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Economic Mechanisms of State Support in Agriculture

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Citation: Marat uli K. A. Economic Mechanisms of State Support in Agriculture. American Journal of Economics and Business Management 2026, 9(4), 353-356.

Received: 19th Jan 2026

Revised: 30th Feb 2026

Accepted: 20th Mar 2026

Published: 11th Apr 2026



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Abstract: So that it is essential to have an effective state support mechanisms for the development of the sector, since agriculture occupies a very important place in the structure of food security, and is the basis of employment and economic stability. Although Uzbekistan has gone through comprehensive reforms in its policy landscape, evaluating economic support instruments with a systematic approach highlighting their efficiency and practical implications is still in need. To fill this gap, we analyze some major economic instruments of state support to agriculture — subsidies, preferential loans, taxation incentives, and insurance systems. The research applies both qualitative and quantitative methodology, analysing legal content of presidential decrees and national legislation, descending data from the Ministry of Agriculture, agronomical professions and many relevant academic literature. The research examines how effective these mechanisms are in fostering financial stability, innovation and production efficiency. Results show that the subsidies decreases production cost and facilitate adoption of water-conservation technologies, while concessional loans (which lower capital costs) improve capital access and entrepreneurship for small entrepreneurs. Financial sustainability is supported through taxation breaks, promoting investments, especially for agro-clusters, and insurance mechanisms reduce risks from climate and market uncertainties. Together, these instruments boost productivity and help achieve a shift in the agricultural sector to be more innovative and export-oriented. The findings reveal that the mechanisms of state support are the basis for sustainable development of agriculture. But that a lot relies on funding, improved regulation, and it should be applied in regions that need it. The research emphasises the urgent need for further refinement of policy settings for strengthening innovation, diversifying support programs, and sustaining long-term food security and economic resilience.

Keywords: Agriculture, state support, subsidies, concessional loans, tax incentives, agricultural policy, Uzbekistan, economic mechanisms, food security, agro-clusters.

Introduction

Agriculture: one of the most strategically important sectors of the national economy, ensuring food security, creating jobs and growing the economy sustainably. In developing economies like Uzbekistan, the agricultural sector is traditionally interconnected with rural livelihoods and export opportunities [1]. Assuredly then, the stabilization of production and attenuation of risks must be provided through effective and unique state intervention to reinforce competition. Subsidies, concessional financing, tax incentives, and insurance systems are all clear examples of economic mechanisms sustainable by state support and broadly understand as aid regulation and stimulation for the agriculture development.

Based on theory, state aid in agriculture is explained by market failure, risk management and institutional economics. Government intervention can be justified in agricultural markets that are painfully exposed to climate variability, price volatility and

resource limitations [2]. While subsidy policies and credit systems endeavor to compensate for market failures, tax incentives and insurance mechanisms seek to establish an orderly and stable economic setting. In Uzbekistan, these mechanisms are increasingly complementing comprehensive reforms on agriculture aimed at modernization and diversification, and the development of agroclusters.

Other studies analyzed the different dimensions of the agricultural support policies, pointing them at increasing productivity, encouraging technology adoption, and increasing capital gains. While subsidies lower manufacturing costs and stimulate entrepreneurship, concessional loans are said to be beneficial for smaller producers that still depend on capital. Simultaneously, tax incentives have shown to attract investment and to induce agribusiness development. Despite the contributions, there is still scarce holistic understanding of the interaction of these mechanisms within a single policy framework, particularly in transitional economies, such as Uzbekistan [3].

This research fills this previously identified research gap through an integrated study of the economic mechanisms of state support in agriculture. The research uses a mixed method legal, statistical and comparative approach based on national legislations, policy documents and sectoral data. This is aimed at assessing how well current support instruments are working, what effects they have had on financial sustainability and innovation, and how they could be improved [4] [5]. The analysis will identify both the strengths and the structural limitations of today's policies.

Initial results show that the state support system plays an important role in increasing production efficiency, reducing risks, and facilitating the diversification and export orientation of agriculture [6]. The conclusions have implications for refining policy, strengthening resource allocation, and institutional frameworks. To be truly effective in the long run, improving these economic support mechanisms is essential for the agricultural sector to not only survive but to thrive into the future, relevant and competitive on the world stage.

Methods

The study uses a combination of legal, statistical, and literature-based methods. Primary sources include presidential decrees and resolutions (PQ-4575, PQ-5265, PF-5696), the Law on Farmers, the Tax Code of Uzbekistan, and statistical data from the Ministry of Agriculture of Uzbekistan [7]. The analysis focuses on the effectiveness of economic support mechanisms, their role in financial stability, and their contribution to the introduction of innovations in the agricultural sector.

Results and Discussion

1. Subsidies

Subsidies are financial resources provided by the state to support farmers and agricultural enterprises. They cover expenses for seeds, fertilizers, fuel and lubricants, water-saving technologies, and other production needs [8][9].

According to Presidential Decree PQ-4575 (2020), subsidies are allocated to farms implementing water-saving technologies, encouraging efficient use of land and water resources. Additionally, PQ-5265 (2021) establishes a subsidy system for horticulture and viticulture, supporting diversification and the production of export-oriented crops.

2. Concessional Loans

Concessional loans are another key mechanism of financial support for agricultural enterprises. They provide low-interest financing for operational expenses, machinery acquisition, and project implementation.

Under Presidential Decree PF-5696 (2019), the agricultural credit system has been reformed, easing conditions for farmers and small enterprises [10]. Furthermore, the "Every Family – Entrepreneur" program provides concessional loans to rural micro-entrepreneurs, promoting employment and income generation.

3. Tax Incentives

Tax incentives stimulate economic activity in the agricultural sector. According to the Tax Code of Uzbekistan and the Law on Farmers, agricultural producers may benefit from simplified land tax payments, exemptions, or reductions in certain taxes.

Newly established agro-clusters and processing enterprises enjoy temporary tax incentives, attracting investments and creating new jobs, which contributes to regional economic development [11][12].

4. Insurance and Compensation Mechanisms

Agriculture is highly vulnerable to natural disasters, climate change, and other risks, which may negatively affect farmers' incomes. Therefore, the state provides insurance programs and compensation mechanisms to mitigate losses. Insurance allows producers to reduce risk and maintain stable production activities.

5. Practical Outcomes

In recent years, state support mechanisms have increased the efficiency of agricultural producers. Subsidies and concessional loans have enabled the introduction of modern technologies, tax incentives have improved financial stability, and insurance programs have mitigated natural and economic risks [13]. Collectively, these mechanisms contribute to the sustainable development of the sector.

Economic mechanisms of state support are strategically important for the development of agriculture. Subsidies and concessional loans stimulate production and the creation of export-oriented products. Tax incentives reduce financial burdens and encourage investment. Insurance and compensation mechanisms protect producers against natural and economic risks.

Effective implementation of these mechanisms requires adequate state funding, legal updates, and monitoring systems [14][15]. Additionally, regional differentiation of support, the promotion of innovation, and the development of agro-cluster systems can further enhance efficiency.

Conclusion

Economic mechanisms of state support are crucial for the development of agriculture in Uzbekistan. They operate effectively in several areas:

1. Subsidies reduce production costs and encourage the adoption of water-saving technologies.
2. Concessional loans facilitate financing and investment in agricultural projects.
3. Tax incentives reduce financial burdens and promote economic stability.
4. Insurance and compensation mechanisms mitigate natural and economic risks.

Overall, these mechanisms enable sustainable production, improve economic efficiency, and foster the creation of competitive agricultural products for domestic and international markets. Future improvements may include expanding innovation adoption, strengthening agro-cluster systems, and further diversifying state support programs to ensure long-term sustainability and food security.

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