

# Theoretical and Economic-Legal Fundamentals of Financial Sustainability in the Example of Argo-Industry

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## ABSTRACT

This article describes the reform of agriculture in the country, in particular, the improvement of public administration in the sector, the widespread introduction of market relations, strengthening the legal framework of relations between producers, processors and sellers of agricultural products, attracting investment in the sector, introduction of resource-saving technologies and agriculture. The opinions of foreign and domestic scientists on the provision of manufacturers with modern equipment were discussed.

## Keywords:

Financial Stability, Investment, Financial Growth, Investment Climate, New Technologies, Agriculture, Income, Financial Flow, Financial Potential, Agro-Industry, Agro-Sector.

## 1. Introduction.

An important condition for ensuring financial stability in Uzbekistan is the implementation of measures aimed at creating a competitive advantage in the context of globalization. As a result, the demand for foreign investment will increase, which will affect the improvement of the complex system of increasing the competitiveness of the national economy. The role of foreign investment in ensuring a number of priorities, such as diversification of the economy, improving the structural structure of industries, improving the quality of the business environment, serves to improve the organizational and institutional framework for increasing competitiveness in integration relations. In this regard, the President of the Republic of Uzbekistan Sh.M.Mirziyoyev in his Address to the Oliy Majlis on December 29, 2020 commented on the complex tasks and existing opportunities facing the economy of the country: "... is achieved. According to research from Harvard University, our country has all the opportunities and relative

advantages in the production of more than 50 industrial products [1].

In this regard, the "Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021", approved by the Decree of the President of the Republic of Uzbekistan No. PF-4947 dated February 7, 2017, specifies these tasks the main focus is on finding and implementing a solution [2].

## 2. Literature review

Despite the ongoing reforms, it requires a number of studies by local and foreign researchers to ensure the financial sustainability of the system. In particular, the issues of increasing the efficiency of the agro-industrial system, developing market relations in the sector, improving cooperation and integration in the activities of farms specializing in various fields, attracting investment in production and processing, ensuring financial stability of the agro-industrial system.

It has been studied in the scientific works of such scientists as V. Lyashenko, I.V.

Sitnikova, L.G. Gorkovenko, Ya.Putenko, A.T. Mysik, F. Amersdoffer, A.M. Zhebit. Scientific researches on this subject in our republic are carried out by Sh.A. Akmalkhanov, A.M. Kadirov, Q.A. Choriev, R.R. Radjapov, R.H. Khusanov, T.Kh. Farmonov, N.S. Khushmatov, Sh. It is reflected in the scientific research of economists such as Fayzieva, A.H. Yuldashev [3]. The issue of creating clusters as a way to increase competitiveness has attracted the attention of many well-known scientists. The founder of this theory can be considered A. Marshall. The issues of clustering theory are discussed in detail in the works of M. Porter.

The founder of this theory can be considered A. Marshall. The issues of clustering theory are discussed in detail in the works of M. Porter, P. Fisher, A. Cornett, J. Hansen, J. Edward, J. Dunning, J. Ljotard, J. Schumpeter, F. Hayek, K. Ecklund, V. Shanlar [4] made a great contribution to this theory, A. Economists such as A. Abishev, R.A. Alshanov should be noted. In particular, V.A. Abdildin, A.T. Aymen, E.B. Jatkanbaev, IK Nurlanova, O.S. Sabdena and M.D. Jonk, G. Alexander conducted scientific research on.

New information technologies in the financial sustainability of the agro-industrial system, the use of financial software in part in the scientific work of Paul Vigna, Michael Casey., Melanie Swan., William Mougayar., Roger Wattenhofer., Pavan Duggal., Siraj Raval., Edward Castronova [5]. Studied. Paul Vigna analyzes the use of different models in the global agrarian system, and William Mougayar analyzes the possibilities of using modern technologies to ensure the financial sustainability of the agro-industrial system and the impact on their financial activities. thought about elimination issues.

T.I. Espolov, G.A. Kaliev, R.Yu. Kuvatov, I.Yu. Benke, A.B. Moldashev, A.Sh. Nurseyt et al focused on issues of efficiency in agriculture.

O.O. Olimjonov, Z. Yuldashev, D.S. Almatova [6], Z.T. Abdalova, J.J. Sulaymonov, Sh. Allayorov, A.A. Rafiev, and others have made scientific developments and recommendations on improving the attraction of investment in the development of agro-industrial sectors in the regions.

### 3. Research methodology.

The article used the methods of structural analysis, comparative comparison, expert assessment, statistical grouping, economic statistics, multifactor econometric analysis. In addition, the scientific ideas of local and foreign scientists are cited as the theoretical and methodological basis of the research.

### 4. Analysis and discussion of results.

Today, almost all countries of the world are going through a process of globalization that forces everything to act according to single rules. This process can show its positive aspects in the world market only through healthy competition. At the heart of this is global competition:

- The rapid growth of the picture of scientific and technological progress, which leads to the need for innovation and the associated large-scale investment;
- Expansion of market boundaries due to the openness of national economies;
- Increasing the need to mobilize, own and use resources efficiently.

Competitiveness The mass of goods and innovations in technology play a leading role in the processes of economic and technological life of society.

In order to assess the essence of the category of competitiveness, 3 categories of approaches have been adopted in world practice:



**Figure 1. Approaches to assessing the essence of the category of competitiveness [7]**

As can be seen from Figure 1, the production of any product requires consideration of these three factors, the organization of competitive enterprises, ensuring the marketability of the product and finding a place for it in the leading markets. At the same time, global competition has become an objective phenomenon of the modern economic world. Its existence requires the search for new forms of competitive advantage that meet the conditions of global competition in the creation of innovations in the management of production in all spheres of economic activity, including agriculture.

This serves as a basis for the development of new scientific approaches in theoretically substantiating the existence of large integrated structures of competitive advantages that allow to respond quickly to any market changes occurring not only in international markets but also in domestic markets.

In order to overcome the existing problems in the introduction of competitiveness mechanisms listed in the data shown in Figure 1 above, one of the priorities is to:

- ✓ Ensuring food safety, production of the required amount of food, bringing it to the level of public policy and its introduction;
- ✓ Wide introduction of market principles in the purchase and sale of agricultural products, prevention of unreasonable price increases, development of quality control infrastructure, promotion of

export-oriented production, creation of a favorable agribusiness environment that provides competitive, high value-added agricultural products in international markets;

- ✓ Introduction of mechanisms to reduce public participation in increasing the inflow of private investment capital and increase investment attractiveness, support innovative technologies to support financial stability through modernization, diversification of the agricultural and food sectors;

- ✓ Improving the system of rational use of land and water resources;

- ✓ Introduction of modern public administration systems in agriculture;

- ✓ Increasing labor productivity on farms, improving product quality, launching the export of agricultural products under the Uzbek brand;

- ✓ Delivery of agricultural products through modern logistics networks and development of the agro-insurance system;

- ✓ Effective mechanisms for uniting agricultural producers are not fully formed and their activities are fragmented.

This, in turn, hinders the achievement of financial stability, the solvency of agro-industrial complexes and the possibility of integration into the value chain. It should be noted that the share of cooperatives in the market of developed countries exceeds 40%, while in Uzbekistan this direction is only 0.8%.

There is a lack of laboratories, wholesale markets, logistics centers, and equipment for phytosanitary control of fruit and vegetable

products that meet international standards and quality requirements. This hinders the diversification of export geography and product types.

To overcome these problems, increasing the export potential of the agricultural sector, increasing the volume of value-added products, the widespread introduction of certification systems and the widespread introduction of cluster relations will be among the priorities for the production of competitive agricultural products.

In our opinion, the above conclusion is of great practical importance for the practice of Uzbekistan.

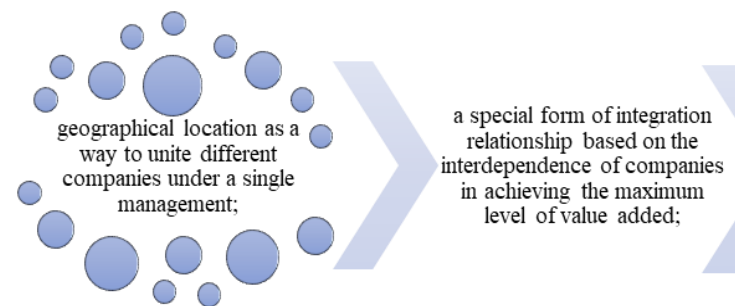
According to Figurovskaya, the state should provide financial assistance to ensure the financial stability of agricultural producers. At the same time, the main focus should be on the allocation and enrichment of funds from the state budget [8]. As a result of the analysis, N. Figurovskaya's opinion is significant. This is because the limited access of public funds for agricultural producers makes it necessary for the state to intervene in this process.

Confidence in economic policy is growing. At the initiative of the President, a cotton-textile cluster was first established in Bukhara region, but now this method covers almost all regions of the country. Because it also justifies itself in the cotton, grain, fruit and

vegetable, fishing industries. One of the founders of the cluster theory, M. Porter, according to Porter, the strength of local clusters, the viability and diversity of their innovations will in many ways determine the fate of regional economic development. "The difference in monthly salaries in the regions reflects the growth rate of clusters. That conclusion should be at the heart of regional policy," he said.

According to the scientist, the essence of the concept of "cluster" is "a group of geographically neighboring interconnected companies and related organizations, characterized by a common activity operating in a particular area and complementing each other."

In this definition, M. Porter identifies three main features of clusters:



**Figure 2. M. Porter's views on the three main features of clusters [9]**

According to M. Porter in Figure 2, the competitive advantages of clusters are created because of the interconnectedness between different industries, where one competitive industry helps to increase the competitiveness of another by strengthening the relationship between them. Thus, it can be concluded from M. Porter's theory that clusters in the context of global competition allow to increase the competitiveness of regions and individual areas of economic activity in terms of increasing labor productivity and improving the quality of life of the population in its territory. In addition, the main difference between clusters and other forms of integration and cooperation is that they maximize the factors of production

in accordance with the requirements of consumers on an innovative basis. This reflects the emergence of the need to change the technical and economic paradigm that emerged before the emergence and manifestation of growing trends in global competition.

This means that the increase in the number of regional agro-industrial clusters in Uzbekistan will further strengthen public confidence in economic policy.

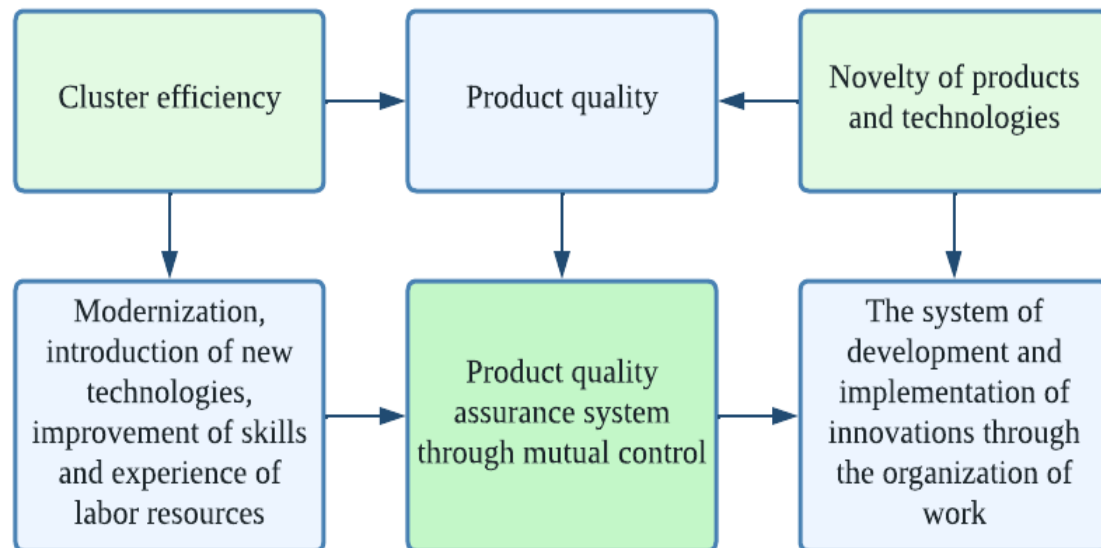
We must admit that agriculture in Uzbekistan has long remained in the old stereotypes, new approaches to the industry, know-how has been almost not applied. As a result of inefficient use of its potential, the quality of agricultural products has declined. It

has seriously damaged the legal and economic relations between market participants in the storage, processing and sale of raw materials, performance and competitiveness, farmers have lost their sense of ownership of land, the material interests of rural workers, confidence in the future declined.

Only in recent years, when the industry was given a new lease of life and clusters emerged, the interests of farmers and

industrialists converged, and a “chain” of deep processing of raw materials was formed.

The basis of the state’s competitiveness in the world market is the growth of labor productivity of leading companies, the increase in efficiency through the implementation of state-assisted mergers, according to the author, in this case is a complex concept and includes the following components.



**Figure 3. The structure of increasing the efficiency of the company [10]**

Only the combination of these three components, as shown in Figure 3, determines the potential competitiveness of the cluster in the modern economic space. In fact, national companies need to meet these requirements, which are necessary to adapt to competition in foreign and domestic markets. This can often be achieved by combining the unilateral actions of many business entities involved in economic relations in a single market.

In fact, in order to succeed in international markets, it is necessary to specialize in the industries that provide the above-mentioned high performance. The issue of increasing labor productivity and competitiveness in the international market in the agro-industrial complex of the Republic of Uzbekistan remains relevant.

All agricultural products in Uzbekistan should be highly competitive, ie a separate

segment of the economy and areas where it is possible to create and improve globally competitive products should be considered. Long-term research by economists on materials from developed and developing countries, as mentioned above, confirms the importance of integrated development of complementary species and areas of activity in the cluster. According to the results of this study, clusters have different shapes depending on the depth and complexity, but most of the components include:

- ❖ companies that provide finished products or services;
- ❖ specialized factors of production, components, equipment, as well as service providers;
- ❖ financial institutions;
- ❖ firms in related fields.

In addition, clusters can often combine:

- ❖ distribution channels and firms working with consumers;
- ❖ manufacturers of raw materials and by-products;
- ❖ specialized infrastructure suppliers;
- ❖ government and other organizations engaged in specialized research, providing education and special training;
- ❖ agencies that set standards and conduct marketing research.

Specializing in the production of products included in such a system, enterprises need to invest in the concept of cluster development to create a high level of cooperation in the production of any product that is not inferior in quality from the beginning to the end of the technological process. There should be a single mechanism to ensure the delivery of a high quality product at any stage. At the same time, it is recognized that it is not about concentrating production on one hand, but involving medium and small producers in the production process, which is the basis for the formation of the final product. This reveals the essence of the formation of quality indicators of the use of technology in small and medium-sized enterprises, which form the middle class in the country, ensuring the development of existing industries and the creation of new industries [11].

In the world economy, this approach is not new, because it is based on the economic growth of the countries of Southeast Asia in the 80-90s.

The solution to this problem suggests the solution of three tasks that are important for the economy of the agro-industrial complex of the Republic of Uzbekistan:

1. In the consumer market, the cluster can ensure the availability of local producers as much as possible.
2. Creates financial stability of middle class income.
3. Attracting labor force, labor resources.

From a macro point of view, the state policy plays a special role in the process of accelerating cluster growth in the agricultural sector of the Republic of Uzbekistan. Although world statistics show the growing role of

individual firms, against this background there should be a decrease in government intervention in the economy of the agro-industrial complex in the creation of clusters [12].

In fact, the regulatory framework of the state, the process of human capacity building and many other processes are in a particular area, which must be distinguished by the methods of creating certain clusters in the area.

The scope of issues to be addressed by public authorities should be in the following areas.

## 5. Conclusions and suggestions.

The need to use new forms of production management based on modern information technologies, the creation of conditions for low-cost use of new factors of production, the ability to adapt quickly to ever-changing market conditions, the interaction of state and society in general, the development of backward areas of economic activity creates the necessary conditions for

So we can say:

1. Global competition has become an objective phenomenon of the modern economic world. Its existence requires the search for new forms of competitive advantage that meet the conditions of global competition in all areas of economic activity, including the creation of innovations in production management;

2. In the context of global competition, the most effective outcome of the market is manifested by large integrated economic structures or their part concentrated in a particular region. This served as a basis for the development of new scientific approaches in theoretically substantiating the existence of large integrated structures of competitive advantages, allowing them to respond quickly to any market changes occurring not only in international markets but also in the domestic markets of individual countries;

3. According to the new paradigm, the most competitive cluster in the world economy is a group of different market entities capable of operating in the form of stable regional and sectoral partnerships, combining new forms of

economic relations with different industries but producing a single market product.

4. Use of subsidies and soft loans to create start-up capital for the purchase of the latest technological lines. The need for these measures is that one of the main goals in creating the cluster is to attract small and medium-sized businesses and purchase modern technological equipment from the best foreign analogues, but due to their lack of financial resources are not fully realized.

5. Pursue an active fiscal policy aimed at the production of high quality consumer goods with daily demand in the clusters. This set of measures, in turn, may include: a gradual reduction of tax rates for direct taxation and the abolition of goods for a certain socially necessary population, a gradual change in the amount of import duties in the implementation of targeted import policy indirect tax rates, including VAT for individual products. It should be borne in mind that the stability of the equilibrium price of these goods must become an effective indicator in the implementation of such a policy, otherwise the consequences of mistakes will fall on the population.

6. Therefore, in enterprises connected by a single technological chain, clustering is recommended to create a single final product. Another example of the main convenience of the cluster is the fact that the product grown in the cluster is maximally finished product (brand) and is delivered directly to the market or through its distributors or dealers to its customers.

All of the above is the basis for the following conclusions:

The practice of the world economy shows that integration processes in agricultural production cannot be developed independently in ensuring innovative financial management. Given that these processes are very slow, the state should encourage these processes, including the creation of clusters, to the fullest extent possible. To do this, first of all, it is necessary to systematize the assessment indicators that ensure financial stability and determine the possible effectiveness of the creation of clusters in the territory of the Republic of Uzbekistan.

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