

ANALYSIS OF THE METHODOLOGY FOR EVALUATING THE EFFECTIVENESS OF THE MECHANISM OF FINANCING THE ACTIVITIES OF AGROCLUSTERS

Mamadaliyev Qodirjon Qobuljonovich

Doctoral student of Andijan Institute of Agriculture and Agrotechnologies

Nematillayev Bekmirza

Student of Andijan Institute of Agriculture and Agrotechnologies

Abstract: This article analyzes the mechanism of financing agricultural clusters from an economic point of view. It was carried out on the basis of the annual reports of the Khojaabad Fayz-M cotton-textile cluster operating in the Andijan region. The effectiveness of the financing mechanism for agricultural clusters has been assessed.

Key words: agricultural cluster, cluster, financing, lending, financial mechanism, financial leverage, long-term loan, liability.

The financing mechanism of agroclusters is a complex process. In this process, the analysis of the economic efficiency of each spent means shows how necessary the cluster is for our economy.

The efficiency indicators of the financing process are profitability. The profitability of financing depends on the volume of the return of each soum spent. Funding is the amount of funds spent by the entire agrocluster. This is the importance of all expenses and an integral part of the activity of the agrocluster. But the agrocluster struggles to achieve the timely implementation of the funds spent and the orientation of activities to gain income.

In Table 1 below, we present the financial status of the agrocluster of "Khojaabad Fayz-M" LLC in 2018 and 2022 and the performance indicators. As can be seen from the table, in 2018, the profitability index of the agrocluster of "Khojaabad Fayz-M" LLC was 13 percent, and in 2022 it was 34.1 percent. This is a 21.1% increase in profitability in 2022 compared to 2018. The increase in the range, quality and weight of the manufactured products had a positive effect on the efficiency indicators of the cluster. The amount of profit from the main activities of the agrocluster also increased by 13.9 percent in 2022 compared to 2018. The main activity of the cluster is to grow cotton and make ready-made clothes from it. This is due to the expansion of this activity over the past five years.

The indicator of profit from the general economic activity of the agrocluster will increase by 4.7% in 2022 compared to 2018. All the indicators shown in Table 1 below are defined as the financial results of the agrocluster in relation to the costs incurred by the cluster.

Table 1

Efficiency of the 2018-2022 annual financial situation of "Khojaabad Fayz-M" LLC

in percent

№	Indicators	Years					The difference In 2022 compared to 2018
		2018	2019	2020	2021	2022	
1	Profitability of gross profit from product sales	13	7.9	8.0	19	34.1	21.1

2	Profitability of the main activity compared to the product sold	5.1	0.6	7.2	1.8	19	13.9
3	The profitability of the profit from the general economic activity compared to the product sold	1.6	1.9	-	2.2	6.3	4.7
4	The ratio of net profit to sales	1.6	1.6	-	2.1	6.2	4.6

The formation of financial results is directly related to the effective impact of the funds spent over the years on the activity of the cluster. Although "Khojaabad Fayz-M" LLC was established in 2018, the permanent cluster has been focusing on the financing of fixed assets. Most of the received long-term loans correspond to the expansion of long-term assets of the cluster.

In Table 2 below, we present the formation of assets of "Khojaabad Fayz-M" LLC in 2018-2022. As can be seen from the table, compared to 2018, the fixed assets of "Khojaabad Fayz-M" LLC in 2022 will increase by 1092.3 oz or tenfold. The weight of total assets is increasing by 892.7 percent or eight times in 2022 compared to 2018. This means that the club has tried to significantly increase its assets over the past five years, and all financial resources have been directed to the expansion of assets. The volume of inventories of the cluster is also increasing by 411.3 percent or four times in 2022 compared to 2018. This is mainly due to the expansion of the land area of the agrocluster in 2020 compared to 2018, the increase in the volume of cultivated cotton, and the increase in the volume of products produced by the agrocluster. Compared to 2018, the amount of receivables of "Khojaabad Fayz-M" LLC in 2022 is increasing sharply. In 2018, receivables amounted to 1028174.0 thousand soums, and in 2022, this indicator was 14666817.4 thousand soums, or compared to 2018, it increased by 1426.4% in 2022. This was mainly caused by the stretching of the sold goods and products by the buyer companies.

Table 2

Indicators of formation of assets of "Khojaabad Fayz-M" LLC in 2018-2022

in billion sums

№	Indicators	Years					The difference In 2022 compared to 2018 (in percent)
		2018	2019	2020	2021	2022	
1	Basic tools	24.6	25.7	31.0	127.3	268.6	1092.3
2	Goods - material reserves	18.1	25.6	56.6	72.1	747.0	411.3
3	Accounts receivable	1.0	13.4	64.8	242.8	14.7	1426.4
4	Funds	0,0003	0.02	0.1	0.03	2.9	-
	Total	42.9	63.9	141.7	416.5	382.8	892.7

In 2018, the agrocluster started operating with 24.6 billion soums of fixed assets, and by 2022, the value of fixed assets will be 268.6 billion soums. This shows that the value of the company's fixed

assets increased almost 11 times in 2022 compared to 2018. Long-term loans received by Agrocluster and the net profit of the enterprise over the years were spent on modernization of fixed assets in the cluster. This situation is considered positive when the activity of the agrocluster is newly organized. The main source of income of the enterprise depends on its main means and their modernization.

In the following years, the main financing strategy of "Khojaabad Fayz-M" LLC is aimed at increasing the size and modernization of the fixed assets belonging to the cluster. The company exports its main products to European countries. This requires a high level of production technologies and product quality.

In 2020, the land area of "Khojaabad Fayz-M" LLC expanded. Cotton-growing land areas in Buloqboshi district were included in the cluster. This led to a sharp increase in the volume of production of "Khojaabad Fayz-M" LLC and an increase in material reserves. Table 2 shows that in 2018, the volume of inventories was 18.2 billion soums, and in 2022 it was 74.7 billion soums. The stock of goods has increased by 4 times. The expansion of the export potential of the agrocluster and the increase in the weight of the product will lead to an increase in the costs of its storage and an increase in the volume of financing in this direction. Funding is directed by the cluster to the storage of commodity material reserves in warehouses and containers.

In 2018 and until 2022, there is a tendency to increase the amount of receivables of "Khojaabad Fayz-M" LLC.

Accounts receivable arose as a result of the late transfer of amounts due after the sale of products produced by the agrocluster.

In Table 3 below, we have given the formation of the passive part of the balance sheet of "Khojaabad Fayz-M" LLC for 2018-2022. According to the table, the authorized capital of the agrocluster was 1.5 billion soums in 2018, and in 2022, the authorized capital of the agrocluster was 91.8 billion soums. Compared to 2018, in 2022, the authorized capital of the agrocluster will increase more than sixty times. This is due to the fact that during the past years, the agrocluster focused on increasing its authorized capital and directed the financial resources received from the cluster business to expand its activities.

Over the past five years, the agrocluster has achieved the establishment of garment making, kalava spinning and fabric dyeing workshops. Received long-term bank loans, undistributed profits of the agrocluster were directed to the financing of these goals. As a result, more than 2,000 additional jobs were created. State-of-the-art technology was brought in and put into operation in no time.

As can be seen from Table 3, in 2018-2022, the undistributed profit of the agrocluster is increasing by nine times. In 2018, the undistributed profit of "Khojaabad Fayz-M" LLC was 2.2 billion soums, and by 2022 this indicator was 21.0 billion soums. The expansion of the authorized fund and the launch of additional production lines also led to an increase in the agrocluster's profit from business. Proper organization of the financing process is also evident in the increasing trend of profit. But the agrocluster is not able to fully use all its potential. Table 3 shows that in 2018, the long-term liabilities of "Khojaabad Fayz-M" LLC amounted to 20.8 billion soums, and in 2022, this figure is 245.2 billion soums.

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The liabilities of "Khojaabad Fayz-M" LLC in 2018-2022 and their formation indicators

billion in sum

№	Indicators	Years					The difference In 2022 compared to 2018
		2018	2019	2020	2021	2022	

							(in percent)
1	Authorized capital	1,5	1.5	1.5	27.1	91.9	6064.6
2	Retained earnings	2.2	3.4	6.2	16.3	21.0	944.6
3	Long-term liabilities	20.8	14.3	95.9	117.1	245.2	1176.3
4	Current liabilities	18.3	44.6	38.8	30.7	22.9	125
	Total	42.9	63.9	141.8	416.6	382.8	892.7

The volume of long-term liabilities increased 11 times in 2022 compared to 2018. In order to expand its authorized capital, the enterprise attracted long-term credit resources from ATB Agrobank. This, in turn, has led to an increase in the long-term obligations of the agrocluster over the years. The high level of profitability of "Khojaabad Fayz-M" LLC made it possible to return the received loan amounts on time, which created a wide opportunity to use the loan amount.

In Table 4 below, we show the profitability of Khojaabad Fayz-M LLC's long-term liabilities compared to the income received by the agrocluster. In 2018, the profitability of long-term liabilities in relation to the profit received by the agrocluster from the sale of products was 28 percent, and in 2022 this figure is 25.8 percent. This is a very positive indicator. Only in 2020, the profitability of long-term loans of the agrocluster compared to the profit from product sales was 6.8 percent. This situation has arisen as a result of the emergence of pandemic conditions in our country and throughout the world and the decrease in the export potential of the agrocluster. As we mentioned above, the agrocluster exports almost one hundred percent of the produced products to Italy. In Italy, compared to other countries of the world, the pandemic has taken a severe form. In some sense, this gave impetus to the agrocluster not to be limited to one market, to further expand its activities and to diversify international contracts. The profitability of long-term liabilities in relation to the profit from the main activity will be 11.5 percent in 2018 and 13.2 in 2022

Table 4

Efficiency indicators of long-term obligations of "Khojaabad Fayz-M" LLC for 2018-2022 compared to financial results

№	Indicators	Years					The difference In 2022 compared to 2018
		2018	2019	2020	2021	2022	
1	Return on long-term liabilities (UMM) to gross profit from product sales	28	33	6.8	27.2	25.8	-2.2
2	UMM's profitability of the profit from the main activity in relation to the product sold	11.5	2.8	6.2	2.7	13.5	2

3	UMM profitability of profit from general economic activity in relation to the product sold	3.7	8.1	2.4	3.1	4.7	1
4	UMM's return on net profit to product sold	3.7	6.7	0	2.9	4.6	0.9

was a percentage. Considering that the annual interest rate of long-term loans received by ATB Agrobank is equal to 10%, this indicator is considered positive. Forecasts show that if the agrocluster will fully launch all chain activities, the volume of credit resources in the future will not have the weight of the current period. Agrocluster uses other alternative financing options. Private capital will be introduced into the business.

The profitability of the profit from general economic activities compared to long-term liabilities was 3.7 percent in 2018, and in 2022 this indicator is 4.7 percent. This indicator has also been different for years, which is the reason why the company could not conduct business at the same rate. The scale of incomes and losses from financial activities led to changes in the incomes of the agrocluster from general economic activities.

In 2018, the efficiency of "Khojaabad Fayz-M" LLC's net profit compared to long-term liabilities was 3.7 percent, and in 2022 it was 4.6 percent. This indicator is also reflected in different forms by years. Only because the agrocluster did not complete its annual activity in 2020 with a net profit, this indicator had a zero value.

In Table 5 below, we present the efficiency indicators of the current obligations of "Khojaabad Fayz-M" LLC for the years 2018-2022 in relation to financial results. The current obligations of the agrocluster are mutual agreements with farms attached to the agrocluster, cluster workers and other legal entities that have signed a contract in cooperation with the cluster. The main part of the current liabilities is due to the debt obligations to the farms that supplied cotton raw materials to the cluster.

Table 5

Efficiency indicators of current obligations of "Khojaabad Fayz-M" LLC for 2018-2022 compared to financial results

in percent

№	Indicators	Years					The difference In 2022 compared to 2018
		2018	2019	2020	2021	2022	
1	Profitability in relation to current liabilities (JM) in relation to gross profit from product sales	32.8	10.7	16.8	103.6	276.2	243.4
2	JM profitability of profit from the main activity in relation to the product sold	13.1	0.9	15.1	10.1	144	130
3	JM profitability of the profit from the general economic activity in relation to the product sold	4.2	2.6	5.9	11.9	51	46.8
4	JM's return on net profit to sales	4.2	2.1	0	11.2	50.1	45.9

In 2018, the current liabilities of "Khojaabad Fayz-M" LLC in relation to the gross profit from product sales amounted to 32.8 percent, and in 2022, this figure is 276.2 percent. This is a very

positive situation. Over the past five years, Agrocluster has been able to cover almost two and a half times its current liabilities. The change in 2022 compared to 2018 is a 243.4 percent increase in efficiency.

The profitability of current liabilities compared to the profit obtained from the main activity was 13.1 percent in 2018, and in 2022 this indicator is 144 percent. The table shows that the profit from the main activity of the agrocluster is not formed at the same rate throughout the year. Payment of current liabilities is inextricably linked to the profit received from the main activity. Only in 2022, this indicator has a positive effect.

The profitability of current liabilities compared to the profit from general economic activity is 4.2 percent in 2018 and 51 percent in 2022. Compared to 2018, this indicator will increase by 46.8% in 2022. Since 2018, when the Agrocluster was established, it began to attract short-term loans from commercial banks. Received short-term loans were mainly spent on the formation of working capital. This means that in 2018, 2019 and 2020, bank loans were the main source of financing for the agrocluster activities. This created the basis for the formation of working capital of the agrocluster and the positive formation of their composition. Starting from 2021 and 2022, the financing situation of the agrocluster has led to a positive result in the cluster due to the fact that the agrocluster will pay more attention to the formation of working capital at the expense of its own retained profit rather than short-term commercial bank loans.

The profitability of Agrocluster's annual net profit to current liabilities was 4.2 percent in 2018 and 50.1 percent in 2022. Starting from 2021, this indicator has an increasing tendency.

If we take into account that "Khojaabad Fayz-M" LLC was established in 2018 and is gradually forming its activities, we can see that all the above performance indicators are giving positive results. The sharp increase in the efficiency of the cluster starting from 2021 is estimated by the fact that the main financing of the activity in these early years was directed to the modernization and renewal of the cluster's fixed assets, and now this financing has served to increase the efficiency of the enterprise.

Economic analyzes show that the main sources of financing of the activities of "Khojaabad Fayz-M" LLC were only the company's own funds and loans from commercial banks. This practice is typical for most agroclusters in Andijan region. In our opinion, it is necessary to switch to the use of other options and methods of financing the activities of agroclusters.

In our opinion, the transition to the use of the following types and forms of financing the activities of agroclusters will lead to further expansion of activities and an increase in income:

1) it is desirable to attract private capital to the activities of agroclusters. For this, capital is attracted by issuing bonds to individuals on behalf of the agrocluster and selling them. In world practice, the "sukuk" form of bonds is widely used in Islamic finance. In this activity, the private equity owner brings modern technology and line to the cluster. Together, it manages these technologies. As a result, profit (loss) sharing occurs. The capital is mainly directed to increasing the product type and quality.

2) by attracting foreign investments, expanding the types of activity that require the use of certain innovations. It is necessary to use innovations in the activities of cotton textile clusters. Product quality improvement and design require innovation. We considered that no foreign investment was made in the activity of "Khojaabad Fayz-M" LLC. In our opinion, it is strange that such agrocluster working with foreign partners is not widely attracting investment. This agrocluster, whose main trading partners are Italy, Turkey, France and Spain, should begin to attract large investments. As we know, Italy is the fashion center of the textile industry in Europe. There are several design centers in this country. In our opinion, "Khojaabad Fayz-M" LLC should effectively use these opportunities and create its own brand. For this, it is necessary to use foreign investments.

3) It is appropriate to use state subsidies to expand cluster activities and create certain types of activities in the cluster charter. Many developed countries of the world support the agricultural sector

by the state. The expansion and business development of "Khojaabad Fayz-M" LLC is beneficial not only for the economy of the region, but also makes it the largest taxpayer of the local budget of Khojaabad district. More than five thousand inhabitants of the district work in the enterprises and land areas of this cluster. In our opinion, the expansion of the activities of this cluster is very important for the economy.

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