

EFFICIENCY OF INVESTMENTS IN AGRICULTURE OF THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

The purpose of the dissertation is to study the theoretical provisions of investments and substantiate proposals for improving their effectiveness in the Republic of Uzbekistan. The subject of the study is regional features and socio-economic conditions of gashestion activities, factors and specific directions for increasing the efficiency of investments in agriculture. The results of the author's research on improving the efficiency of investments and investment activities in agriculture can be used by administrative bodies, research institutions and universities of the Republic of Uzbekistan.

KEYWORDS . *Investment, agriculture, Uzbekistan, development, world ranking.*

INTRODUCTION

The effective development of agriculture and the agro-industrial complex of the country is associated with an investment factor: the intensification of investment activity, attracting investments from various sources to the agricultural sector, determining their priority areas, and rational use. Investment processes in agriculture operate according to general economic laws, but are manifested taking into account the characteristics of the agricultural business, which require their comprehensive analysis and accounting. The obvious insufficiency of investment in agriculture in relation to the need necessitates the efficient use of investment resources. Investment activity is constrained by the rise in the cost of resources, price disparity, high taxes and interest rates on loans, low production efficiency, including the low efficiency of investments themselves, lack of own funds, accumulated debts, and a reduction in the volume of centralized capital investments. Investment activity reflects the dynamics of attracting investments in the industries of the region, their structure, and also directly depends on the performance indicators of investment activities of economic entities in the region. Investment activity is an effective sign of investment attractiveness and is defined as “the development and intensity of investment activity in the region of the country, characterized by the volume and pace of attracting investments in the fixed capital of the region”. According to the author, who we also adhere to, investment activity is seen as a process involving the movement of “investments under the influence of various factors” and, above all, scientific and technological progress and the reproduction process, based on the use of not only financial, but also labor, material resources. allocated to increase capital, expansion, modernization and technical re-equipment of production, which determines the receipt of profit from the allocation of capital”. In order to fully function and develop rural areas, regional bodies at the legislative and executive levels should contribute to the creation of a favorable investment climate. Attracting investment in agriculture remains one of the key issues in the development of the rural economy. In most areas in rural areas, it is agricultural organizations that are the only village-forming production structures. The agriculture industry is traditionally subsidized all over the world, in this regard, the role of the state and local governments in shaping the investment climate for this industry is especially important, taking into account the specifics of each region of the country. One should agree with the statement of the authors who believe that “investments in agriculture have their own characteristics. They are manifested in the fact that, along with capital investment in objects - the results of human labor, as in other sectors of the economy, in agriculture, they are also carried out in objects of nature, which, other things being equal, makes their activity more capital-intensive with a long payback period and high risks, since nature lives according to its own laws, the management of which, with modern scientific and technological achievements, is not yet possible. To organize the attraction and development of investment resources, it is necessary to apply regulatory methods aimed at improving the efficiency of investment activity, which must correspond to the appropriate level of development (cycle) of the agricultural sector. Issues of regulation of investment activity in agriculture are key in the implementation of national goals and interests of

Uzbekistan. To solve the most acute problem of agricultural producers in promoting products from producer to consumer, within the framework of the state program, wholesale logistics centers with state support are being created, with the provision of access for agricultural producers to the services of such centers. However, to participate in all these programs, the regions - the subjects of Uzbekistan - must have significant financial resources, the possibilities of which are in most regions and in particular. In this regard, the effectiveness of the implementation of the state program for the development of agriculture in budget-subsidized regions remains low and the target indicators for the increase in food production are not achieved. Successes in the development of agriculture also largely depend on the introduction of advanced achievements in scientific and technological progress, the intensification of production, and the organization of labor. The fall in production volumes can be overcome only if large targeted investments in agriculture are made by both the state and private investors. Federal budget funds on a non-refundable basis should be directed to the implementation of programs for the industrial and social infrastructure of rural areas for the training of personnel, including mass professions, the implementation of environmental measures, and investments in production and processing, logistics on a competitive and return basis. We should agree with the authors who believe that the investment attractiveness of an industry (in this case, agriculture and the agro-industrial sector) is a systemic criterion that characterizes the quality of the institutional environment (including the protection of the interests of investors), the resource potential of the industry in terms of potential the profitability (profitability) of investments in industry assets, their payback, the efficiency of asset operation, as well as the possibilities and limitations of their transfer to management (and / or subsequent sale) [4]. Representatives of Keynesian economic theory proved on empirical data about the existence of the investment multiplier effect. The essence of this indicator is that a slight increase in investment from a certain average level can provide a significant increase in gross output.

LITERATURE REVIEW

Study of the problem. The problem of enhancing investment activity is the subject of scientific works by Russian and foreign scientists: VS Barda, I.A. Blanca, Yu.V. Bogatin, I.I. Veretennikova, V.V. Vorontsovsky, L.J. Getman, M.D. Jonna, V.E. Esipova, I.A. Zimina, N.V. Igoshina, I.V. Sergeeva, H.G. Gafurov, X. Umarov and others. Features of the formation of agrarian policy and the economic mechanism for attracting and effectively using investments in agriculture are reflected in the works of N.A. Borkhunova, R. Gumerova, M.M. Korobeynikova, E.A. Sagaydak, A.F. Serkova, V.Ya. Uzuna, I.G. Ushachev, Sh.Sh. Bazarova, R. R. Kudratova A. A. Madaminova, J. S. Piriev and others. Despite the extensive study of the process of investing and enhancing investment activity, the issues of investment monitoring of agricultural organizations, the problems of strengthening investment potential, reducing investment risk, and substantiating ways to increase the efficiency of using real investments in agriculture have not been sufficiently studied in the scientific literature. All of the above determines the relevance of the chosen topic of the dissertation work and determines the focus of this study.

METHODOLOGY

Research methods. When solving the tasks set, abstract-logical, monographic, statistical, calculation - constructive, balance and other methods of economic research were used.

RESULTS

Based on the study of the theoretical foundations and systematization of the conceptual apparatus in the investment sphere, the content of the economic category "investment" has been clarified. Despite the versatile elaboration of the conceptual apparatus, there is no single definition of the concept of "investment" in the scientific literature, and the existing interpretations rather reflect certain aspects of this economic category. Analysis of the advantages and disadvantages in the approaches of domestic and foreign authors, as well as legislation to the development and application of the basic concepts of investment in conjunction with such concepts as "investment activity", "investment potential", "investment attractiveness" from the standpoint of increasing the efficiency of using real investments in agricultural production allowed to substantiate the author's position. Investment in work is defined as the investment of capital for the purpose of generating income or achieving a positive social effect, contributing to the growth of gross domestic product. An important component of the investment process is investment in human capital, where trust between participants in investment activity is a key factor; Investing in the study is considered as a dialectical interaction of two components of a single process of capital reproduction in the form of investment and attraction of investments. Only the coincidence of the interests of the investor and the agricultural producer will provide the basis for the effective use of investments. In the work, investment activity in agriculture is based on the following approaches and prerequisites: - active state investment policy, which is the main priority of the investment strategy in the agricultural sector; - an organic combination of methods of state regulation and market mechanisms of management; - determination of priorities that ensure the formation of an effective sectoral structure of

production; - investment of individual program-targeted projects on a competitive basis; - the use of innovations based on the improvement of basic and the introduction of fundamentally new technologies as a strategic direction for increasing the competitiveness of products. The main approaches to investment activity in agriculture are implemented using the economic mechanism. The economic mechanism of the investment process in agriculture is considered by us as a set of price, financial and credit relations aimed at achieving the set goals. It includes the bulk of the economic relations arising from the reproduction of the social product and income. The functions of the economic mechanism of investment activity in agriculture are determined by the action of general and specific factors driving its development. In a single reproduction process, all factors of production are closely related and in a complex system their actions complement each other. The theoretical basis for the formation and functioning of this mechanism is the content of the law of value, supply and demand, money circulation, the relationship and proportion of production, distribution, exchange and consumption. The renewal of fixed capital as the material basis of the reproduction cycle and overcoming the crisis is the basis of investment activity, which is based on the innovative component of scientific and technological progress. In a market economy, factors or levers (instruments) of the economic mechanism of investment activity are dominant, the action of which is based on internal self-regulation, competition rules, economic freedom and the right to choose direct producers within the framework of the current agrarian and general legislation. The entire market economic mechanism is focused on the implementation of the principle of self-financing, which is the fundamental principle of the entire system of commodity -money relations. Low-profit and unprofitable enterprises are forced out of the market by stronger competitors.

Table 2. Agricultural investment financially material business risk categories in agricultural supply chains

No.	risk category	Definition
1	market risks	The environmental and social challenges associated with agricultural operations threaten to adversely affect agribusinesses' access to financial and buyers' markets. For example, the credit ratings of the agribusinesses may fall with a failure to implement risk-mitigation processes, resulting in higher financing costs, or there may be losses due to the environmental or human rights impacts of its operations.
2	reputational risks	The investing agribusiness could risk generating adverse publicity concerning its business practices and associations. This could lead to a loss of confidence in the integrity of the company, brand equity impacts from negative publicity or advocacy campaigns, and a loss of commercial relationships.
3	Regulatory risks	These arise from violations of existing regulations and legislation by the agribusiness and a lack of preparedness to comply with broader regulatory changes.
4	operational risks	Potential losses result from external physical events and the failure of agribusiness management to plan for and mitigate these events, which can lead to reduced primary crop quantity and quality or stranded assets due to shifting production areas.
5	Litigation risks	These are risks of legal sanctions stemming from the failure of an agribusiness to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct.

Investments in agriculture are required to meet present and projected growing global food security needs.

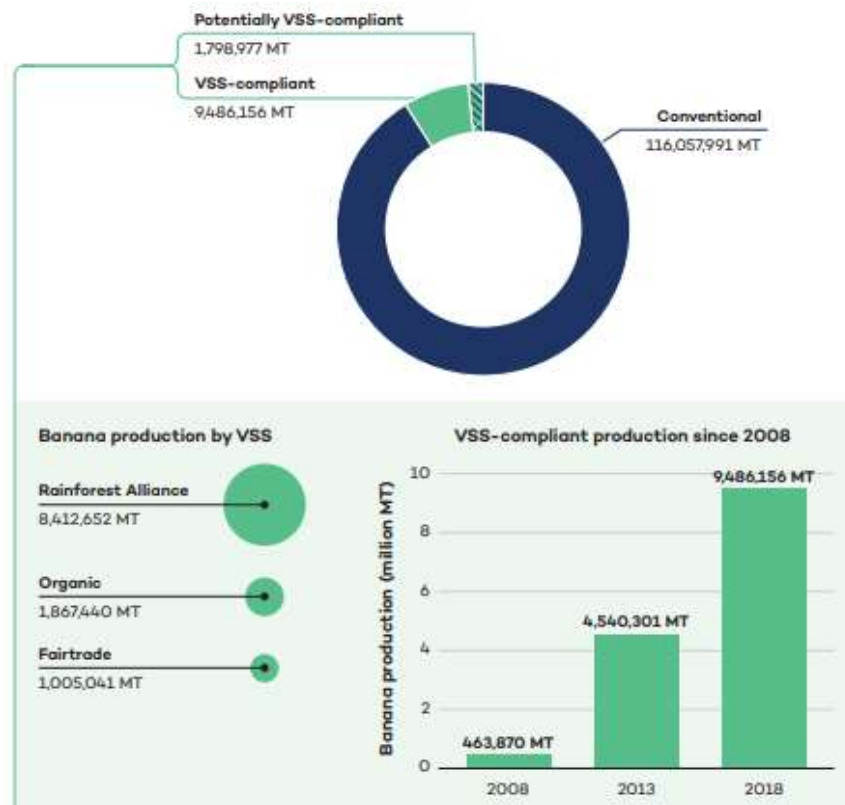


Figure 1. Global banana production in 2018, where VSS-compliant bananas has reached about 7%–9% of total production

Source: Elaborated by authors based on data from Meier et al., 2020; FAO, 2018

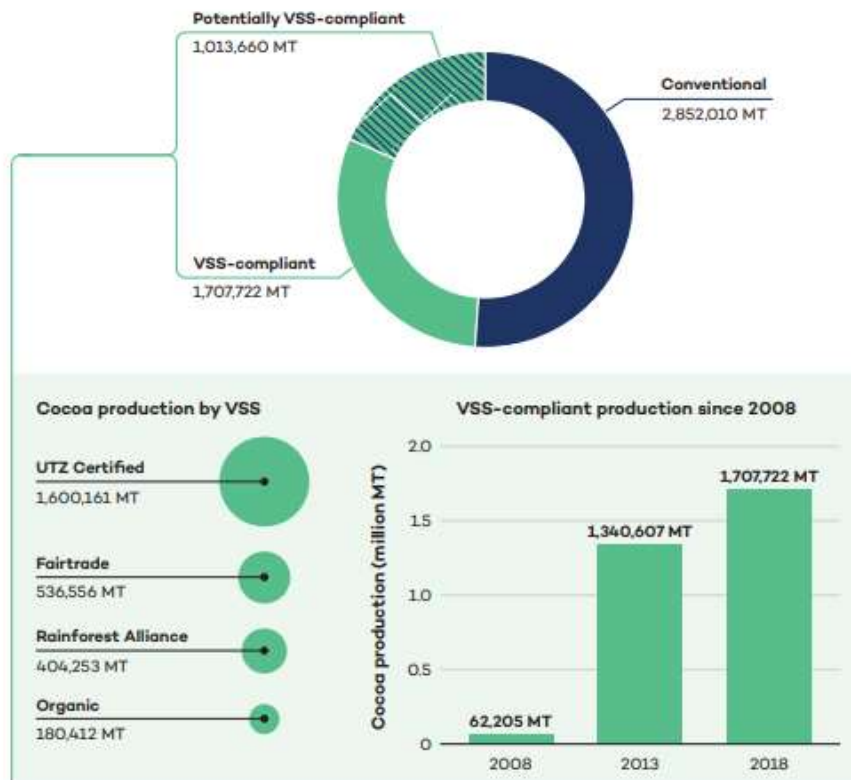


Figure 2. Global cocoa production in 2018, where VSS-compliant cocoa has reached about 31%–49% of total production

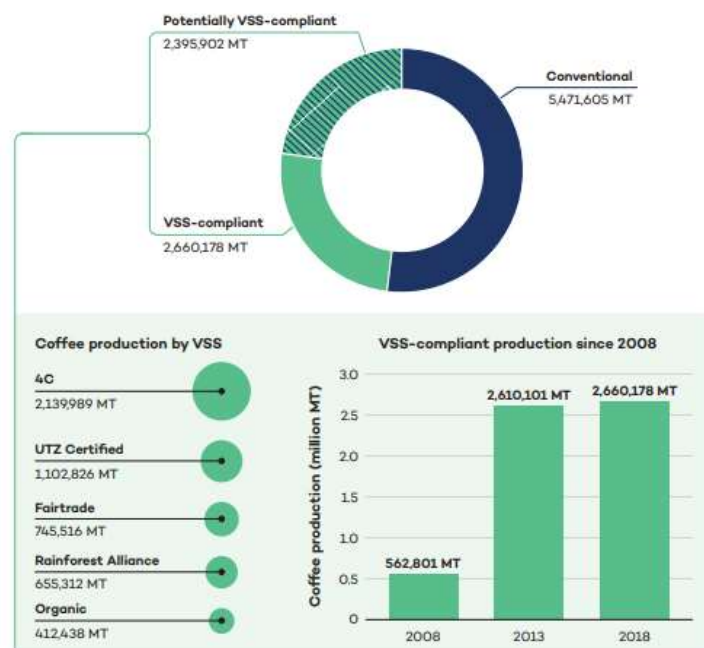


Figure 3. Global coffee production in 2018, where VSS-compliant coffee has reached about 25%–48% of total production

Table 2 . Indicators for the top 10 VSS-compliant cotton-producing countries by volume of production as of 2018

	VSS-compliant production: Mt, 2018 (5-year CAGR)	VSS-compliant area: ha, 2018 (5-year CAGR)	EBA (2019)	HDI (2018)	% Credit to Agriculture (2018)
China	1,053,000 (152%)	520,000 (81%)	High	High	-
India	652,000 (52%)	785,000 (27%)	Medium	Medium	Very high
United States	-	-	-	-	-
Brazil	2,027,000 (1052%)	1,121,000 (15%)	High	High	Medium
Pakistan	906,000	1,072,000 (41%)	Medium	Low	-
Turkey	53,000 (49%)	26,000 (30%)	High	Very high	Low
Uzbekistan	-	-	Low	High	-
Australia	92,000	55,000 (15%)	High	Very high	-
Mexico	-	-	High	High	-
Greece	850	1,153	Very high	Very high	Medium

Source: Elaborated by authors based on data from FAOSTAT, 2021; Meier et al., 2020; UNDP, 2021; World Bank, 2019.

Human rights violations are also prevalent in the agricultural sector. Social injustices, such as forced and child labour, persist in the sector. Forced labor in Uzbekistan cotton fields, worker mistreatment in Indian tea plantations, and child labor on cocoa farms in Côte d'Ivoire continue to plague these sectors (Fountain & HuetzAdams, 2018; Pandey, 2014; Somayajula, 2019; Tulane University, 2015). Cotton workers are still susceptible to low wages, slave labor, child labor, and low health and safety standards (IISD, 2017; Olmstead, 2017; Olmstead & Rhode, 2018). Until recently, cotton produced in Uzbekistan was supported by forced and child labor (ILO, 2021).



Image extracted from e-learning course “Creating an enabling environment for responsible investment in agriculture and food systems.”

Figure 4: ENABLING ENVIRONMENT FOR RESPONSIBLE INVESTMENT IN AGRICULTURE AND FOOD SYSTEMS

In addition to their essential role for the enactment of legislation and adoption of budgets, and of ensuring accountability of governments for the effective implementation of commitments, parliamentarians and parliamentary advisors are custodians of their respective country's plans for sustainable development and have a strategic responsibility to raise awareness of citizens on issues of paramount importance. With this work FAO and IISD aim at helping parliamentarians be the *agents of change* the world needs to make investment in agriculture and food systems more sustainable, inclusive and resilient, while mitigating the impacts of the COVID-19 pandemic.

Table 3 . Value added of agriculture, USD billion, 2021 - Country Ranking:

Countries	Value added of agriculture, 2021	Global ranking	Available data
China	1288.35	one	1960 - 2021
India	532.08	2	1960 - 2021
Indonesia	157.52	3	1983 - 2021
Brazil	110.88	four	1960 - 2021
Nigeria	102.95	5	1981 - 2021
Pakistan	79.54	6	1960 - 2021
Russia	67.53	7	1989 - 2021
Mexico	49.7	eight	1965 - 2021
Bangladesh	48.42	9	1960 - 2021
France	47.92	ten	1960 - 2021
Uzbekistan	17.3	thirty	1990 - 2021
Kazakhstan	9.74	41	1992 - 2021

Source: Elaborated by authors based on data from FAOSTAT, 2021; Meier et al., 2020; UNDP, 2021; World Bank, 2019.

Definition: Agriculture complies with sections 1-5 of the International Standard Industrial Classification (ISIC), while the origin of value added is determined by ISIC Rev. 3. Value added in agriculture is the net output of the agricultural sector, including forestry, hunting and fishing , as well as the cultivation of crops and the production of livestock products after adding up all production and subtracting intermediate costs. Deductions for depreciation of produced assets and depletion and degradation of natural resources are not included in the calculation. Values are in billions of US dollars.

CONCLUSIONS

In some countries with a developed market economy, the purchase of leasing services in the tax legislation is recognized as an expense item for an enterprise and is not subject to taxation. In Uzbekistan , these

services are taxed. According to the law, the ownership right from the lessor to the lessee passes after the amount for the leasing object is paid in full. The equipment passes to the lessee, however, due to the long depreciation period, the entrepreneur cannot carry out any legal transactions with it, for example, give it as a pledge. In conclusion, conclusions and proposals are presented, which are both theoretical and methodological and applied.

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