psychological condition of the population of the earth, and causes a sharp decrease in their income and an increase in unemployment. This, in turn, threatens to expose the economy of many countries to crisis situations. Therefore, supporting the country's agriculture is a process directly related to food security.

Food supply is considered one of the most important factors in the well-being of the population and in curbing inflation. In recent years, 200,000 hectares of land has been set aside for food production and 500,000 hectares of additional land has been put into use, which serves to maintain the price level in the domestic market [8].

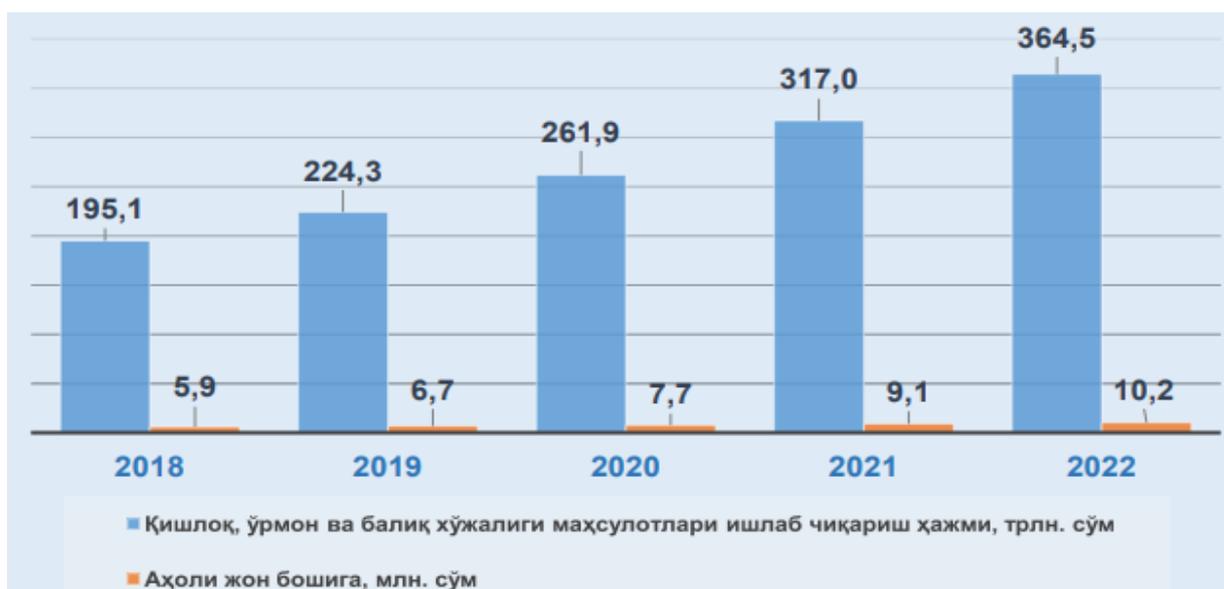


Figure 2. In 2018-2022, the volume of production of agricultural, forestry and fishery products in our country and the dynamics of its growth per capita [9]

Analysis of the data in Figure 2 shows that by the end of 2022, the volume of agricultural, forestry and fishery products will be 364.5 trillion. amounting to 13.0 percent or 47.5 trillion by the end of 2021. we can see that it has increased to soum. Of this, 347.6 trillion in agriculture. production of soum products serves to ensure the well-being of the population. Also, the production volume of agricultural, forestry and fisheries products is 10.2 million per capita. amounting to 1.7 times or 4.3 million soums (925 dollars if compared in US dollar equivalent) compared to 2018 (5.9 million soums or 734 US dollars). we can see that it has increased by 191 US dollars.

In addition, agriculture is one of the most controlled sectors of the economy. Large-scale agricultural producers, farmers' property rights, methods of regulating their activities, development of markets for agricultural products and production resources, and services for the sector are always in need of reform.

The essence of the finance of agricultural enterprises is primarily derived from the specific characteristics of agriculture. In agriculture, land, livestock and other natural resources are involved in the production process, which makes it different from other sectors of the economy. In particular, land, which is the main means of production in agriculture, does not wear out (depreciates) like other fixed assets, and therefore does not participate in the formation of product costs. At the same time, the level of natural fertility of the plots of land and the location of the agricultural enterprises cause differential income (rent). This situation causes the used funds to be withheld for 10-12 months, and in some cases up to 15-18 months, and as a result of this, farms lack their own funds.

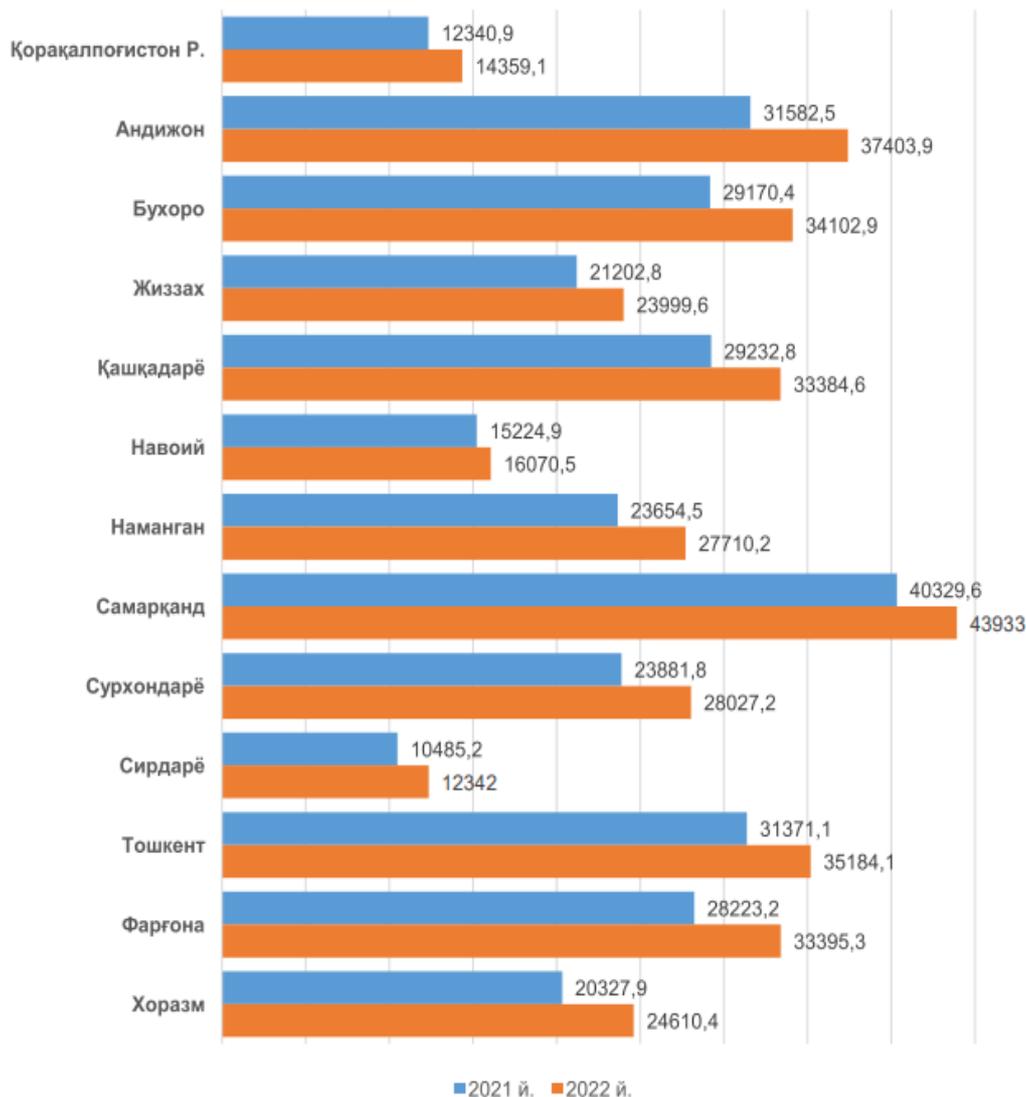


Figure 3. In 2021-2022, the volume of agricultural products in our country in terms of regions, billion. sum [9]

The analysis of the data in Figure 3 shows that by the end of 2022, the volume of agricultural, forestry and fisheries products will be the highest in the region of Samarkand region with 43933 billion. soums, followed by Andijan region with 37,404 billion. soums and Tashkent region 35184 billion. amounting to soum. Also, Syrdarya region has the lowest volume of 12344 billion. soums, Republic of Karakalpakstan 14359 billion. soums, and Navoi region 16070.5 billion. we can see that it is soum.

Subsidizing agricultural enterprises in the Republic of Uzbekistan is based on the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated July 12, 2019 No. 578 [3] on measures to further strengthen the material and technical base of producers of agricultural products.

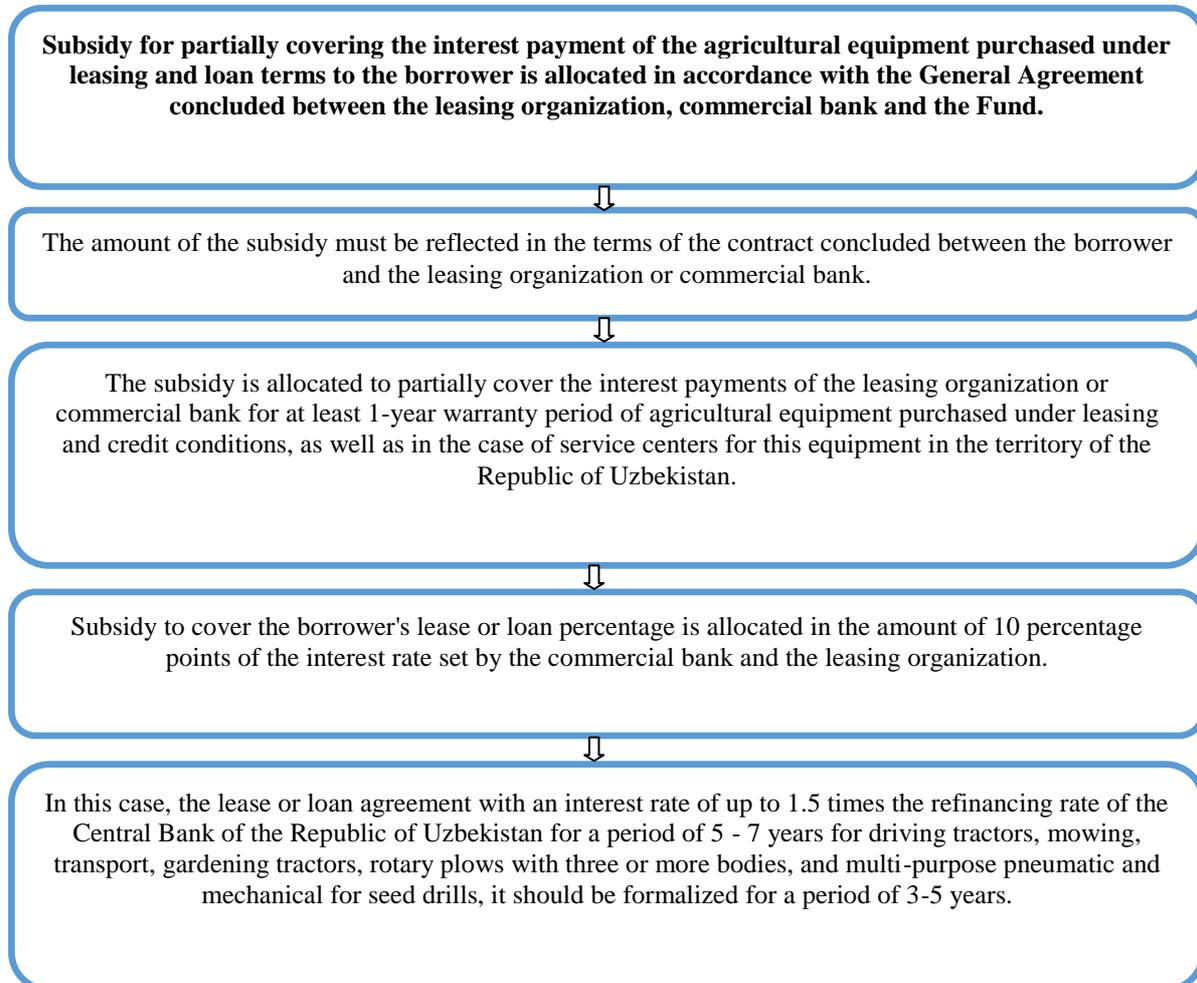


Figure 4. Subsidy allocation mechanism [3]

It is determined that the subsidy for agricultural enterprises will be allocated only for new agricultural machinery, the production period of which does not exceed one year on the day of the conclusion of the lease or loan agreement.

Subsidies according to regulations:

- when an advance payment of not less than 20% of the value of agricultural equipment specified in the contract is made by the borrowers of the lease or loan;
- the lease or loan agreement is issued at an interest rate up to 1.5 times the refinancing rate of the Central Bank of the Republic of Uzbekistan [3].

Conclusion

In conclusion, the agro-industrial complex is an important sector of the economy of Uzbekistan. The reforms carried out in the field have given a number of positive results: the structure of crops has improved, the supply of food products to the population has been guaranteed.

The expansion of peasant-farmer and other private business activities in agriculture is also manifested by the increase in the weight of agricultural sectors and industries in the volume of gross product production. In order for this industry to become one of the leading links of the country's economy, the government of our country will provide all-round support for the development of entrepreneurship in agriculture, including further liberalization, simplification and cheapening of all processes related to running a business, and financial support for small businesses and private enterprises. Increasing measures are playing an important role.

Also, it was found out as a result of the analysis that when the prices of the products produced by farmers and farms fall, they cover the costs by providing subsidies from the state budget.

As a result of the analysis, starting from March 15, 2020, banks in our country will allocate loans to finance the costs of growing cotton raw materials by farms, cotton-textile clusters, cooperatives, as well as elite seed farms from the funds of the state support fund for agriculture. The allocation of up to 700 billion soums for these purposes from the republican budget, depending on the need, is a great opportunity for the development of agriculture.

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