

# Prospects For Improving Financial Support For Agriculture By The State

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**Annotation:** This article provides views and comments on the prospects for improving financial support for agriculture by the state.

**Keywords:** Agriculture, financial support, budget funds, marginal amount.

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## Introduction

In order to improve the state financial support of agriculture in the Republic of Uzbekistan, we consider it expedient to implement the following measures:

In determining the share of expenditures on agriculture in the expenditure side of the state budget, it is necessary to take into account the share of agriculture in GDP and ensure targeted and efficient use of budget funds.

Taking into account the share of agriculture in GDP in the allocation of budget funds will increase the amount of funds allocated to agriculture from the state budget. In turn, the increase in the state budget will allow to develop the activities of agricultural producers, as well as to determine the maximum amount of subsidies for agriculture, which is one of the important issues of Uzbekistan's membership in the WTO. Because, according to the requirements of the WTO, in developing countries, the state allows subsidies to agriculture in the amount of up to 10% of the cost of production of agricultural goods.

## Main part

The proposal, developed in the course of research on the targeted use of budget funds on the basis of the correlation between investment in agriculture in the structure of state budget expenditures and the share of agriculture in GDP, was used by the Ministry of Finance of the Republic of Uzbekistan. As a result of the implementation of this proposal, the amount of funds transferred from the State Budget of the Republic of Uzbekistan to the "Land Reclamation Fund" under the Cabinet of Ministers of the Republic of Uzbekistan in 2018 compared to 2017 amounted to 89.2 billion soums. soums.

In developed countries, the level of financial support for agricultural producers from the state budget is high. For example, the value of agricultural products sold in Norway from the state budget

61 percent, close to 23 percent in the European Union, and 47 percent in Japan<sup>1</sup>.

As the main centralized monetary fund of the state is the state budget, the execution of the state budget with a surplus plays an important role in the financial support of agriculture by the state.

Deficit execution of the state budget of the Republic of Uzbekistan in 2018 has to some extent reduced the ability of the state to provide financial support to agriculture. However, in 2018, the successful placement of US Government bonds denominated in US dollars on the London international stock market made it possible to cover the state budget deficit.

In order to improve the practice of state subsidization of agricultural risk insurance, first of all, it is necessary to introduce a differentiated approach by agricultural producers and regions with difficult climatic conditions (Republic of Karakalpakstan, Khorezm and Bukhara regions) using high-intensity technologies in setting insurance rates; secondly, for the calculation of subsidies it is necessary to determine the value and rates of insurance based on the average yield for the same periodic period; thirdly, a separate state insurance fund should be established to cover losses from natural disasters (floods, salt deposits).

The Ministry of Finance of the Republic of Uzbekistan used the method of calculating the cost and rates of insurance on the basis of average yields over the same period in determining the optimal amount of insurance risk in determining the subsidies allocated for agricultural development from the state budget. Based on the results of this study, the amount of subsidies provided to agriculture through Agrobank at the expense of the State Budget of the Republic of Uzbekistan in 2018 compared to 2017 increased by 53.4%.

As a result of the implementation of this proposal, firstly, the interest of agricultural producers in the use of high-intensity technologies will increase; second, the possibility of increasing the level of protection against risks in areas with relatively severe natural and climatic conditions will increase; third, it expands the possibility of compensation for damage caused by natural disasters. For example, in 2018, as a result of the salt storm, agricultural producers in the Republic of Karakalpakstan and Khorezm region suffered significant losses. If there is a separate insurance fund to cover losses from natural disasters, the possibility of covering these losses will expand.

In order to ensure the liquidity of Agrobank, the only commercial bank providing financial services to agriculture, and increase the stability of the resource base, we consider it appropriate to implement the following measures:

A. In order to eliminate the risk of transformation in the activities of Agrobank, first of all, it is necessary to ensure a balance between the maturity of Agrobank's assets and borrowed funds; secondly, long-term loans from Agrobank's short-term resources should be refinanced from state-owned resources.

It is impossible to implement the mechanism of refinancing long-term loans provided by Agrobank at the expense of short-term resources without government assistance. Because, first of all, the low

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<sup>1</sup> Agricultural support. URL: <http://data.oecd.org/agrpolicy/agricultura-support.htm#indicator-chart>.

financial stability of agricultural producers in the country does not allow Agrobank to form a resource supply of long-term loans; second, late repayment of long-term loans does not reduce the risk of transformation.

B. It is necessary to assess the overdue indebtedness on soft loans to liquidated farms as a debt arising from business risk and ensure that it is fully repaid to Agrobank at the expense of Agrosugurta.

Based on the above, in order to ensure financial stability and reduce the risk of transformation, the proposal to revalue soft loans and overdue debt and repay it in full at the expense of state insurance companies is implemented by JSC "Agrobank" in reducing the number of overdue loans given. As a result of the implementation of this proposal, the share of liquid assets in the total assets of the bank increased by 15.0 percentage points.

Loans to liquidated farms are insured by Uzagrosugurta. As a result of the liquidation of these farms, the debtor who received the loan - the farmer - was liquidated as a legal entity. This is a business risk.

V. In order to strengthen the resource base of Agrobank, first of all, it is necessary to place a certain part of the funds of the Fund for Reconstruction and Development of the Republic of Uzbekistan in Agrobank as a long-term deposit; secondly, it is necessary to provide a tax credit depending on the part of Agrobank's profit directed to the replenishment of regulatory capital; thirdly, it is necessary to increase the investment attractiveness of these securities by introducing government subsidies to the part of the value of investments in securities issued by Agrobank that has fallen under the influence of inflation.

In order to solve this problem, Agrobank's proposal to increase the level of capitalization at the expense of public funds, to provide financial incentives for directing profits to regulatory capital, to prevent the value of investments in securities under the influence of inflation, to increase the long-term deposit base. used in the practice of presenting profits for reinvestment. The implementation of this proposal in 2018 ensured a 106% increase in the resources of JSC "Agrobank".

As a result of the implementation of this proposal, first, the long-term resource base of Agrobank will be strengthened; second, the bank's liquidity level will increase; third, Agrobank's level of solvency will increase as capitalization increases.

Due to the low level of profitability of farms, the ability to strengthen the long-term resource base of Agrobank is limited. In addition, the large amount of non-performing soft loans does not allow the bank to fully form its resource base.

In order to improve the practice of state financial support of the process of leasing financing of agricultural producers, we consider it expedient to implement the following measures:

A. It is necessary to introduce government subsidies for depreciation of leased assets to agricultural producers due to inflation and the devaluation of the national currency.

B. Machine-tractor parks established and leased at the expense of voluntary agreements and funds of farms and using agricultural machinery should be exempted from taxes for the first 3 years of their establishment.

As a result of the implementation of this proposal, the volume and efficiency of leasing services provided to agricultural producers by commercial banks and leasing companies will increase.

Decreasing the real value of depreciation of agricultural machinery provided by commercial banks and leasing companies to agricultural producers under leasing agreements under the influence of inflation and devaluation leads to a decrease in the efficiency of leasing operations of commercial banks and leasing companies.

There is no problem of inflation in developed countries. That is, the annual inflation rate in these countries does not exceed 2%. In our country, there is a problem of inflation, and in 2018 the annual inflation rate was 14.3%.

It has also managed to reduce the fluctuations in the nominal exchange rate of the national currency in developed countries, including the United States and Japan. In our country, the fluctuations of the national currency against the US dollar remain wide.

The results of the study of foreign experience show that leasing is a reliable and effective form of financing the investment costs of agricultural producers. This is because, firstly, agricultural producers do not have enough money to purchase agricultural machinery and technology; second, the relative length of the production cycle in agriculture creates their constant demand for long-term sources of financing; third, the level of credit risk in leasing transactions is relatively low because leasing loans are secured by leasing facilities.

The fact that the rate of cash flow in agricultural producers is lower than in industrial enterprises serves to increase the relevance of leasing operations for them.

It should be noted that the role of commercial banks in providing leasing services to agricultural producers is greater than that of leasing companies. This is because, first, leasing companies have a problem of lack of long-term resources; second, commercial banks have the ability to attract long-term resources.

Long-term bonds issued by commercial banks providing financial services to agriculture must be recognized by the Central Bank of the Republic of Uzbekistan as highly liquid assets.

As a result, the investment attractiveness of these bonds will increase and the demand for them by commercial banks will increase.

At present, the Central Bank of the Republic of Uzbekistan recognizes only investments of commercial banks in securities of the Government of Uzbekistan as highly liquid assets, and does not recognize investments in corporate securities as highly liquid assets. Due to the small size of government securities, commercial banks are unable to maintain their current liquidity by investing in these securities.

Rich and advanced foreign experience shows that the recognition of these bonds by the Central Bank as a highly liquid asset plays an important role in increasing their market value. For example, long-term bonds issued by banks that provide financial services to agriculture in the United States are recognized by the Federal Reserve as a highly liquid asset. As a result, the investment attractiveness of these bonds for commercial banks has increased. This is because investments in these bonds are recognized as liquid assets in determining the current liquidity of commercial banks.

## CONCLUSION

The following problems related to the improvement of the practice of financial support of agriculture by the state have been identified.

1. Funds allocated to agriculture from the state budget do not correspond to the share of agriculture in GDP.
2. The problem associated with the payment of soft loans, mineral fertilizers, fuel costs of farms, whose land was transferred to the disposal of agro-clusters.
3. Lack of improvement of the practice of state financial support of the agricultural insurance process.
4. The only commercial bank providing financial services to agriculture - Agrobank - the problem of liquidity and resource supply.
5. Imperfection of the practice of state financial support for leasing financing of agriculture.

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