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## Prospects for the Development in Republic of Uzbekistan's Agrarian Sector through Bank Loans

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**Abstract:** The article discusses the use of bank loans for the development of the agricultural sector of the Republic of Uzbekistan, developed scientific proposals and practical recommendations aimed at stimulating the mechanism of lending to agricultural formations in the republic.

**Key words:** Agriculture, commercial bank, agricultural sector, credit operation, lending mechanism, state support of the agricultural sector.

### Introduction

The priority tasks of deepening the agrarian reform stem from the importance of the role of the agricultural sector in the life and economy of the country, ensuring the economic independence of the republic, and at the same time the gradual implementation and development of the reform. in all sectors of the economy.

Since the agricultural sector plays a significant role in the country's economy, everyone is interested in carrying out economic reforms and its development.

In recent years, steady growth in agricultural production has been achieved in our country, in particular, by the end of 2022, the increase in agricultural production in the country's GDP amounted to 3.6%, including in agriculture – 3.8%. 3.4% in animal husbandry.[1]

The system of agricultural production has changed. Grain independence has been achieved, the cultivation areas of some agricultural products imported from abroad, the area under potatoes have been significantly increased.

A new system of financing, crediting and insurance of agriculture has been developed and introduced into the practice of the banking system, including the principles of mutual settlements for agricultural products and imported machinery, fuel and mineral fertilizers. The economic independence of agricultural enterprises has increased. the system of contractual prices is widely used in the purchase of agricultural products.

First of all, we must accept this as a vivid confirmation of the profound structural changes taking place in our economy and the fact that our country is gradually turning from a once agrarian republic into a modern industrial state.

Large-scale changes and qualitative updates are taking place in agriculture itself.

As the President of our country noted: "Due to the intensive development of agriculture on a scientific basis, to increase the incomes of peasants and farmers by at least 2 times, to bring the annual growth of agriculture to at least 5%.

The districts specialize in growing a certain type of product.

Expansion of the scale of state support for agriculture and the introduction of new insurance mechanisms.

Development of 464,000 hectares of new and unused lands and their distribution into clusters based on an open selection process. Reduction of 200,000 hectares of cotton and grain areas and their transfer to long-term lease to the population on the basis of an open tender.

The cultivation of export products and the development of fruit and vegetable farming, an increase in the area of intensive gardens by 3 times and greenhouses by 2 times and an increase in export potential to 1 billion US dollars" [2] are the main problems of agriculture of the future.

Accordingly, we can say that the internal possibilities of increasing the efficiency and development of agricultural production have not yet been fully disclosed. The radical reform of agriculture, the introduction of agrarian and economic relations in the village depends on improving the capabilities of financial and credit institutions operating in agriculture, which are not yet fully functioning.

The above circumstances require a deep scientific analysis of the relevance of identifying the problems of radical reform of agricultural production, the introduction of agrarian and economic relations in rural areas, which are associated with financial and credit institutions operating in agriculture, but are not yet fully functioning, and ways to eliminate them.

### **Analysis of the literature on the topic**

The issues of development of small business and private entrepreneurship in all spheres of the country's economy, including agriculture, are reflected in the ideas put forward in the writings of the President of the Republic of Uzbekistan Sh.M.Mirziyoyev[2]. [3]

A number of mature economists, including Dolya V., Smith A., Sey J. B., Cantilon R., Clark J., Ricardo D., Ozhegova S., have developed the theoretical foundations of the concepts of entrepreneurship and business in economics. and other foreign scientists, and in Uzbekistan Egamberdiyev, S.S. Gulomov, H. Khodzhakulov. and investigated by other scientists. Also Basenko V.P., Busygin A.B., Krayukhin G., Zagashvili A. on certain areas of development of small business and private entrepreneurship. a number of foreign scientists, as well as in the conditions of Uzbekistan, Berkinov B., Dodoboev Y.T., Dusmuratov G', Murodov Ch., Usmanov S.N., Husanov R.H., Khushmatov N.S., Shokirov A.A., Choriev K.A. and a number of other economists conducted research.

If we look closely at the sources on the topic, we will see that there are a lot of studies on this topic. For example, Professor A. Bekmurodov "Another global economic crisis is knocking on the door" [4], Professor N. Dzhumayev "Why does Uzbekistan need a place in international rankings?" [5], Professor B. Begalov "Independent Uzbekistan registers its population for the first time" [6], economist A. Umirov "How to eliminate the consequences of a pandemic" [7], Professor B. Aliyev "Coronavirus is an unbridled catastrophe. To what extent does this affect the world economy?" [8], scientific analyses and conclusions were made in scientific articles concerning the mitigation of the consequences of the pandemic and its negative impact on the world and national economy and its subsequent socio-economic consequences.

The market of agricultural products, the development of small business and private entrepreneurship in it, the influencing factors have been studied by many scientists and researchers. In particular, S.A.O. Socio-economic factors affecting the activities of small farms in Ugvumba [9], Panasyuk M.V., Safiullin L.N., Gafurov I.R., Safin A.R., the role of small business in agriculture [10], Zantemirov S.A., the state of entrepreneurship development in the agricultural sector [11], A. A. Chernov, in his research papers, highlighted the state and prospects of new measures of state support for small business in agriculture [12].

In general, in modern conditions, the most important task of the financial and credit system, in particular, commercial banks, is to provide banking services aimed at meeting the need for

banking services of the population and economic entities that do not have sufficient credit capacity on the scale of the sector that is considered necessary in the country's economy.

It is very difficult for some banks to fulfill this task, especially at the level of the rural population, because of the internal potential of the agricultural infrastructure, for which there are not enough funds.

### **Research methodology**

When performing scientific work, during the development of agricultural production at the expense of bank loans, interviews with economists-scientists and industry representatives, analysis of their written and oral opinions, expert assessment, monitoring of processes, a systematic approach to economic events and processes, comparative analysis with the author's experience, conclusions, suggestions and recommendations are given in the appropriate areas.

### **Analysis and results**

Agriculture is one of the priority sectors of the economy in most countries of the world, including the Republic of Uzbekistan. In 2022, the share of agriculture in the gross domestic product of Uzbekistan was 25.1%, and in 2021 it was 26.9%. In 2022, 51.7% of agricultural products were crop production, 48.3% were livestock products. About 17.7 million of the country's population (49.1% of the total population) live in rural areas (2023). The country has a high birth rate (23.3 per thousand) and, accordingly, an excess of labor in rural areas. People under the age of 25 make up 45.5 percent of the population, and people under the age of 30 make up more than 55 percent[1].

A well-thought-out policy of optimizing arable land and zoning of agricultural crops in our country has allowed several times to increase the production of other agricultural products while maintaining relatively stable volumes of cotton cultivation, which is the most important raw material and export product. The most important thing is that it has created a base for the full supply of our people with food products, and, if necessary, allows them to be exported to foreign countries.

The agro-industrial complex is an important branch of the economy of Uzbekistan. The reforms carried out in the industry have yielded a number of positive results: the structure of crops has improved, the provision of food products to the population has been ensured.

In particular, according to preliminary data, the total volume of products (services) of agriculture, forestry and fisheries in January-December 2022 amounted to 364.5 trillion. sum, including in crop and animal husbandry, hunting and the provision of services in these areas – 352.1 trillion. sum, forestry -9.2 trillion. sum, fisheries – 3.2 trillion soums. In January-December 2022, the volume of products (services) of agriculture, forestry and fisheries per capita of the Republic of Uzbekistan at current prices amounted to 10225.6 thousand soums, or 101.5% compared to the corresponding period of 2021.

In January-December 2022, the growth rate of products (services) of agriculture, forestry and fisheries, compared with the corresponding period of 2021, amounted to 103.6% (in January-December 2021, compared with the same period of 2020, 104.0%), including in crop and livestock production, hunting and the provision of services in these areas – 103.6% (103.9%), forestry – 102.3% (103.0%), fisheries – 101.9% (118.0%).

**Table 1. The volume of products and services of agriculture, forestry and fisheries in the Republic of Uzbekistan[13]**

trillion sums

Name of industries	Years (as of the end of the year)				
	2018	2019	2020	2021	2022
Total	195,1	224,3	261,9	317,0	364,5
Including:					
Crop and animal husbandry, hunting and provision of services in these areas	189,0	217,3	253,2	306,9	352,1
Of these:					
Agricultural products	187,4	216,3	250,3	303,4	347,6
Forestry	5,1	5,5	6,8	7,5	9,2
Fisheries	1,0	1,5	1,9	2,6	3,2

The consistent implementation of measures to further increase the potential of the livestock industry, as well as the systematic state support provided, contributed to the growth of livestock, saturation of the domestic consumer market with livestock products. In January-December 2022, all categories of farms produced 2726.0 thousand tons of meat in live weight, 11629.4 thousand tons of milk, 8129.3 million eggs, 37.3 thousand tons of wool, 1302.3 thousand pieces of karakul skins, 177.4 thousand tons of fish were caught.

During the reporting period, the volume of meat produced in live weight, compared to the same period last year, amounted to 103.4%, milk – 103.2%, eggs – 104.4%, wool – 102.5%, karakul skins – 104.0%, fish caught – 103.2%. In January-December 2022, all categories of farms produced 7,994.9 thousand tons of grain (up by 4.7% compared to January-December 2021), 3,441.7 thousand tons of potatoes (up by 4.7%), 11,163.0 thousand tons of vegetables (by 2.9%), 2,420.7 thousand tons of melons (by 5.9%), 2,983.5 thousand tons of fruits and berries (by 4.6%), 1,760.6 thousand tons of grapes (by 3.9%). [1]

However, the problem of providing the population with clean water and food security, which has become the most urgent problem in the world, has a negative impact on the socio-psychological state of the world's population causes a sharp decline in their incomes and an increase in unemployment. Therefore, the support of the country's agriculture is a process directly related to food security.

At the present stage of development of the banking system of our country, commercial banks mainly use various methods of lending when providing loans to agricultural enterprises.

In order to provide agricultural structures of the republic with modern equipment and technologies, on July 12, 2019, Cabinet of Ministers Resolution No. 578 approved the procedure for state support for the purchase of agricultural machinery on loan and leasing terms. According to this provision, financial support for agriculture is provided through the purchase of agricultural machinery on loan and leasing terms.

In addition, in order to ensure the implementation of the Decree of the President of the Republic of Uzbekistan dated October 23, 2019 "On approval of the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020-2030" No. In order to abolish the procedure, increase the economic efficiency of production and the interests of producers of products, create additional jobs through broad investment, On March 6, 2020, the President of the Republic of Uzbekistan "On measures for the widespread introduction of market principles in the cotton sector" No. PQ-4633 and PQ-4634 signed decisions "On measures for the widespread introduction of market principles in the cultivation, purchase and sale of grain".

Based on the above-mentioned legal grounds, starting from March 15, 2020, banks will allocate loans to finance the costs of growing cotton raw materials by farms, cotton and textile clusters, cooperatives, as well as elite seed farms from state support funds. fund of agriculture. In

accordance with the need, it was decided to allocate up to 700 billion soums from the republican budget for these purposes.

If you pay attention to the analytical data, then in recent years the bulk of loans issued to agricultural producers through commercial banks are loans issued at the expense of the settlement fund of agricultural products purchased for state needs under the Ministry of Finance of the Republic of Uzbekistan.

**Table 2 Distribution of credit lines provided by commercial banks by sectors of the economy of Uzbekistan[13]**

Name of industries	Years (as of January 1)					
	2021		2022		2023	
	the amount (trillion soums)	share(%)	the amount (trillion soums)	share(%)	the amount (trillion soums)	share(%)
Industry	102,6	37,27	117,6	36,22	126,6	32,46
Agricultural industry	28,1	10,21	35,0	10,78	42,1	10,79
Construction	7,4	2,69	9,3	2,86	10,4	2,67
Trade and catering	19,9	7,23	27,4	8,44	28,9	7,41
Transport and communication	26,6	9,66	28,7	8,84	29,7	7,62
Others	35,8	13,0	37,2	11,46	51,3	13,15
Individuals	54,9	19,94	69,5	21,4	101,0	25,9
Total	275,3	100,0	324,7	100,0	390,0	100,0

In general, in 2022, the amount of loans allocated by commercial banks to agricultural structures from all sources of financing amounted to 35.0 trillion soums. If we compare it with the situation in 2020, we can see that its amount has increased 2.0 times. (Table 1). It is safe to say that the share of agricultural loans in the total amount of loans also tends to increase from year to year. In particular, in 2020, the share of loans to agriculture amounted to 8.19 percent of the total volume of loans, and by 2022 this figure increased by 32 percent to 10.78 percent. The share of other sectors tended to decrease.

This is a good indicator, but at present the internal possibilities of increasing the efficiency and development of agricultural production are not fully disclosed. The radical reform of agriculture, the introduction of agrarian and economic relations in the village depends on improving the capabilities of financial and credit institutions operating in agriculture, which have not yet fully earned.

In conclusion, a number of problems of sustainable development of agriculture can be noted. This, in turn, allows sustainable development of agriculture. The financial situation of farms is complicated.

### Conclusions and suggestions

The results of the research conducted during the scientific research showed that the practical work organized and carried out in the agricultural structures of the country in recent years has yielded results, but there are still tasks that need to be solved in this industry.

For example, improving the system of providing agricultural services based on advanced scientific achievements and innovations as well. providing agro-industrial enterprises with raw materials and increasing production volumes by 1.5 times. [2] are considered the primary problems of modern agriculture.

In addition, there are a number of urgent problems in the country to improve the practice of lending to agricultural structures, the main of which, in our opinion, are the following:

- 1) elimination of price imbalance (disparity);



- 2) expansion of the sphere of lending by commercial banks to agricultural structures;
- 3) creation of continuous conditions for the sale of agricultural products and continuous control over it;
- 4) increase the share of agricultural producers' income from the final price of the products they grow;
- 5) strengthen marketing activities in agricultural structures, as well as expand the system of regular market research;
- 6) digitalization of the system of credit and financial services for agriculture and acceleration of ways to ensure their security.

From the above it can be seen that the work on providing agricultural structures with financial resources from the commercial banks of our country is developing more and more and the growth rates are improving.

At the same time, the successful solution of the considered tasks in the system of commercial banks will further improve the activities of agricultural formations and strengthen competitiveness among commodity producers.

We hope that they, in turn, will serve as a basis for fully satisfying the needs of the population of the Russian Republic in food and raw materials for industry, for eliminating some differences between the city and the countryside.

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