

RESEARCH ARTICLE

State Financial Support in The Agricultural Sector: Mechanisms and Results

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Abstract

This article analyzes the content of state financial support mechanisms in the agricultural sector, their impact on the activities of agricultural enterprises, and the effectiveness of their application. The study highlights the role of state subsidies, preferential loans, grants, tax incentives, and other financial support instruments in the development of agricultural production. It also assesses the changes observed in the volume of agricultural production, investment activity, competitiveness, and financial stability of enterprises as a result of financial support. The results of the study demonstrate the important role of state financial support in the modernization of the agricultural sector, ensuring food security, and the socio-economic development of rural areas. At the end of the article, practical recommendations are developed to improve the system of financial support in the agricultural sector.

KEY WORDS

Agricultural sector, agricultural enterprises, state financial assistance, subsidies, preferential loans, grants, tax breaks, state support, investment activity, financial stability, agrarian policy, modernization of agriculture, production efficiency, food security, development of rural areas.

INTRODUCTION

Agriculture is one of the most important sectors of the country's economy, playing an important role in providing the population with food, supplying raw materials for industry, and ensuring employment in rural areas. In a market economy, the sustainable development of the agricultural sector largely depends on economic and financial support measures implemented by the state. In particular, the seasonality of agricultural production, its high dependence on natural and climatic conditions, and the large need for financial resources further strengthen the need for state support for this sector.

In recent years, various financial support mechanisms have been implemented by the state in order to develop the agricultural sector, increase its competitiveness, and stimulate the introduction of modern technologies. In particular,

subsidies, preferential loans, grants, insurance systems, and tax incentives serve to expand the financial capabilities of agricultural enterprises. These mechanisms play an important role in increasing production volumes, reducing product costs, stimulating investment activity, and strengthening the financial stability of farmers and peasant farms. At the same time, the issues of increasing the efficiency of state financial support, ensuring the rational use of funds, and assessing their economic results are of urgent scientific and practical importance. Analyzing the effectiveness of financial support measures implemented in the agricultural sector, identifying existing problems, and developing proposals to eliminate them are among the important tasks today.

METHODS

This article uses a comprehensive methodological approach typical of modern economic research to study the institutional mechanisms of state support for agricultural enterprises. In order to ensure the scientific validity of the study and the reliability of the conclusions, theoretical, empirical, and comparative analysis methods are combined.

RESULTS

According to statistics, Agrobank JSCB in our Republic provides loans mainly for cotton and grain growing, as well as Mikrokreditbank JSCB for livestock breeding. Agrobank JSCB provided loans for agricultural sectors during 2020-2025. According to our research analysis, most commercial banks provide loans for cotton and grain growing, the purchase of agricultural technicians, the introduction of drip irrigation technology, livestock and poultry farming, as well as the cultivation of certain types of agricultural products, using state funds. However, based on current demand, there are no loans to financially support projects aimed at the production of import-substituting food industry products, as well as the creation of a value-added chain in the agribusiness and food sectors. There are also a number of problems in financing agribusiness and food projects. They are mainly the lack of own funds, the high cost of bank loans, high collateral requirements, difficulties in attracting investment, etc.

The experience of foreign countries shows that in many countries, long-term loans are allocated for projects aimed at creating a value chain in the agribusiness and food sectors. Also, for the stable operation of agricultural enterprises, financial support for newly established enterprises in the initial period, ensuring full operation and uninterrupted repayment of loans received in return for high income, it takes at least 7-10 years. For example, in Poland, they can receive loans of up to 10 million to 20 million dollars with an interest-free period of 30 years, and in Russia, with a grace period of up to 12 years. For this reason, it is considered advisable to allocate preferential, long-term loans to these areas by attracting funds from foreign financial institutions.

Currently, due to the great importance of agricultural exports in the national and world economy, the supply of quality and appropriate volume of products to the market is considered one of the urgent problems. This reflects the level of development of the state financial support system for the export of agricultural enterprises. According to our research analysis, today the state provides financial assistance for the

export of agricultural products in the following areas:

- participation in exhibitions and fairs,
- opening trading houses abroad,
- storage and working capital for agriculture.

According to the analysis, the following problems currently exist in the export of agricultural enterprises:

- disruption of working capital (liquidity problem);
- banks do not provide loans for exports due to high risk in the agricultural sector;
- lack of financial resources in small and medium-sized agricultural firms for exports, etc.

Therefore, based on today's requirements, it is necessary to further increase the export volume of agricultural enterprises and improve the state's financial support for exporting enterprises to finance export-related trade operations. Based on the above, in order to further support exporting enterprises, it is advisable to allocate financial resources of up to 3 million US dollars, depending on the volume of exports, for a period of up to 2 years to finance pre-export and export-related trade operations for enterprises exporting agricultural products from the resources of the Trade Development Company (Export Support Fund).

Agricultural insurance is an effective mechanism for financial support of agricultural enterprises, farms, in particular, agricultural producers in our country, and comprehensive protection based on the specific characteristics of the agricultural sector. As widespread areas of insurance in agriculture, crop insurance, livestock insurance, agricultural machinery insurance, as well as insurance against the risk of non-repayment of loans for projects implemented in the sector, extensive work is being carried out.

Also, one of the main reasons for the decrease in the number of agricultural insurance contracts is the fact that commercial banks are demanding insurance against the risk of non-repayment of loans instead of crop insurance. This serves the interests of commercial banks, not agricultural enterprises. Therefore, the financial sources of agricultural insurance are becoming uncertain.

For this reason, based on the experience of foreign countries and in order to provide state financial support to agricultural enterprises, covering 50 percent of the costs of insurance premiums for agricultural crop insurance from the state

budget will have a positive impact on reducing risks and increasing the efficiency of enterprises.

Global climate change, the worsening of water shortages, the tendency to reduce land and water resources, the degradation of pastures and the increase in desertification are negatively affecting the sustainable development of agriculture, which plays a key role in ensuring food security. Therefore, in countries around the world, including our republic, the solution of important organizational, structural and socio-economic tasks such as increasing the volume and quality of agricultural production, increasing labor productivity and profit levels is directly related, first of all, to the economical and effective use of land and water resources. In terms of water use in the sectors of the economy of our republic, the agricultural sector is leading with an average annual water consumption of 45,696 million cubic meters or 87 percent.

Today, water supply for agricultural enterprises, especially cotton and grain (cereal crops) farms, is considered an urgent issue. The reason is that growing cotton and grain (cereal crops) requires a lot of water. Based on the above analytical tables, the water supply situation for cotton and grain farms is not positive. In order to provide financial incentives to these farms, it is necessary to subsidize the costs of purchasing equipment such as renewable energy sources and portable generators for irrigating arable land by 30-50%.

The steady growth of demand for food products in countries around the world, the limited availability of natural resources, and the growing demand for environmental safety require the introduction of new, sustainable production approaches in agriculture. In particular, the management systems of enterprises operating in the field of organic production are forced to adapt to global climate change, market needs, and international standards. In such conditions, expanding the production of organic products in the regions, improving effective and financial mechanisms in this regard, is emerging as one of the urgent strategic tasks.

However, with the increase in the production volume of agricultural products grown in the above-mentioned traditional way, there are a number of shortcomings and problems. These are:

- in the traditional way, farmers try to get a quick and high yield through chemical fertilizers, pesticides, and genetically modified seeds. In this approach, crops are "forced" to be grown using artificial methods;

- Traditional farming produces high yields in a short period of time, but this leads to soil degradation, water pollution, and loss of biodiversity;

- In traditional farming, the price of products is relatively low, but the competition in the market is very strong. In addition, dependence on chemicals increases costs.

For this reason, in order to financially support the production of high-quality, competitive agricultural products in the agricultural sector and, based on foreign experience, to pay land tax at a reduced rate of 50 percent for land plots leased to enterprises with internationally recognized certificates for the production of organic products. Because enterprises in the sector are reluctant to switch to organic farming due to high land taxes. Also, as a result of the reduction in the tax burden on enterprises, organic farming will develop, the possibility of exporting at a high price will increase, the health of the population will improve, and the volume of organic production will increase.

DISCUSSION

In conclusion, in the context of global climate change and increasing food security, we believe that the state should finance agricultural enterprises as follows. Namely:

in order to provide state support to agricultural enterprises, commercial banks should provide export-related trade operations to agricultural enterprises using the resources of the Export Support Fund;

in order to provide state financial support to agricultural enterprises, 50 percent of the costs of insurance premiums for agricultural crop insurance should be covered from the state budget;

in order to provide financial support to agricultural enterprises, preferential, long-term loans should be provided by attracting funds from foreign financial institutions to financially support projects aimed at creating a value-added chain in the agribusiness and food sectors;

To provide financial incentives to cotton and grain farms, subsidize the purchase of equipment such as renewable energy sources and portable generators for irrigation of arable land by 30-50%;

to provide financial support for the production of high-quality, competitive agricultural products in the agricultural sector, pay land tax at a 50% reduced rate for land plots leased to

enterprises with internationally recognized certificates for the production of organic products, etc.

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