

# MECHANISMS OF FINANCIAL SUPPORT FOR THE AGRICULTURAL SECTOR OF THE REPUBLIC OF UZBEKISTAN

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## Abstract

Agriculture plays a significant role in the development of the national economy in many countries, being one of its leading sectors. The sustainable development of agriculture is vital for providing food security and ensuring the population's well-being. Agriculture is crucial for the country's economic growth, ensuring food security, creating jobs, stimulating economic expansion, improving the foreign trade balance, and strengthening social stability. In this context, the stable and sustainable development of agriculture is essential, and financing for farmers is critical.

**Keywords:** Agrarian, finance, credit, state, economy, support.

## Introduction

The Government of Uzbekistan plays a significant role in the agricultural financing system, reflecting its broader economic strategy and commitment to ensuring sector growth and sustainability. The agricultural sector is crucial for Uzbekistan, not only as a major source of employment but also for food security and export revenue. The government's role can be described in several key areas.

The Government of Uzbekistan initiates and finances programs aimed at increasing the productivity and sustainability of agriculture. These programs often focus on implementing modern agricultural technologies, improving irrigation systems, and supporting the transition to high-value crops. By investing in these areas, the government seeks to enhance the sector's competitiveness and sustainability.

## Methods

The research work used the world's experiences and studies, approaches, and concepts on financial support for the agricultural sector as a theoretical and methodological basis. The results and scientific significance of the research may serve in the future financing of agricultural sectors.

## Results

Under the Agricultural Development Strategy of the Republic of Uzbekistan for 2020- 2030, some of the priorities include:



■ Creating a favorable agribusiness climate and value chains, promoting market principles in the procurement and sale of agricultural products, developing quality control infrastructure, stimulating exports, and producing competitive high-value agro-food products for target international markets;

■ Implementing mechanisms to reduce the role of the state and increase the investment attractiveness of the sector, aiming to increase private investment for modernization, diversification, and stable growth of the agro-food sector;

■ Enhancing efficiency and gradually redistributing government expenditures through the development of sectoral programs aimed at increasing labor productivity on farms, improving product quality, and creating high added value.

These priorities will be implemented through the following measures:

■ Allocating land plots on preferential terms to dehqan farms to stimulate activity expansion.

■ Further stimulating investment in trade infrastructure and agro-logistics centers, food safety laboratories, and necessary equipment and inventory.

■ Attracting grants and technical assistance funds from international financial institutions to modernize the material and technical base of research institutes in seed production and horticulture.

■ Implementing pilot investment programs to support the development and diversification of small businesses in the agricultural sector.

■ Improving mechanisms for financial support to agricultural producers by the state, including subsidizing interest rates on commercial loans allocated for producing strategically significant agricultural products.

■ Enhancing mechanisms for lending and insurance in accordance with strategic priorities and the needs of the agro-food sector.

■ Improving the activities of the State Fund for Entrepreneurial Support under the Ministry of Economic Development and Poverty Reduction.

■ Introducing a «warehouse receipt» mechanism for lending to agricultural producers.

■ Developing transparent partnership mechanisms by introducing additional mechanisms and financial instruments, and ensuring equal access for market participants.

■ Abolishing the practice of providing resources and services through preferential loans.

■ Improving the mechanism of using land use rights as collateral by revising the procedure for market valuation of land lease rights.

■ Developing an investment program to ensure targeted attraction of credit lines from international financial institutions.

■ Improving mechanisms for commercial banks' support in providing credit resources for dehqan farms and household landowners.

## **Discussion**

Currently, in Uzbekistan's practice, the most developed types of financing for agricultural activities are government subsidies, loans, and credits provided by the state through programs via commercial banks.



**Improving access to microfinance.** Introducing new products, such as microloans with lower interest rates and simplified loan application procedures, can ease the financing of ongoing activities and the development of production capacities. It is also recommended to expand the possibilities for using Islamic finance, which can attract additional investment into the sector.

**Expanding the use of leasing.** Improving leasing conditions for equipment and technologies, including introducing tax incentives for companies providing agricultural machinery leasing.

**Stimulating investments.** Attracting private and foreign investments by improving the investment climate, including simplifying procedures for registering land rights, reducing the tax burden, and providing additional incentives for agribusiness.

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