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ORGANIZATIONAL AND ECONOMIC MECHANISM OF INVESTMENT FINANCING OF THE AGRARIAN SECTOR: FINANCE

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Abstract
The article examines the issues of financing investments in the agrarian sector during the growth period of the economy and its organizational and economic mechanism, and also reveals the problems of their scientific solution. On this basis, appropriate conclusions are formed and practical recommendations are made.

Keywords: Agrarian sector, research, economics, investment, financing, method, mechanism.

Introduction

One of the real directions for eliminating the problems in the agrarian sector is the strengthening of research work, which requires large amounts of funds from various sources.

In the process of new economic reforms in the agrarian sector, it is necessary to develop an organizational and economic mechanism for the development of various methods of financing, it is necessary to apply in practice the main investments and innovations that affect the activities of local agricultural producers, research, analysis and systematization. These studies provide an opportunity to compare the effects and directions of improvement of economic conditions of the development of the agrarian economy.

For agriculture, the organizational and economic mechanism of financing investments is even more important, which is closely related to the specifics of agriculture, biological processes, the duration of the production cycle and seasonality of production, the flexibility of demand for the produced product, and others.

In the initial period of the reform, the introduction of purely market methods of financing science, including the processes of attracting investments, on the one hand, the lack of innovative equipment and technologies for agriculture, given the difficult financial and economic situation of economic entities, the production of competitive products remains impossible. On the other hand, the withdrawal of the state from the economy, a decrease in funding for science from the budget, inflation and many other processes led to a massive reduction in scientific institutions, researchers, researchers.

Therefore, this factor that brings the economy to the path of innovative development is the improvement of organizational and economic mechanisms for financing investments in research and development in the agrarian sphere and agriculture in general. A consideration of these concepts and categories, revealing their essential characteristics, determines its basic mechanism.

The republic provides financial support for the agrarian sphere, as well as attracting foreign investment, scientific solutions to their problems, satisfying the country's demand for investments, the development of agrarian science, at the same time - providing agriculture with investments and innovation[1].

The main problem of the development and effective activity of agriculture is directly related to the insufficiently studied problem of searching for forms and mechanisms of financing investments in the research carried out in various scientific institutions of the agrarian orientation of our country.

The development of new approaches to the formation of various forms and mechanisms of the effective functioning of the system of financing for scientific development is based on the unsolved problem of the financial and economic situation of the majority of agrarian producers who cannot acquire and use innovative technologies due to lack of financial resources.

Producers of direct agricultural raw materials and agricultural food products are not able to form the demand that they are able to pay for scientific research and, accordingly, participate in the formation of the necessary and sufficient financial and economic conditions for the implementation of the activities of scientific institutions, enterprises.

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In the era of economic reforms, the main and often the only source of research work carried out directly for the benefit of producers should remain the state at the regional level.

In agriculture, the economic mechanism is the transfer between the productive forces, the relations of production, and the superstructure. The environment itself is a derivative of an economic mechanism directly and indirectly related to it.

Literature review on the subject

The emerging problems of the world economy are related to the development of an organizational and economic mechanism for investment financing the agrarian sector in the context of globalization of the agricultural market.

Bringing the agrarian sector to a sustainable growth trajectory in the context of economic reforms is largely due to the dynamics of capital flows, which will significantly update the existing material and technical base of enterprises of the agricultural production, food and processing industries. The limited capacity of direct producers and the volume of measures supported by the state underscore the need to seek forms, methods and mechanisms to stimulate the flow of investments into all sectors of the agricultural production process.

In order to provide investment incentives to businesses, a clear mechanism of regulation of the movement of investment resources is needed. Through the regulation of the investment market in the country, direction is needed in accordance with the amount of attracted investment resources and their established program.

Ayupova notes that on the basis of the economic mechanism of activity, she understands a holistic multi-stage system of forms and methods of external and internal economic relations between participants in the investment process, including the regulation of methods for assessing investment activity through resource, legal and methodological support, taking into account market conditions [2].

The categorical apparatus of the theory - the concept of economic mechanism, the coherence of incentives, its implementation, as well as the logic of the main results and the possibility of applying them in the design of various auction schemes are considered [3].

Slepov says that two main areas of study of economic mechanisms have been developed in world practice. In terms of economic content, the first approach can

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be described as informational and the second as functional. The information approach developed within the framework of the theory of economic mechanisms is characteristic [4].

According to Nikolaev , the most important subsystem of the governance mechanism is the mechanism for financing the investment process at the regional level, which is considered in this work. This mechanism is designed to ensure that the methods of attracting sources of investment finance are in line with the goals of the socio-economic development of the region and includes: aim, theme, object, methods and principles [5].

In Rakhimov's work, another sub-system of the investment activity management mechanism is given: "The organizational, economic and legal mechanism for the formation of a favorable investment climate in the region is a consciously regulated system of economic, legal, organizational forms, methods and practices, as well as a set of state-regulated relations that have a targeted impact on the investment climate in the region" [6].

The mechanism for managing investment activities at the regional level is presented in the Samogorodskaya case. The author considers the management mechanism to be the most active element of the management system, influencing the factors on which the result of the activity of the controlled object depends. According to the author, the mechanism for managing a regional investment strategy can be defined as a set of investment resources; methods, funds and means of influencing investment processes in the region applied by public authorities at the regional level to achieve the goals of investment development of the region [7].

Surkova's article defines investment mechanism as a mechanism for investing and managing budgetary and extra-budgetary resources for the effective reproduction of the main assets of the economy of a country or region [8].

Cherezova's article "Examines the macroeconomic and microeconomic aspects of the mechanism. At the macro level, the mechanism is intended to ensure the creation of conditions for attracting and increasing the flow of domestic investment resources and new technologies into the regional economy. At the micro level, the mechanism is aimed at improving the activities of enterprises and organizations of the construction complex" [9].

In our view, financial resources should be aimed at intensifying investment activities on the basis of their transfer to the most productive sectors.

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This research is aimed at solving the problems, developing organizational and economic mechanism of investments. The purpose of forming such a mechanism is to help improve organizational forms and economic methods of regulation of investment activities in the regions.

The organizational and economic mechanism should not only ensure the interaction of all participants in the investment process, but also place them in a mutually functional circle - from the idea to its implementation, taking into account the full cycle of the investment process. At the same time, it is envisaged to achieve a balance of interests of all participants in the investment process, since only mutually beneficial cooperation of the subjects of market relations allows to best satisfy investment needs with the existing objectively strict restrictions.

Methods and analysis

The rationale for an investment finance strategy is the choice of financing methods, and therefore it involves the determination of the sources of financing of the investments and their structure.

It is important to develop modern methods of selecting sources of financing for enterprises and scientific institutions in the agrarian sector [10].

Investment financing method acts as a way to attract investment resources to secure the financing of enterprises.

The following resource is used as investment financing methods:

The self-financing method is financing the activities of the enterprise only from its own financial resources without external financing.

The mobility and variability of demand in the volume of self-financing has a significant impact, especially in non-food products. Sales organizations, unlike industrial organizations, notice a change in demand every day. This leads to an uneven nature of profit—one of the main sources of self-funding.

Stock financing is a form of obtaining additional investment resources through the issue of securities. This form assumes the replacement of investment credit with market-rate debt obligations. This will affect the composition and price of the capital invested in the project, i.e., the share of long-term loans from banks in the capital structure will decrease.

Equity financing of investments is typically used to make large-scale investments in the industry or to diversify investment activities regionally. The use of this method mainly in the financing of large investment projects is explained by the

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fact that the costs associated with the implementation of the emission are covered only by large funds borrowed. Attraction of investment resources by this method is carried out through additional issuance of ordinary shares.

Debt and Credit Financing Method- Financial debt funds are drawn from a third party, i.e., banks and capital providing firms. Generally, the borrower from the bank is required to pay interest and to repay all equity irrespective of the level of profit

The method of financing by the state is a way of providing business entities with financial resources irrevocably at the expense of budgetary and extrabudgetary funds. Targeted redistribution of financial resources through state financing is carried out between economic entities.

Leasing financing method constitutes the financial side of the leasing system, which involves lending for the purchase of necessary property, which is an alternative to a traditional bank loan: the lessor pays for the purchase of the property ownership, then reimburses its value with periodic payments from the lessee.

The blended financing method is designed to encourage a large flow of private capital to support industrial development outcomes.

The term blended financing implies a mixture of public and private funds within the framework of a common investment scheme or contract, with each party additionally drawing on its own expertise.

The project financing method is a method of raising long-term debt funds for large projects through a financial loop based solely on borrowing from the cash flow generated by the project itself; it depends on a detailed assessment of the project's creation, operational and revenue risks, and their distribution among investors, lenders and other participants on a contractual basis.

Project financing is a method of financing investment projects and is characterized as a special method of providing return on investment [11].

Basically, it is based on the monetary returns generated by the investment project, as well as the optimal distribution of all risks associated with the project among the parties involved in its implementation.

In the context of economic reforms, perhaps, no enterprise will be complete without attracting investments, that is, external financing. The use of funds depends on many reasons that are individual to each specific business. However,

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the desire for development and growth is the basis of any management decision related to raising capital.

Considering that the volume of investments is directly related to the gross domestic product, the growth of the volume of investments attracted to the economy will lead to an increase in the volume of GDP and vice versa, to a decrease in the volume of investments. By analyzing the data, we can more accurately understand changes in investment dynamics, as well as the share of fixed capital investments in gross domestic product (Table 1).

Table 1.The volume of investments in fixed capital in the Republic of Uzbekistan[1].

Years	The volume of investments in fixed capital amounted to trillions of soums	As a percentage of investments in fixed capital in GDP
2019	195,9	36,80%
2020	210,2	34,70%
2021	239,6	32,50%
2022	226,6	25,30%
2023	352,1	33%

The total in 2023 is $352.1 trillion. Investments in fixed capital amounted to 122.1% compared to the corresponding period of 2022. In particular, we can see that the volume of investments in fixed capital as part of GDP was 33% in 2023, up 7.7% year-on-year. Also, investments in fixed capital accounted for 66.4%, or 233.8 trillion KRW. If investments were financed from attracted funds, 33.6% or 118,3 trillion KRW from the own funds of enterprises, organizations and the population. uzs were financed.

According to the data in Figure 1, the investment industry in the country by type of economic activity is manufacturing industry 28.60%, residential construction 8.30%, construction 4.30%, mining industry 10.30%, electricity and gas supply 11.90%, information and communications 3.50%, transportation and storage 7.50%, education 2.20%, other activities 17.70%, as well as agriculture 5.70%.

[1]Source: Based on the data of the Agency for Statistics under the President of the Republic of Uzbekistan.

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Business activity is always associated with risk, therefore it is not advisable to neglect the use of external financing, limit the opportunities for growth and development of the enterprise.

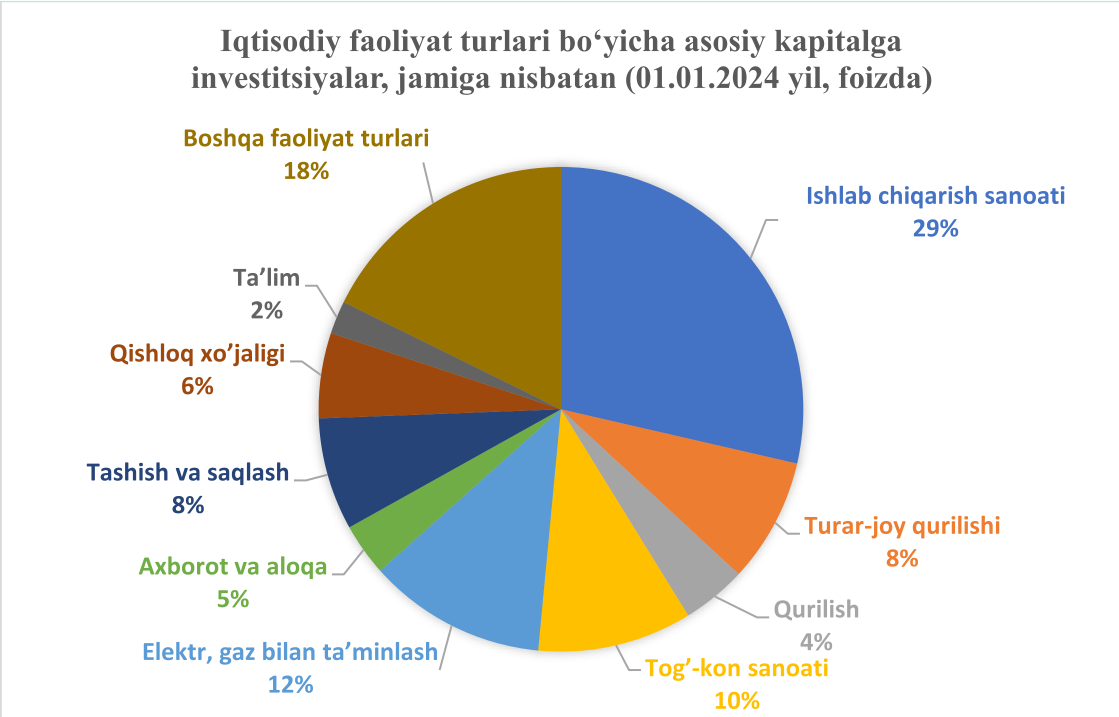

Chart 1: Investments in fixed capital in the Republic of Uzbekistan by type of economic activity as of January 01, 2024, in percentage of total[2].

Thus, the main task of the enterprise's financial service should not be to give up its capital, but to choose its optimal value and the specific method of financing that best suits the current economic situation.

Conclusion and Discussion

The main regulator of the country's agrarian sector economy is the investment financing mechanism. Optimal indicators of investment are the key to effective management of agricultural production.

According to the results of the analysis of the content of the agrarian sector investment financing system, the structure of the organizational and economic mechanism of investment financing to manage agricultural production has been

[2]Source: Based on the data of the Agency for Statistics under the President of the Republic of Uzbekistan.

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developed, taking into account the structural organization of state regulation of the agro-industrial complex.

The organizational and economic mechanism for financing investments in the agrarian sector is presented as follows (Figure 1).

The need to use the data on the organizational and economic mechanism of financing investments in the agrarian sector arises primarily when assessing its commercial efficiency. In addition, this mechanism determines the relationships that affect costs and revenues.

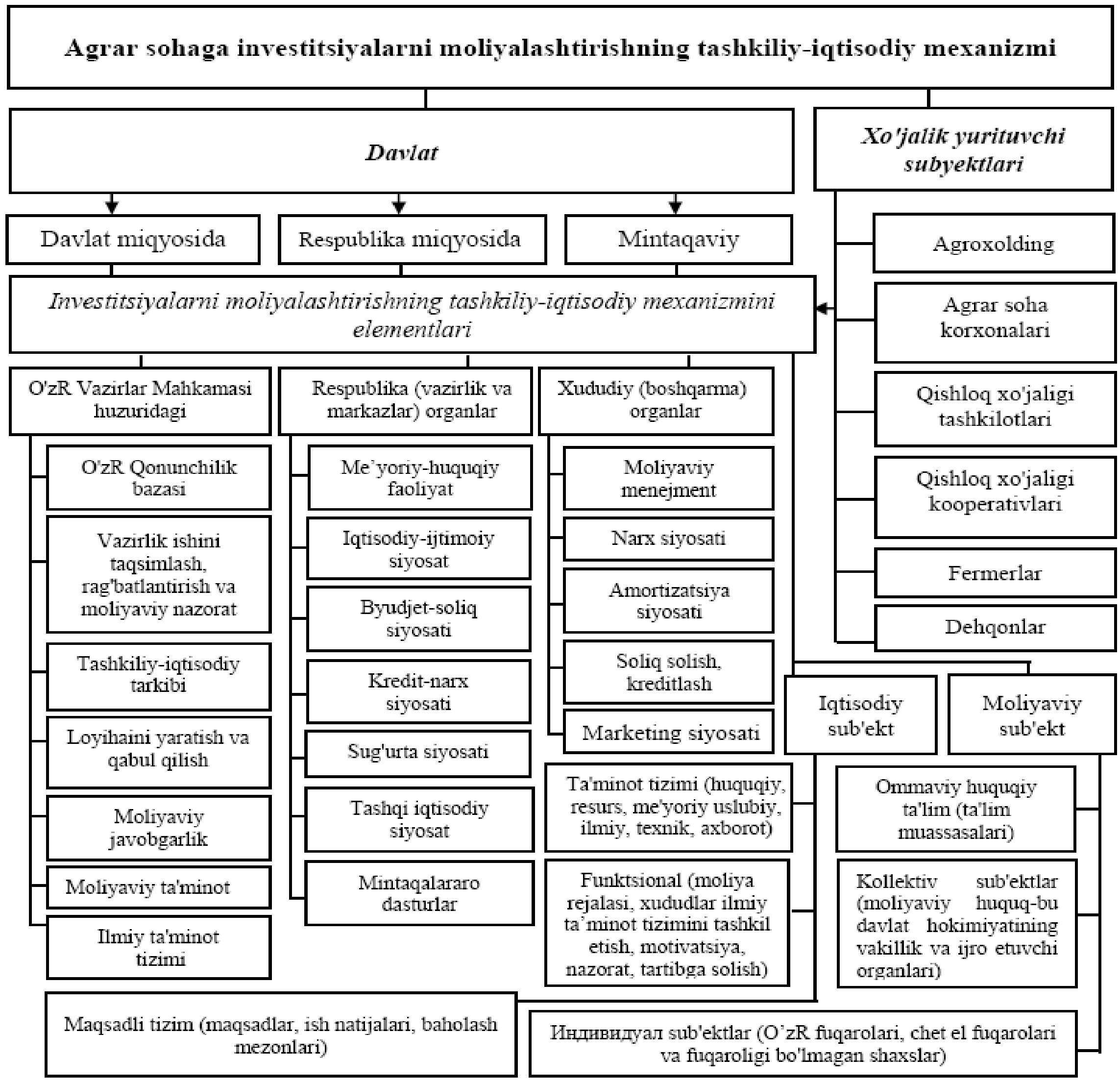

Figure 1. Organizational and economic mechanism of financing investments in the agrarian sector[3].

[3]Source: Developed by the author based on scientific research.

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An important area for optimizing investment activities is the development and implementation of investment ideas, as well as the mechanism for determining financing investments in agriculture based on these ideas. In the agrarian sector, they do not pay enough attention to this stage of the investment process, the lack of a dedicated unit or specialists engaged in assessing the effectiveness of investments in agriculture, most of the investment ideas that arise at the level of its non-economic units in this sector lose the availability of resources long before the stage of economic evaluation.

The lack of financial resources to replenish the working capital of the agrarian sector is one of the reasons for the disadvantaged state of the country's agricultural economy. In agriculture, production enterprises finance their activities mainly from their own funds, the reasons for which are a high level of risk, lack of credit collateral, high cost of financing, a limited set of financial instruments used, unsatisfactory management, low competitiveness of farm and peasant farms.

Many agriculturally oriented farms and peasant farms will not be able to implement the necessary changes, expanded production, because they will be forced to spend a significant part of the profits on the payment of equipment and taxes, which will adversely affect the efficiency of the entire network. Debt of agricultural enterprises, insufficient funds to reconstruct the production of processing enterprises, to establish the production of competitive products.

In this connection, the problem cannot be solved without the financial participation of the state in the agrarian sector. Because, without external investments in the form of entrepreneurship, concessional loans, as well as banking structures with capital, it is necessary to create a system of measures to facilitate the implementation of agrarian investment projects in the region.

It should be noted that private capital, large financial and industrial groups should soon change their attitude towards agrarian business, take an interest in this sector, but the volume of investment in the fixed capital of agricultural organizations is still insignificant.

Criteria for choosing sources of financing investments in an enterprise. The selection of the optimal cost and the particular method of financing the investment, which is most suitable for the current economic situation, is carried out on the basis of various criteria. Such criteria are: tax benefits, cost of attraction of a particular resource, availability, life cycle of the enterprise and a particular investment project, risks, efficiency, etc. At the same time, if you choose the optimal source of funding, if you take into account absolutely all possible parameters and features, the selection process is much more complicated and lengthy, which will also adversely affect the final choice.

One of the most important criteria influencing the choice of a funding source is its cost. How much does it cost a company to use this or that funding source, the financial service must respond in order to choose the most optimal and economical among these alternative types of investments.

There are many ways to determine the value of a funding source. When choosing a method of calculation, it is necessary to take into account the most important indicators: interest rates, inflation rate, premiums and other payments, as well as tax efficiency. Traditionally, the average return on equity is also determined when assessing the value of the funding source raised by the organization. It is possible to calculate this indicator using the target structure of capital, which allows to determine the cost effectiveness of the use of funds, as well as to choose the optimal ratio of sources of financing for a particular situation.

However, the sources of money can be of approximately the same value to the enterprise. Therefore, another important accessibility criterion needs to be assessed.

This criterion depends on many factors, first of all, on the organizational and legal form of the enterprise, its size, financial support, volume of assets and working capital, reputation, credit history, efficiency of attracting funds and others. When assessing the availability of funding, the goals for raising funds, the required amount, and the acceptable term should be clearly established.

For large companies with financial backing, a high economic rating and a good business reputation, the list of available financial instruments is much wider than only for small and medium sized organizations trying to strengthen their position in the market. However, today many banks continue to offer loan programs aimed at supporting small and medium-sized businesses. Such loan programs take into account not only the size of the business and the period of its existence, but also the purposes for which the funds will be provided.

The use of any financial instrument is subject to various risks. These are the risk of insolvency, reduced financial stability, interest, investments and inflation. There are various measures that companies can employ to minimize risks, including insurance, self-insurance, fund reservations, etc.

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Companies usually have a specialist who handles assessing and analyzing risks. If management faces a difficult task in choosing a source of investment financing, then it is recommended to assess and analyze risks, as well as determine ways to minimize them.

In addition to minimizing risks, the cost of the venture funding source should be reduced [12].

The most flexible metric is the effectiveness of raising funds. In order to shorten the time required to raise a specific source of funding, a company should use a well-structured algorithm to select the funding instrument. This algorithm must take into account the specific economic situation, the goals of raising funds and their size.

The problem of choosing a source of funding is very topical. The expediency and cost effectiveness of the use of any financial instrument directly depends on selected criteria [13].

However, at the moment the problem of choosing a source of funding is very relevant. The expediency and cost effectiveness of the use of any financial instrument directly depends on the selected criteria.

Lack of management control in organizations leads to rational use of intellectual, organizational, informational and financial resources, unjustified overuse of labor costs, increased cost of products, reduced competitiveness, and adversely affects the economic security of agricultural structures [14].

Conclusion and Recommendations

In conclusion, it can be said that sustainable development of the agrarian sphere is linked with the solution of the problems of attracting investments as a basis for economic, technical and technological modernization and increasing competitiveness. At the same time, the main task of the new investment policy is to form an appropriate mechanism for attracting investment in agriculture. Given the low activity of investment in the sector, the volume of investment in fixed capital of agriculture does not correspond to the real needs of updating and modernizing production apparatus.

On the basis of scientific and practical results of the agrarian sector, recommendations are given on the use of scientific solutions to new problems of innovative support of investment income development and the search for sources of their financing.

Innovative activity in agriculture is characterized as the complex process of introducing advanced technical, technological, organizational and economic solutions, creating high-performance varieties, livestock, elite breeds, high-performance agricultural machines and aggregates. The orientation of agriculture to innovative development can be determined by analyzing the capabilities, capabilities and readiness of enterprises, farms and peasant farms for innovation.

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