



Sources, factors and principles of financing the activities of agro-clusters

**Mamadaliev Qodirjon
Qobuljonovich**

Andijan Institute of Agricultural and Agrotechnologies

ABSTRACT

In the context of liberalization and transformation of the economy, the creation of a multi-sectoral economy in agriculture is an important issue. Therefore, the government of the republic is also focusing on reforming the agricultural sector, creating a new structure in its form and content. The basis for the transformation of the agricultural sector will be the use of agricultural achievements of Western countries and the introduction of world best practices in agriculture. This will lead to a more consistent, scientific study of the financing system of the sector and a structural review of the current state of financing the agricultural sector.

Keywords:

Agro-Clusters, Financing System, Agricultural Sector

The process of financing plays an important role in the implementation of economic activities and the economic achievement of the planned goal. While funding is a simple way to fund an activity, its essence requires in-depth scientific study.

Financing - the provision of financial resources (cash) to organizations and enterprises, various economic projects. It can be done at the expense of own funds of organizations and enterprises, as well as public resources, budgets at all levels, loans, contributions of legal entities and individuals.

Activity financing is an economic process. Every element and composition of it is worthy of scientific study. If the financing of the activity is studied economically, its specific features will be revealed. Above we have given a definition of the term financing by the Russian scientist A. Neshitoy. Russian scientist M.Radionova describes the process of state funding as follows:

If the financing of enterprises, institutions and organizations is carried out by the state, it means the provision of various forms of funds for their current activities free of charge and without repayment.

International financing is generally defined as follows:

Funding is the allocation of funds or resources to achieve set goals. If the purpose of the financing is to make a profit, the financing becomes an investment.

Allocations from the own, internal sources and budgetary funds of financing enterprises (organizations) (republican, local), as well as from state sources in the form of loans, foreign aid, contributions of other legal entities.

Funding is the act of providing resources to finance a need, program, or project. While this is usually in the form of money, it can also be in the form of power or time from an organization or company. In general, the term is used when a firm uses its own internal reserves to meet its capital needs, while the term financing is used when a firm receives capital from external sources.

Financing of agro-cluster activities is the process of financing the current and investment activities of agro-cluster enterprises. The process of financing the activities of agro-clusters is carried out in simple and complex ways. The following

sources are used to finance the activities of agro-clusters in the Republic of Uzbekistan:

- 1) From the state budget
- 2) From the Fund for State Support of Agriculture under the Ministry of Finance
- 3) From the credit resources of commercial banks
- 4) From attracted funds (grants, trust funds)
- 5) Other types of resources

As a result of the expansion of the type of activity, the increase in the share of agro-clusters in foreign markets, the scope of their funding sources will further expand. Three main sources of funding are used to finance the activities of agro-clusters:

- 1) State resources, mainly from the state budget resources (subsidies, soft loans)
- 2) Private sector funds (loans from commercial banks, funds from legal entities)
- 3) funds of foreign legal entities and individuals (international investments, foreign grants, funds of international organizations)

In a market economy, the sources of financing for agro-clusters are expanding. As a result of the development of clusters, increasing the volume of competitive products in the domestic and foreign markets, increasing their position in the process of international integration, the sources of financing activities are expanding.

In international practice, sources of financing the activities of agro-clusters include loans, venture capital, donations, grants, funds, subsidies and taxes. Funds that are not directly required to return investments, such as charities, subsidies, and grants, are defined as "soft financing" or "crowdfunding". Many developed countries use the soft financing method in financing agriculture. Growing agricultural products is a very laborious and laborious process. If the state does not provide funding for this sector through a soft financing system, its negative consequences will affect the economy. The process of growing agricultural products in the activities of agro-clusters in our country is also financed from soft sources of financing.

If we group the sources of financing the activities of agro-clusters in the Republic of Uzbekistan, we can see that in their activities,

of course, the targeted funds of the state budget and preferential credit resources of commercial banks play a significant role.

Financing of agro-clusters is carried out in 3 stages, which are interconnected and carried out in sequence:

- 1) To provide funds for the organization of economic activities of farms that provide the main raw materials of the agro-cluster. It envisages the provision of resources and resources to the member farms of the cluster to cover the costs associated with the process of cultivation of agricultural products.
- 2) financing of economic activities in the process of processing of agricultural products. It is envisaged to finance the costs of primary processing, storage and packaging of the harvest harvested from farms of the agro-cluster (if it is necessary to put it on the market in this case).
- 3) Financing of agro-cluster activities before the production of the branded product and its introduction to the market as a finished product

In the first stage of the cluster activity, it is necessary to plan the profit rate and take it into account in the financing process. Profit for the agro-cluster is an important indicator for farms and dehqan farms that grow agricultural products in the required volume and norms. Some agro-clusters can market and sell a certain part of the product even at this stage. This allows for the initial formation of operating income.

In the process of financing the activities of the agro-cluster, the sources of funding are divided into two types:

- 1) internal resources
- 2) external sources

Agro-clusters are internal sources of funding for the activities of the cluster, including the retained earnings of the cluster and other resources that belong to it.

Agro-clusters consist of repayable (loans and other borrowed funds) and non-repayable (grants, subsidies, etc.) resources attracted from abroad to external sources of financing. It is important that each agro-cluster monitors the weight of external and internal resources in its activities while financing its

activities. This is required to reduce the level of debt dependence on financing cluster activities. However, subsidies and subsidies allocated from the state budget for the production of agricultural products of clusters are very important in financing the activities. In our opinion, its account should be kept separately and the funds should be directed to this area of economic activity.

Factors influencing the financing of agrocluster activities:

- 1) Organizational and legal form of the operating enterprise.
- 2) The sectoral nature of the enterprise.
- 3) Enterprise size
- 4) The value of the capital of the enterprise
- 5) Freedom of choice of sources of financing of the enterprise
- 6) At the rate of income (profit) tax set by the state
- 7) The level of risk measurement adopted by the founder of the agrocluster
- 8) legal norms (laws, decisions and decrees) issued by the state in relation to the implementation of activities

The activity of agro-clusters combines several network features. In the clusters, the finances of agricultural, industrial and commercial enterprises (if the agro-cluster is also engaged in export operations) operate in hybrid form. That is, it combines the features of these networks. This leads to more factors influencing cluster financing. The organizational and legal form of agro-cluster enterprises plays an important role in the financing process. Organizational and legal form directly affects the organization of financing. This feature also depends on the principles of financing.

The network characteristics of the enterprise are crucial in the implementation of financing. Agroclusters have the characteristics of agricultural, industrial, and commercial

activities, as we noted above. This results in a similar shape and adaptation of activities in these sectors. Targeted state funding of agricultural activities in all developed countries, as well as targeted financing of this link in agro-clusters.

As in all sectors, financing of agro-clusters is based on general and specific principles. While the general financing principles have a single view for all sectors, the private principles are specific to agroclusters in a particular direction.

In general, financing of all activities is based on the following principles:

- 1) purposefulness;
- 2) financing of works, services in proportion to the provision of services;
- 3) adherence to financial discipline.
- 4) control

The principle of purposefulness defines a position according to which all expenses have a purpose related to the subject: salary, business trips, current expenses, and so on.

Proportional financing of works and services means the allocation of funds in accordance with the actual performance of works and services, their quantitative and qualitative indicators.

When financing agro-clusters, the characteristics of the enterprises in the cluster should be taken into account separately. If the members of the cluster are engaged in agriculture, they will be funded based on industry indicators. As an agricultural entity, the lowest member of the cluster is the farm that produces the product. Its activities depend on the activities of other subjects of the cluster. In financing, it is important to use ways to improve the farm's relationship to the land and increase the farmer's interest.

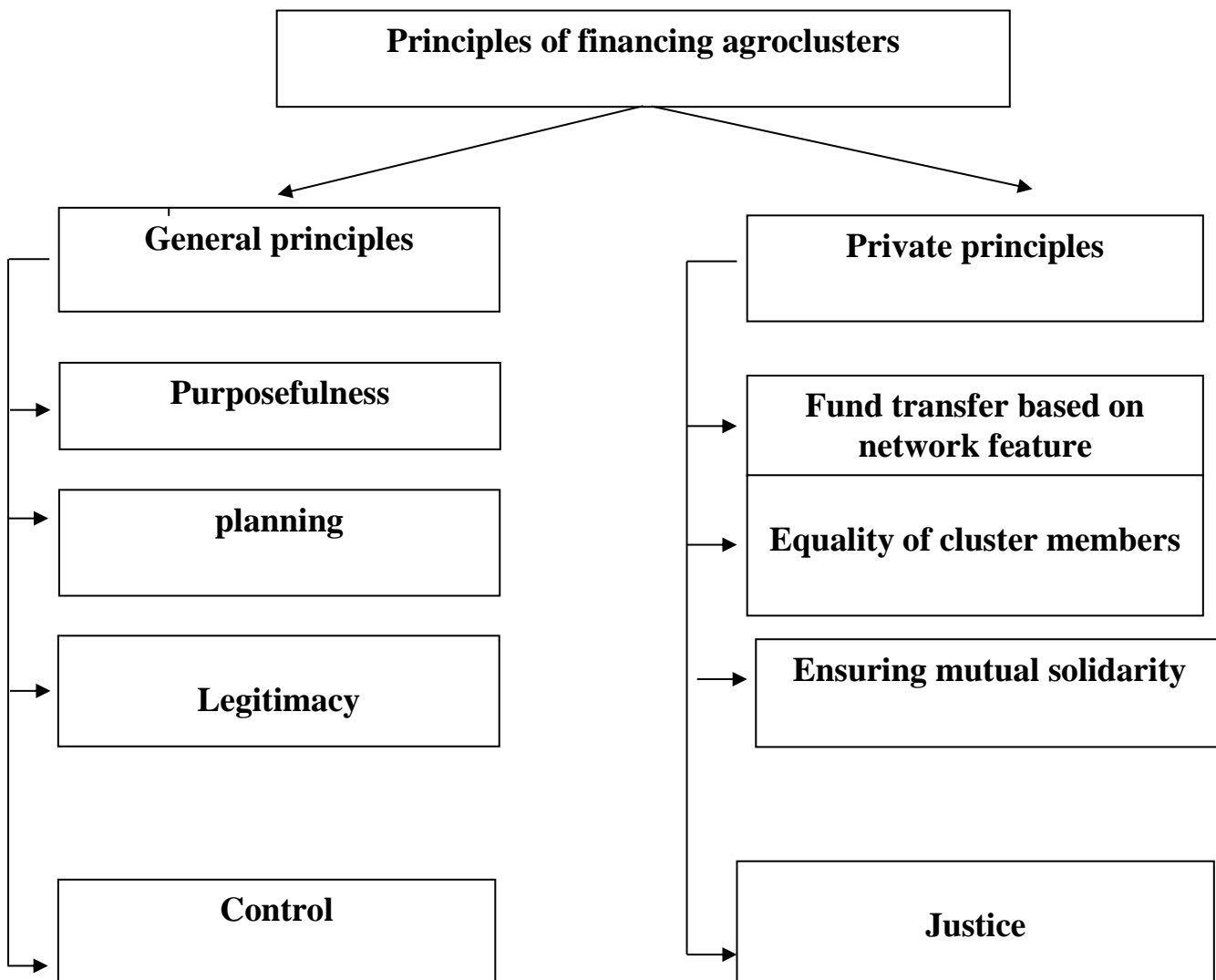


Figure 1.2.1. Principles of financing agroclusters

Doctor of Economics, Professor T.Malikov and N. Khaydarov also cites the principle of "minimum cost and maximum efficiency" within the general principles of financing. Although this principle applies to the process of financing from the state budget, it has retained its importance in financing the activities of agro-clusters. The activity of agro-clusters is also based on achieving maximum efficiency.

A separate criterion for agro-clusters is that adherence to financial discipline in financing is a condition for the correct and lawful spending of funds. In financing the activities of agro-clusters, financial resources

can be allocated for short-term or long-term purposes.

The purpose of financing is the use of financial resources to perform planned, specific tasks of the enterprise. Before we comment on the activities of clusters, we need to determine on what basis they are organized and what goals they set for the clusters. This shows the direction and scope of cluster financing.

There are specific principles in the financing of some institutions:

- 1) Legitimacy,
- 2) openness,
- 3) transparency
- 4) equality are the basic principles of financing.

However, these principles do not fully apply to the process of financing agro-clusters. The legitimacy of funding is important in cluster activities, but openness, transparency (which is not disclosed to competitors as a cluster secret) is not appropriate.

Agroclusters are entrepreneurial activities with a business concept. It requires all the necessary resources to enter the domestic market, including the accumulation of capital and its spending on the basis of a clear business idea.

Funding is part of the process, as some businesses require large start-up amounts that individuals do not have.

Agro-clusters also operate in the economy as a type of business. Initially, their formation requires large financial resources.

The use of financial intermediaries to finance transactions is called indirect finance. The lender can also go to the financial markets to lend directly to the borrower. This method is called direct financing¹

The role of credit in the activities of modern enterprises is very important. Lending is the organization of financing activities at the expense of debt in the event of a shortage and need for financial resources. Credit resources are also used to finance the activities of agro-clusters. It also serves to develop the enterprise and improve product quality.

Some innovative activities in agro-clusters are also funded. This is very important for the development and expansion of the enterprise. Research funding can be divided into commercial and non-commercial. The enterprise's research and development departments typically fund commercial research. However, nonprofit research funding comes from charities, research councils, or government agencies. Organizations that require such funding usually have to go through a selection process. Only those with the most potential will be selected. Funding is important in ensuring the sustainability of certain projects.

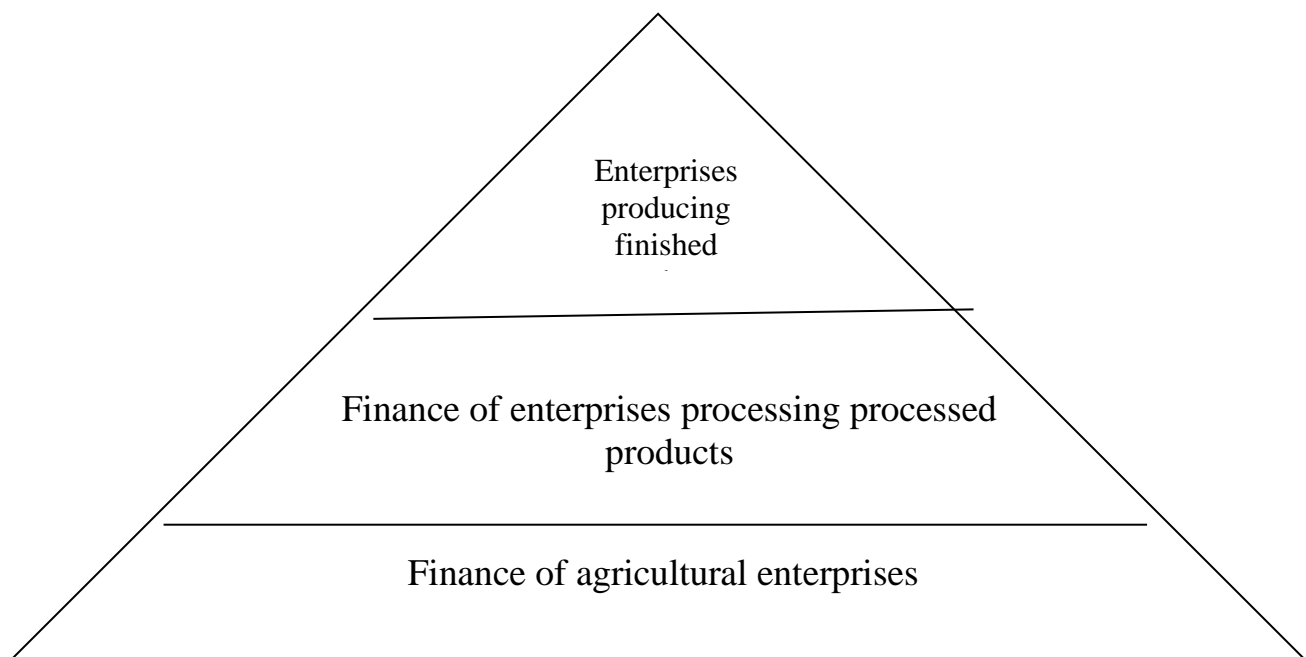


Figure 1.2.2. The structure of agrocluster finance

Diversification of activity is also characteristic of agroclusters. The expansion of cluster capacity will also affect the expansion and financing of its activities.

It can generate high returns by reducing risks by diversifying assets

Agroclusters need to set big goals. As a result of the development of this system, the

potential of the agricultural sector of the country will increase. Provides the population with modern professions and jobs in rural areas. Rural infrastructure is improving.

Crowdfunding is the practice of financing a project or enterprise in the modern era, usually by collecting small amounts of money from a large number of people over the Internet.

References:

1. Decree of the President of the Republic of Uzbekistan No. PF-5853 of October 23, 2019 "Strategy of agricultural development of the Republic of Uzbekistan for 2020-2030"
2. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to further develop the cotton and textile industry" dated June 22, 2020 397
3. Akhmadeev M. G. Cluster strategies in the agro-industrial complex // Russian entrepreneurship. 2007. No. 8. S. 38–42.
4. Porter M. «Competitive Advantage of Nations»Wirtschafts-politische Bldtter. -1990.- pp 47-94.
5. Porter M. Competition. M. : Williams Publishing House, 2003. 496 pages
6. Khukhrin A. S. Commentary on the article by E. M. Tereshina, V. M. Volodin "Principles of cluster associations in the Russian economy" // Economics of agricultural and processing enterprises. 2011. No. 3. P. 60.