

Eurasian  
Research Bulletin

# Wholesale Issues for The Development of Wholesale Trade in Uzbekistan

**Kholmamator Diyov  
Haqberdievich**

PhD, Independent Researcher of  
Samarkand Institute of Economics and Service  
e-mail: xolmamatov\_d@mail.ru

## ABSTRACT

At the current stage of radical reforms in the economy of Uzbekistan, the role and importance of wholesale trade is growing. This is due to the fact that as a result of diversification of industrial production, the volume of production is increasing. Not only in industry, but also in agriculture, the volume of production is growing sharply. This makes it important to distribute products on time. This article discusses some topical issues of wholesale trade development in Uzbekistan.

## Keywords:

Wholesale trade, wholesale market, domestic trade, foreign trade, marketing, logistics, marketing logistics, free economic zones, wholesale warehouses, logistics centers.

## Introduction

The implementation of profound structural changes and diversification in the economy of Uzbekistan in 2017-2021, the focus on the processing of local raw materials in the regions, increased production and expanded the range of finished products at enterprises. As a result, the volume of work related to the supply and sale of finished products to domestic and foreign markets has also increased.

The "Development Strategy of the New Uzbekistan for 2022-2026" of the Republic of Uzbekistan also identifies the continuation of diversification of industrial production, deep processing of local raw materials, further increase in exports, development of logistics services.

This, in turn, raises the issue of offering, supplying, storing and selling products to markets. With the growth of production of competitive and export-oriented products in

Uzbekistan, the role and importance of wholesale trade will increase.

Therefore, this article discusses topical issues of wholesale trade development in Uzbekistan.

## Research Methodology

It is known that in the Action Strategy for further development of the Republic of Uzbekistan for 2017-2021 and the Decree of the President of the Republic of Uzbekistan dated October 30, 2018 No PF-5564 "On measures to further liberalize trade and develop competition in commodity markets" to increase exports and competitiveness of manufactured products, to find new sales markets for domestic products, to improve the system of supply of products, to license wholesale trade activities and to establish a special procedure for taxation of wholesale enterprises.

As a result, the volume of industrial production in Uzbekistan in 2017-2021 has

increased sharply. The article provides a statistical analysis of the growth of wholesale trade turnover in Uzbekistan. A comparative analysis of the development of wholesale trade with industrial production, an important sector of the economy, has also been conducted.

Monographic observation, abstract-logical thinking, methods of scientific observation were also used to cover the development of wholesale trade.

### Literature Review

The role and importance of wholesale trade in commodity markets, organizational and economic mechanisms for the development of wholesale trade have been widely studied by foreign scholars.

Chairman Hugh MacKeown researched that wholesale trade is a key driver of the domestic market. His research has recognized that wholesalers are a major force in the production of industrial goods and the organization of its trade. It is also based on their research that wholesalers not only sell goods to manufacturers, but also provide a range of services [6, pp.413-422].

A. Coskun Samli and Adel I. El-Ansary highlighted the role and importance of wholesale trade in the third world countries (throughout the country in Third World countries) with underdeveloped economies and small markets. In a small manufacturing environment, wholesalers do not make a profit by trading in the same type of goods. They profit by trading multiple goods. The authors argue that the development of wholesale trade in countries with such economies has several challenges. It is known from the experience of all developed countries that before the establishment of large-scale production, the activities of wholesalers were central to the saturation of markets [1, pp.353-358].

Bert Rosenbloom & Trina Larsen Andras noted that the implementation of exports and imports in foreign trade activities, the activities of industrial distributors are closely linked with wholesale trade [8, pp.235-252].

Extensive research has been conducted on the role of marketing activities in the development of wholesale trade, the

application of marketing strategies. In this regard, Samli, A.C. his scientific work is commendable. A.S. Samli has conducted extensive research on the role of wholesale in the modern development of the economy, the role of wholesale in the organization of sales in global marketing, the implementation of wholesale in the distribution system [2, 77-80, 3, 55-58, 4, 86-90]. Rosenbloom, B. justified the application of marketing functions in wholesale trade activities [7].

According to G. Albaum, E. Duerr and J. Strandskom, wholesale trade is not limited to the sale of goods, but also provides a number of complex services. Wholesale trade also plays an important role not only in the territory of one country, but also in the organization of trade relations between other countries. Wholesale activities are carried out in conjunction with many other market infrastructures. It cooperates with the customs service in the import and export of goods, insurance companies for cargo insurance, logistics or transport companies for delivery. Goods purchased for customers are also serviced after the sale [9].

The issues of wholesale trade development have also been widely studied by Russian experts. In particular, all the research of the leading Russian scientist E.A Golikov is devoted to wholesale trade. EA Golikov emphasizes that the development of wholesale trade is associated with management, marketing and logistics. [12]. Z.O.Thamitlokovala studied the theoretical aspects of marketing management in wholesale trade [20 p. 87-89].

T.M.Mamontova studied the scientific and methodological aspects of the formation of the wholesale market of food products [15 p. 87-89]. L.N.Melnichenko studied the problems of organizing modern distribution channels in food production enterprises (16 pp. 47-53). S.V.Tokmanev studied the methodology of resource management in wholesale and brokerage organizations (19 p. 418).

Recently, Uzbek scientists have been focusing on issues related to wholesale trade. A.A.Fattakhov, a local scientist, conducted research on the application of marketing strategies in wholesale trade, arguing that

marketing strategy is a means by which wholesalers influence consumers. O.M.Pardaev conducted scientific research on improving the efficiency of storage and sale of agricultural products and substantiated ways to improve the organizational and economic mechanisms of this sector [21 p. 89].

Based on the methodology of the above research, the ways to develop wholesale trade in Uzbekistan were studied.

### Analysis And Results

Trade is the main organizer of market relations and the catalyst that ensures the conduct of commercial operations. An important form of trade is an important activity in ensuring the balance of supply and demand in the market of products (means of production) for the wholesale technical and production purposes and the consumer market. The most important function of the market is to establish economic, regional and interstate relations between business entities, while wholesale trade provides consumer, interregional, interstate exchange.

Thus, wholesale enterprises organize the establishment of economic relations, exchange of goods between producers, retailers, intermediaries and other buyers. The main indicator of the development of wholesale trade is the need of manufacturing enterprises for raw materials, semi-finished products, spare parts, components and other means of production, the demand of the population for consumer goods and the level of purchasing power. Growth of wholesale turnover, as well as marketing choices in consumer behavior, demand formation and sales promotion measures, product life cycle stages, logistics service: ensuring adequate inventory, timely delivery of goods to the right place, the right volume, after-sales service, etc.

The development of wholesale trade in Uzbekistan is associated with the abolition of the centralized distribution of products in the post-totalitarian system, the formation and development of a wholesale system that meets modern conditions.

Insufficient development of wholesale trade significantly reduces the efficiency of

commodity markets in the country. This will have an impact on the access of local producers to domestic and foreign markets. Failure to receive timely information about domestic and foreign markets, delayed response to changes in the external environment, disrupts the system of commodity movement. Manufacturers' stocks of finished products exceed the norm. This causes the company's working capital to "freeze". The result is serious financial difficulties.

Deep structural changes in the economy of Uzbekistan, the implementation of diversification in industry also require deep structural changes and diversification in wholesale trade. Wholesale trade is an activity that connects the sectors and industries of the country, ensuring their integration and cooperation. In this regard, the study of foreign experience and the implementation of structural changes and diversification of wholesale trade in Uzbekistan are important issues.

The modern development of wholesale trade in foreign practice dates back to the mid-70s. Thirty years ago, foreign marketing experts said wholesalers would disappear from the social life scene. But contrary to these forecasts, wholesale trade has strengthened its position so much that it has begun to play an important role in the economy. According to foreign economists, wholesale trade organizations are successful in the modern scientific and technological revolution due to the reorganization of their activities, adaptation to new conditions, the establishment of new forms of relations with industry and retail, production and retail services. In the 1980s, the trend of expanding the volume of wholesale trade services increased significantly.

Most of the products sold in the commodity markets of developed countries are sold through the wholesale-intermediary structure. This is because many commodity producers, especially small and medium-sized enterprises, believe that it is more efficient to sell their goods through wholesale intermediary structures than to invest in the creation of their own distribution channels.

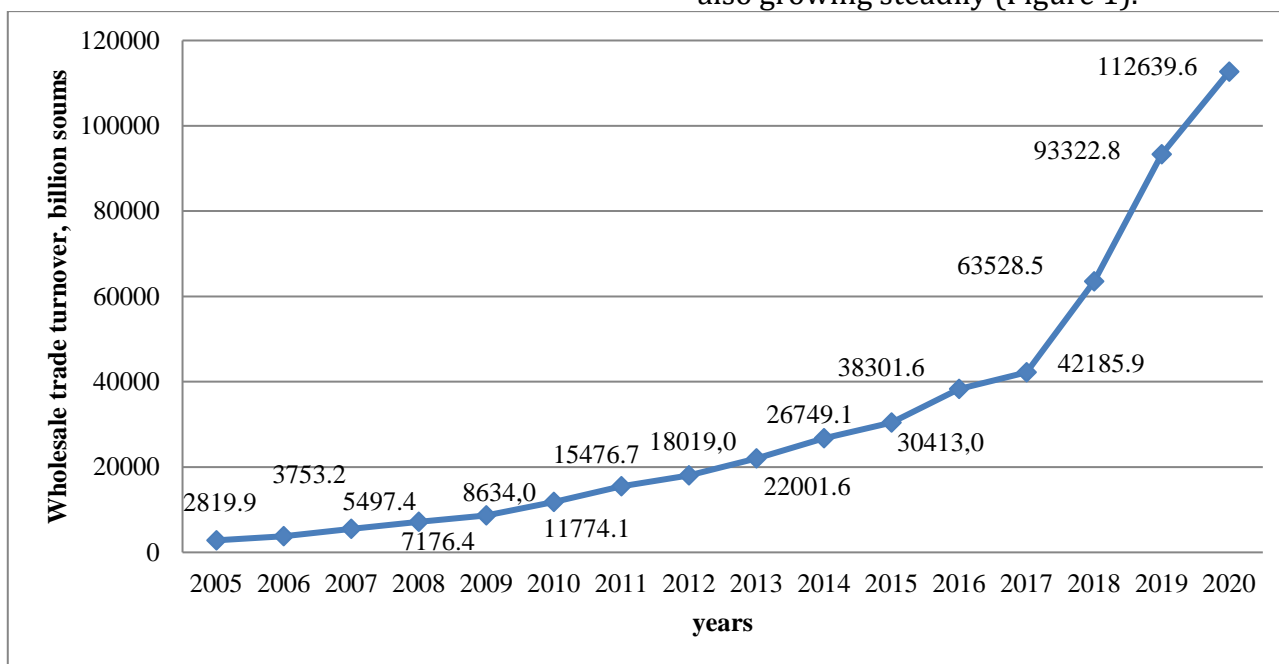
Over the past 20 years, wholesale brokerage activities in the sale of goods in Western European countries have increased from 25 percent to 40-45 percent.

Today, the process of diversification of trade functions of wholesale trade activities in foreign countries is in full swing. The proliferation of wholesale enterprises is not limited to their main operations, but also includes cooperation with industrial enterprises, the establishment of their own production lines, as well as active involvement in retail trade. The system of wholesale trade enterprises is undergoing profound changes as a result of changes in the structure of commercial services of industrial enterprises, which are closely interrelated. The rapid development of wholesale enterprises is also

associated with the needs of supply and distribution activities.

In the conditions of innovative economy in Uzbekistan, the development of wholesale trade, increasing wholesale trade is closely linked with profound structural changes and diversification in industry. The role and place of wholesale trade in the economy of Uzbekistan is growing. Today, one of the most pressing issues is the diversification of wholesale trade activities in accordance with modern market mechanisms, new forms of organization of relations with industry and retail, as well as wholesale services.

The number of wholesale enterprises and firms in the Republic of Uzbekistan has been growing rapidly over the past 2-3 years. At the same time, wholesale trade turnover is also growing steadily (Figure 1).

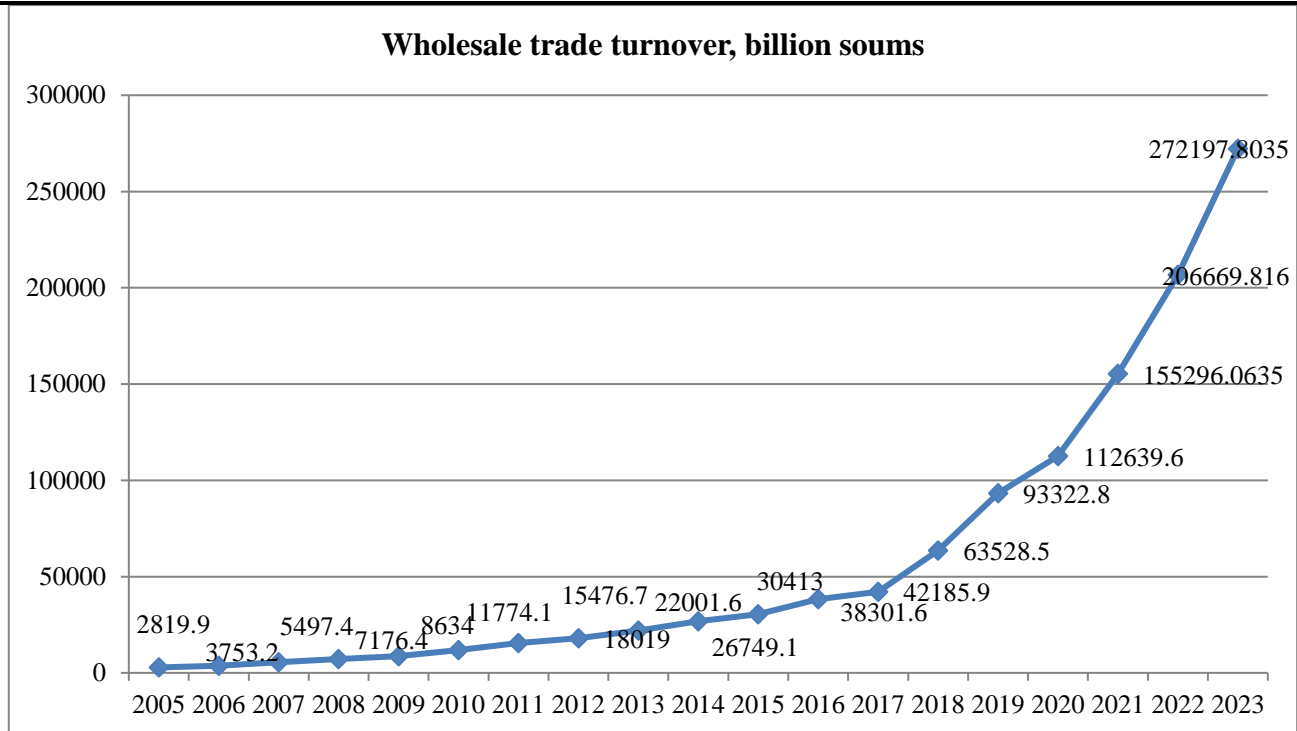


source.stat.uz - the official site of the State Statistics Committee of the Republic of Uzbekistan

Figure 1. The volume of wholesale trade turnover in Uzbekistan, mln. Sum

In 2021, the wholesale turnover of wholesale enterprises and organizations of Uzbekistan will reach 130240.6 billion soums. This represents an increase of 108.2%

compared to 2020. Wholesale trade turnover is growing, especially in the regions where free economic zones are being established in Uzbekistan



**Figure 2. Forecast of wholesale trade turnover in Uzbekistan, mln. sum**

According to the forecast of wholesale trade turnover in Uzbekistan, in 2023 it is expected to grow almost 2.5 times compared to 2021.

However, the share of wholesale trade in the economy of Uzbekistan is much lower than the number of wholesale companies, organizational structures, wholesale turnover of developed countries.

There are huge opportunities for further development of wholesale trade in our country, which is an important sector of the economy. In particular, the New Uzbekistan Development Strategy for 2022-2026 calls for continued industrial diversification, accelerated production of high-value-added finished products based on high-tech processing industries, especially local raw materials, and export. The task of developing promising sectors of the economy aimed at a high degree of localization of the intended products is also directly related to wholesale trade activity.

There are a number of problems in the wholesale trade system in Uzbekistan. The following are the main reasons for this:

- Wholesale infrastructure that meets modern requirements for manufacturers is not fully developed;

- Cooperation of wholesale trade with central warehouses, logistics corridors, manufacturing enterprises is not established;

- Undeveloped large wholesale markets, their components, wholesale bases, wholesale warehouses, service centers;

- ineffectiveness of the quality control system in the sale of products;

- high level of product destruction, especially in trade in agricultural products;

- Difficulties for farmers, small and medium businesses to enter the sales market;

- 60-80 percent of the value of finished products falls on the wholesale trade. This is 1.5-2 times more than in developed European and Asian countries, which produce and sell industrial products.

The bulk of wholesale trade organizations and enterprises operating in Uzbekistan are independent wholesale entities. In addition, Uzbekoziqovqatzakhira Association is engaged in wholesale trade of agricultural intermediaries and agricultural products in the commodity markets.

### Conclusions And Suggestions

Wholesale trade is important for the development of domestic trade, expansion of social reproduction, further development of

small business and private entrepreneurship, creation and storage of stocks of necessary raw materials, semi-finished and finished products, increasing the volume of freight in the country's transport infrastructure, creating new jobs. sector. Based on foreign experience, the following proposals and recommendations have been developed for the organizational structure of wholesale trade in Uzbekistan, increasing wholesale trade turnover, increasing the share of this sector in the country's economy and employment:

1. Due to the focus in our country on increasing industrial production, the volume of finished products based on deep processing of local minerals, wholesale of raw materials and semi-finished products, including non-ferrous and precious metals, chemicals and hydrocarbons. establishment of wholesale cooperative organizations engaged in trade.

2. Establishment of wholesale clusters. These clusters should include large and small wholesale organizations and enterprises, large warehouses, shipping centers, logistics companies, service centers, trading houses, hotels, restaurants.

3. Development of the wholesale market of agricultural products as a structural unit of agro-logistics centers. Establishment of agropolises in large agricultural areas of Uzbekistan. Agropolis includes several trade pavilions, wholesale cross-docks (parking lots for hundreds of cars), various warehouses, all types of services for the population and businesses (logistics and transport, banking, consumer services, hotel services, restaurant services). should be.

4. Development of electronic exchange trades, opening of trading platforms in neighboring and foreign countries, establishment of remote trading centers of the exchange connected to a single system of electronic exchange trades.

5. Establishment of wholesale and distribution centers in free economic zones, small industrial zones, large industrial zones. Increasing the number of wholesale organizations and enterprises operating in these centers in domestic and foreign markets.

6. In order to increase the number of wholesale entities engaged in the sale of finished products (consumer market) on an intermediary basis, it is expedient to establish the Association of "Intermediary Enterprises" under the Republican Commodity Exchange. This will lead to an increase in the number of entrepreneurs engaged in brokerage activities, the development of a form of wholesale brokerage.

9. In order to further develop small business and private entrepreneurship in wholesale trade, it is necessary to remove the licensing procedure for the establishment of small wholesale enterprises and firms.

#### Literature:

1. A.,Coskun Samli & Adel I. El-Ansary (2007). The role of wholesalers in developing countries. *The International Review of Retail, Distribution and Consumer Research Journal*, vol. 17, pp. 353-358
2. Samli, A. C. 1997. "Wholesaling: marketing's forgotten frontier". In *Developments in Marketing Science*, Edited by: Dunlop, B. J. 77–80. Miami: Academy of Marketing Science.
3. Samli, A. C. 1964. Wholesaling in an economy of scarcity: Turkey. *Journal of Marketing*, July:55–58.
4. Samli, A. C. and Browning, J. 1991. "Exploring modern American wholesaling: an assessment and research agenda". In *Developments in Marketing Science*, Edited by: King, R. L. Vol. 14, 86–90. Miami: Academy of Marketing Science.
5. Samli, A. C. and Dominguez, J. 2002. "The role of distribution systems in economic development: an exploration". In *The Impact of Globalization Business in the New Millenium* Edited by: Kaynak, E. and Sarvan, F. Proceeding s of IMDA
6. Chairman Hugh MacKeown (2007) Wholesaling and wholesaling research: A practitioner's viewpoint. *The International Review of Retail,*

- Distribution and Consumer Research Journal, vol. 17, pp. 413-422
7. Rosenbloom, B. 1987. *Marketing Functions and Wholesaler-Distributor*, Washington, DC: Distribution Research and Education Foundation.
  8. Bert Rosenbloom & Trina Larsen Andras (2008) Wholesalers as Global Marketers, *Journal of Marketing Channels*, pp 235-252
  9. Albaum G., Duerr E. & Strandkov J. (2005). *International marketing and export management*. Upper Saddle River, NJ : Prentice Hall
  10. Mallen, B. 1996. Marketing channels and economic development. *International Journal of Physical Development and Logistics*, May: 42-49.
  11. Zellner, W. 2001. Warehousing clubs: when the going gets tough. *Business Week*, 16 July: 60
  12. Golikov, E. A. Wholesale trade. Management. Marketing. Logistics. Finance. Security / E. A. Golikov. - M.: "Ekzamen", 2010. - 352 p.
  13. Diyanova S.N., Denisova N.I. Wholesale. Organization and management of commercial activities M.: - 2015. 384 p.
  14. Dubrovskaya, M. E. Some methodological aspects of managing sales activities in wholesale trade / M. E. Dubrovskaya // *Bulletin of the Belgorod University of Cooperation, Economics and Law*. - 2011. - No. 5. - pp. 186 - 188.
  15. Mamontova Tatyana Mikhailovna. Formation and functioning of the wholesale food market in the Northern region (On the example of the Murmansk region): Dissertation of a candidate of economic sciences: 08.00.05: Apatity, 2002. 162 p.
  16. Melnichenko L.N. Russian food manufacturer: the problem of building modern distribution channels // *Marketing in Russia and abroad*. - 1997. - No. 3. - P. 47-53.
  17. Organization, technology and design of enterprises (in trade) / Dashkov L.P., Pambukhchiyants V.K., Pambukhchiyants O.V., - 12th ed., revised and additional. - M.: Dashkov and K., 2018 - 456 p.
  18. Pambukhchiyants O.V. Fundamentals of commercial activity. Textbook / O.V. Pambukhchiyants - M.: Publishing and Trade Corporation "Dashkov and Co", 2014.-284 p.
  19. Tokmanev S.V. Methodology of management of stocks and activities of wholesale and intermediary organizations in the context of the development of logistics infrastructure: monograph / S.V. Tokmanev; Ros. state social univ (phil. RSSU in Tolyatti). Tolyatti, 2009. - 418 p.
  20. Tkhamitlova, Z.O. Theoretical aspects of marketing management in wholesale trade / Actual problems of the humanities and natural sciences. - 2011. - No. 6. - P. 87 - 89.
  21. Pardaev O.M. Improving organizational and economic mechanisms to increase the efficiency of storage and sales services. Abstract of doctoral dissertation. Samarkand. 2017. 88 pages.
  22. Fattaxov A.A. Wholesale marketing strategy and ways to increase its effectiveness. Abstract of the dissertation for the degree of Doctor of Economics. Tashkent, 2006.- 46 pages
  23. <https://accountlearning.com/services-of-wholesalers-to-manufacturers-and-retailers>
  24. [www.servicewholesale.com](http://www.servicewholesale.com)