



## **ECONOMIC SIGNIFICANCE OF FINANCING RELATIONS IN THE AGRICULTURAL SECTOR**

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
In this article, it is important to form financial and credit relations in the industry and provide the industry with preferential loans and funds, improve the financial situation, increase profitability, and provide loans and financial support from the state to enterprises operating at a loss. And this will have a positive effect on the increase of financial stability and solvency of enterprises in the future, and a sharp reduction of debtor and creditor debts.	Source of financing, financial system, credit system, biological processes, industrial characteristics, production cycle, fluctuations, costs, volume of income, authorized capital, elasticity of demand, physiological needs, depreciation payments.

### **Introduction**

The specific characteristics of the network play an important role in the financing system of the agricultural network of our country. Despite the fact that the sources of financing used in the financing of agricultural production enterprises are the same, there are a number of features of the operating conditions of the sector that significantly affect the composition of the sources of financing of economic entities. Crop production in agriculture is considered seasonal, because animals and plants are means of production, reflect the duration of the production cycle, and are related to the content and intensity of the biological processes occurring in it. For some activities and productions, the cycle lasts from six months to one year.

This explains the characteristics of the industry: a long cycle of working capital, slow turnover, which can be 2-4 times slower than the level of industry, trade and processing.

The length of the production cycle leads to an increase in the role of short-term lending to agricultural enterprises, since the standard of working capital cannot be ensured only at the expense of own resources, but is unreasonable: the excess amount of working capital generated in the off-season creates necessary conditions for inappropriate or inefficient use of capital and temporarily available funds. The seasonality of production also affects the income from the products produced and intended for sale. If in the first half of the year production costs increase, in the second half the gross harvest of agricultural crops will be realized, and the amount of

income from the sale of manufactured products will increase. There is no such situation in cattle breeding, however, in such a situation, fluctuations are also observed and felt.

Depending on the weather conditions, it also affects the uniformity of the income from the manufactured products, because it is very difficult to accurately estimate the level of production. Therefore, in production planning, industrial enterprises rely on the indicators of recent periods, but due to meteorological changes, there is always a possibility of inconsistency between plans and reality.

If we pay attention to the peculiarities of the formation of fixed capital, the main funds of production in agricultural enterprises include arable land for which depreciation payments are not calculated, as well as perennial trees, while they are, respectively, agricultural

Jaligi products do not participate in the formation of production costs and are not a source of financing. The main means of agricultural production - the levy for the use of land is levied in the form of a land tax for agricultural land, which is included in the cost of manufactured products. Land use also requires investments - for land reclamation, permanent maintenance of soil fertility, control of water, wind erosion and other agrotechnical activities. In the foreign practice of lending, the land involved in the production process is the subject of collateral, which creates a real opportunity for farmers to get bank loans.

Today, land relations in our country have an impact on the formation of the main authorized capital of agricultural enterprises, because it is possible to add a share to the authorized capital as a contribution of the land share of a member of a cooperative or partnership. A land share is a hectare of land per member of an agricultural enterprise. A new definition describing a part of the agricultural land of an agricultural enterprise belonging to a person who has the right to receive it - land share appeared in the process of land reform. Unequal soil fertility in cultivated areas determines the presence of differentiated rent in the production of agricultural products, that is, equal in cultivated area, the final production and, as a result, the financial result of agricultural enterprises will be different due to differences in the level of soil fertility. The sources of working capital formation also include the farm's own means of circulation - seeds and necessary tools for growing products. The important role of internal economic circulation determines the existence of a large number of tasks in the production of one type of product, different branches, sub-branches, interdependent and determining the specific characteristics of internal financial relations. It is necessary to insure agricultural crops in order to cover the possible losses due to weather conditions, it is necessary to cover the losses caused by natural disasters with the budget, that is, the production in agriculture development is unstable and requires strong financial support. There are specific characteristics of biological processes in the production of agricultural products that require additional costs - breeding, veterinary, etc. Implementation of production taking into account the biological characteristics of plants and animals requires strict adherence to technologies and, as a result, timely provision of necessary resources, including timely provision of financial support for changing conditions. does. Agricultural products are important in human life, the demand for them is formed by the physiological needs of a person - the change in the price and volume of the product also affects the level of demand for it. Depending on the income of the population, there is an elasticity of demand for agricultural products, their growth leads to an increase in the demand for food.

Therefore, the orientation of the social policy of the country to increase the level of income of the population requires the increase of agricultural products.

Therefore, in addition to the characteristic conditions of the activity of the industry, the changing economic situation in the country leads to the emergence of new features of the further development of agricultural production in the modern era, which, in turn, forms the financial demand in agricultural industries. Is closely related to the activity of the objects. In order to find out more about the uniqueness of the sources of innovative financing of the agricultural sector of our country and its features, it is necessary to determine the financial relations of industrial enterprises by dividing them into the following groups of relations: within the enterprise, with other enterprises and organizations, and the financial and credit system. Financial relations within agricultural sectors include relations between its various divisions and forms. It consists of employee relations regarding the payment of salaries, bonuses, allowances, financial assistance, various deductions, and internal relations, etc. The second group of financing and relationships includes relationships with suppliers and existing customers, various debtors and creditors. Therefore, this group of relations is the largest and most important in the production of agricultural enterprises and their economic activity. The main suppliers of material and technical resources necessary for agricultural production are machine-building heat, fuel and lubricants enterprises, energy and construction material suppliers. Therefore, the main agricultural enterprises enter into mutual relations with the chemical industry companies producing mineral fertilizers, veterinary medicines, plant protection products and service enterprises. In addition, the main agricultural enterprises include the products of the processing industry - that is, flour mills, meat processing enterprises, oil and oil processing enterprises, grain enterprises, etc. In addition, agricultural products are sold to public catering establishments, food reserves, markets and shops. Effectively using the above, it is appropriate to say that this group is distinguished by the fact that the entities entering into financial relations through the agricultural sector are from different regions and there are many of them. The third group integrates its relations with the country's financial and credit system, through budgets and extra-budgetary funds of various levels due to obligations to pay taxes on time. The agricultural sector is distinguished from other production entities by the system of preferential taxation, which consists in the exemption from payment of certain types of taxes.

Interactions between agricultural sectors and budgets of different levels, as well as subsidization and reimbursement of some types of production costs, implementation of budget loans, guarantees, targeted programs and their financing, etc. Is distinguished by the presence of a share. The relations of agricultural industries with insurance companies are formed only from the point of view of social and medical insurance. Unfortunately, it is inappropriate to say that insurance types such as insurance of agricultural crops, animals, and enterprise property are fully operational today. The specific nature of financial relations in agriculture has determined the different positions of economic entities in terms of adopting the laws of the market economy. Agriculture is one of the enterprises facing the most problems of the transition period. Thorough study of innovative methods, sources and financing mechanism of financial support of some agricultural enterprises in order to determine the sources of financing and directions for further formation and improvement of their activities based on the formation of a socially oriented market economy.

## **Determines the necessity.**

As for the characteristics of the sources of external financing of the agricultural sector, it is necessary to solve the problems related to the temporary lack of funds in the period from the beginning of the production cycle to the income from the produced products. It is appropriate to emphasize the need for loans that help in making.

Agricultural industries determine the minimum volume of their working capital by calculating the minimum need. Surplus needs are covered at the expense of credit resources. Over the years, the amount of loans varies in proportion to the rate of growth of costs and can make up more than the annual percentage of all investments in current assets, therefore, credit is one of the main sources of working capital formation of agricultural enterprises.

In the financing of agricultural production enterprises, when granting loans by the bank, their characteristics are taken into account, first of all, the amount of the requested loan is taken into account, taking into account the size of the farm's financial resources. Depending on the planned gross profit, cash flow forecast, short-term loans aimed at financing working capital (purchase of fuel, fertilizers, plant protection products, etc.), the estimated loan period is also taken into account.

Based on the production of agricultural products and its specific characteristics, the credit policy of agricultural enterprises is supported by the state.

The budget funds allocated for the support and regulation of production in agricultural enterprises are allocated as follows:

- first, by short-term crediting of seasonal expenses and keeping necessary reserves in production;
- secondly, it can be through crediting of long-term production.

Based on this, the appropriate features of the technological process determine the appropriate moments of short-term lending to agricultural producers to replenish working capital. The term and duration of the loan is eight months, and its beginning (December 1 - July 1) corresponds to the beginning of production operations for planting and growing early spring crops.

At the same time, when using working capital, repaying the current year's loans at a certain time, agreement between the bank and the borrower, and the decision to grant a loan for the agricultural part of the last year, the interest rate may change. Lending in the form of an open credit line in lending, when the timely provision of credit funds is carried out in the economic and financial activities of enterprises taking into account their production needs, that is, the borrower uses the credit resources given or allocated to him over the years. "chooses" at the specified rate or limit and provides an opportunity to minimize the amount of accrued interest on the loan.

The source of the timely repayment of the main part of the loan and the interest on it is the income from the sale of agricultural products formed in the autumn period on local and international markets, in this regard, the repayment of the loan is one-time - at the end of the agricultural year is done.

When determining the level of economic risk of commercial lending to agricultural enterprises, two factors are mainly taken into account: crop yield and product price. In order to repay the loan, it is necessary to control the targeted use of additional collateral resources, which is in the form of collateral for products sold. Interbank crediting of agricultural sectors will have its own characteristics that will enable the effective operation of production enterprises. The implementation of the priority role of bank lending in the external sources of financing of the agricultural sector is evidenced by the best practices of developed countries, where the level of attracting credit capital is very high: that is,

the share of loan funds in agricultural capital in (without real estate) reaches about 50% in Germany and England, more than 40% in France, more than 30% in Italy and Belgium.

Another important source of external financing is commercial credit technology in agriculture. Timely delivery of material resources in the production of agricultural products increases production efficiency, because the production process is based on the biological characteristics of animals and plants. The lack of technologies in the production process leads to irreversible negative consequences. This can explain the position of the agricultural enterprise as a borrower in commercial credit. In short, in our country, financing processes and relations in the field of agriculture, as well as the innovative development of the agricultural sector, the financial status of the enterprises of this sector in the process of forming a socially oriented market economy, and the innovative method of support. It is obvious that it is necessary to study the methods, directions and financing mechanism.

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