

AN INNOVATIVE APPROACH TO AGRICULTURAL DIVERSIFICATION

Sukhrob Umarov, Akmaljon Berdimurodov – “Tashkent Institute of Irrigation and Agricultural Mechanization Engineers” National Research University

Abstract

The purpose of the study is to substantiate the theoretical and methodological provisions and develop practical recommendations for the development of agricultural diversification. In accordance with the goal, the following tasks were set and solved: - to explore the economic essence and content of the diversification category; explore the multifunctionality of rural areas; identify the features of the development of rural diversification; substantiate the conceptual approach to the formation and development of diversification.

Keywords: *diversification, agriculture, development, innovative approach.*

Introduction. One of the priority strategic tasks aimed at reducing the high spatial differentiation of agriculture is their diversification, carried out through the involvement of unused resource reserves in the turnover and the development on this basis of industries whose products have a steady demand in the market.

In recent decades, rural areas, despite the progress made in agricultural production, are facing new socio-economic and environmental problems. Agriculture is, in its essence, a life-supporting sector of the national economy and contributes to the improvement of the country's food security, but its role has noticeably decreased over the years of reforms in the economy of Uzbekistan.

The general structural crisis has led to a decrease in the number of jobs not only in agriculture, but also in industry, and the service sector is not developing so dynamically as to provide rural residents with places for the released workforce. At the same time, agriculture continues to be a backbone sector of the rural economy.

In this regard, in solving the identified problems, the transition of rural areas to the path of diversified development and the creation in the countryside of the maximum possible variety of economic forms and activities, the integrated use of the resources of the territory and the employment of the rural population are of particular importance.

Materials and Methods. The theoretical and methodological basis of the study was the works of foreign scientists, legislative and regulatory acts of the Republic of Uzbekistan; policy documents of state, regional and local authorities in the field of diversified development of rural areas. In the process of research, general scientific methods of theoretical and empirical knowledge were used: the dialectical method of economic and social processes, deduction, decomposition, calculation-constructive, monographic, formal-logical; as well as economic and statistical methods, including system analysis and economic comparison.

Literary review. The economy of sustainable development is a modern economy that requires not only investments or new technologies, but also innovations that allow expanding methodological and social approaches when changing priorities and goals for the development of society, i.e. diversified direction of development. The effective use of this area by the authorities is, first of all, connected with the solution of a number of practical problems linking the analysis of the conditions and factors of diversification and the dynamics of economic development, as well as the identification and systematization of the advantages and resource potential of the regions.

First of all, this is relevant for the branches of the agro-industrial complex, on the one hand, having large untapped resource reserves, and on the other hand, characterized by a stable market demand for manufactured products. Along with this, the ongoing negative processes in the demographic and labor spheres of rural areas have to a large extent influenced the creation of a new, socially oriented, diversified model for the development of rural areas, contributing to the integrated use of resources and improving the living conditions of rural residents.

It should be noted that when studying the processes of rural diversification, neither domestic economic theory nor empirical research provides us with the necessary, reliable and complete information, therefore, we will, first of all, be based on the world experience known in Uzbekistan. And this is not accidental, since in foreign and domestic literature there are no sufficiently clear definitions of the process of diversification itself.

The idea of diversification, according to B. Karloff, has a long history, starting its formation in the late 60s - early 70s, after which, due to the globalization of economic processes, it was replaced by ideas and judgments about the importance and necessity of developing the main areas of business. If R. Pits and H. Hopkins consider diversification as a process of simultaneous functioning of several types of business [1], then Alain, Booz and Hamilton define it, first of all, as a way to expand a business, the main purpose of which is its growth and (or) risk reduction [2].

Economic Research by A. Thompson Jr. and A. Strickland are devoted to a deeper understanding of diversification, in which its purpose is associated not only with reducing risks depending on one industry, but also with obtaining additional profit due to the fact that the main industries of the company do not bring the necessary profit for its further development [3]. Therefore, in general, the works of these scientists associate diversification with the process of firm penetration into other industries. Economic literature in its arsenal also has many definitions of the concept of “diversification”, which in the process of historical development has changed and been detailed. This can be explained by the fact that diversification, by its very nature, represents various processes, and therefore it is necessary to recognize and interpret their purpose in accordance with their studies related to rural development. Let us turn to the etymology of the word “diversification”. Its Latin basis includes different semantic content: on the one hand, “diversificatio” literally means “change, diversity”, and on the other hand, its main components “diversus” – “different” and “facio” – “I do” emphasize the plurality of activity, actions, classes. If we consider the concept of “diversification” at the most general level, then

it essentially means "going beyond the usual", some form of improvement. In this interpretation, the meaning of the concept close in essence to the content of the concept of "comprehensive development", which is widely used in classical political economy and modern economic theory. Considering diversification from an economic point of view, one can notice a general direction associated with the expansion of economic activity into new areas. It can include a wide range: from increasing the range of products and services to various fields of activity [4]. Most scientists define diversification as the spread of activity of various organizations and entire industries beyond the core business, which, in the process of producing goods and services, has the maximum shares in net sales along with other types of manufactured products [5].

In the economic literature, diversification is defined as:

- diversification of loans - the distribution of capital invested in the economy between various objects to reduce risk and obtain high incomes;
- material diversification - the development of new forms and areas of activity;
- diversification of production - the development of new types of production and expansion of the range of products to obtain economic benefits and increase efficiency, as well as to prevent bankruptcy [6].

Despite the fact that there are various interpretations in the literature based on studies of the purpose of diversification of the regional economy, they mainly associate the development of diversification with an increase in the competitiveness of the region.

So, in most publications that deal with diversification issues, the term itself for the most part characterizes the measure of diversity in the aggregate: diversification increases with greater diversity. As a result, the category "diversification" is ambiguous and its interpretation can be both in a broad and narrow sense. In both cases, the main content of diversification is its connection with a change in the range of goods produced and services provided, the expansion of economic activities and the development of new industries, the improvement of product quality, which ultimately leads to an increase in competitiveness, efficiency and strategic sustainability of the economy, the development of human capital.

Results and analysis

Based on the variety of approaches to the interpretation of diversification, it is clear that it is a combination of various phenomena and processes aimed at using the existing potential and achieving the goals (Fig. 1).

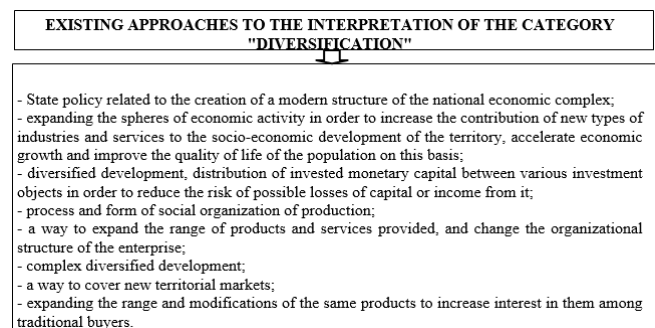


Figure 1 - Systematization of approaches to the study of the category "diversification" *

* Source: compiled by the author according to [11; 12; 13; 14; 15;16]

With regard to our research topic, the main approaches are: expanding the spheres of economic activity in order

to increase the contribution of new types of industries and servants to the socio-economic development of the territory, stabilizing and increasing economic growth and improving the quality of life of the population on this basis, and integrated diversified development [14; 15; 16].

The main reasons for the emergence and development of diversification can be considered as follows: uneven development of economic sectors; falling profit margins in traditional production; development of scientific and technological progress; acquisition of economic stability and competitiveness; gaining a larger share of the market of their own product and other markets; improving the welfare of the population. The diversification of the economy in its historical development has gone through several stages: horizontal diversification (a set of activities within one production cycle); product diversification (a set of similar products, when a minor modification is made to an old product to obtain a new product, without significantly affecting production processes); vertical integration, industry diversification (a set of industries), diversified diversification (a set of industries and fields of activity); geographic diversification (set of countries, local entities); international diversification with its various stages depending on the coverage of the world market, internationalization of production; global diversification.

Diversification can be carried out by creating a new production in another industry, that is, developing from closely related activities to less related types. There are two main types of diversification: related - the emergence of a new area of activity associated with existing business areas (less risky) and unrelated - the emergence of a new area of activity that does not have obvious connections (more risky) [7].

The first type of diversification is associated with a change in market conditions and the industry where the enterprise operates. In this case, the connectedness manifests itself when focusing on a certain type of final product in the chain "supplier - consumer". Some experts call this type of diversification synergistic because of the synergistic effect [8].

In related diversification, vertical and horizontal integration are distinguished, the first is due to the technology of production and sales, and the second is the release of new products.

In the process of developing related diversification, questions arise about the method of diversification: to develop new areas of activity at the expense of internal resources (internal expansion); or acquire a ready-made company (merger and acquisition). Unrelated diversification (conglomerate) is a transition to an area that is not directly related to the firm's business, new technologies or market needs [9].

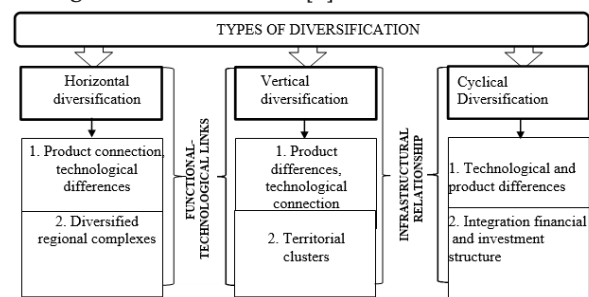


Figure 2 - Various forms of links, including the main types: horizontal, vertical and cyclical diversification.

The basic regulations that establish the goals and

principles of rural development in Uzbekistan are various legal acts, among which we note concepts, strategies and state programs.

In these documents, diversification is aimed at ensuring sustainable socio-economic development of regions and smoothing their differentiation. Rural diversification aimed at satisfying the needs of the rural community through the organization of various economic forms and activities in the countryside was named among the main target areas that contribute to ensuring employment of the rural population and improving the quality of their life.

In order to improve the efficiency of managing diversification processes in rural areas, it is important to take into account that diversification is associated with the organization of diversified production and the dispersal of capital, the ultimate goal of which is to meet the constantly changing needs of society in the goods produced and services provided. In this regard, the features of the diversified development of rural areas are determined, based on an integrated and interconnected approach that considers development in three dimensions: formation (resources), development (change) and use (opportunities). As a result of summarizing the opinions of scientists, we conclude that the category "rural territories" is primarily spatial, but it still needs to be considered in various aspects according to the emerging need - in geographical, economic, social, cultural, etc.

Discussion. When studying diversification, we considered various theories (concepts), stages, conceptual apparatus, which were systematized and, in fact, were the main elements in substantiating the theoretical basis of the study, which made it possible to clarify the concept of "diversification of territories" as an expansion of economic activities and an increase in the contribution of new types to its socio-economic development in order to increase competitiveness and improve, as a result, the well-being of the population (Fig. 3).

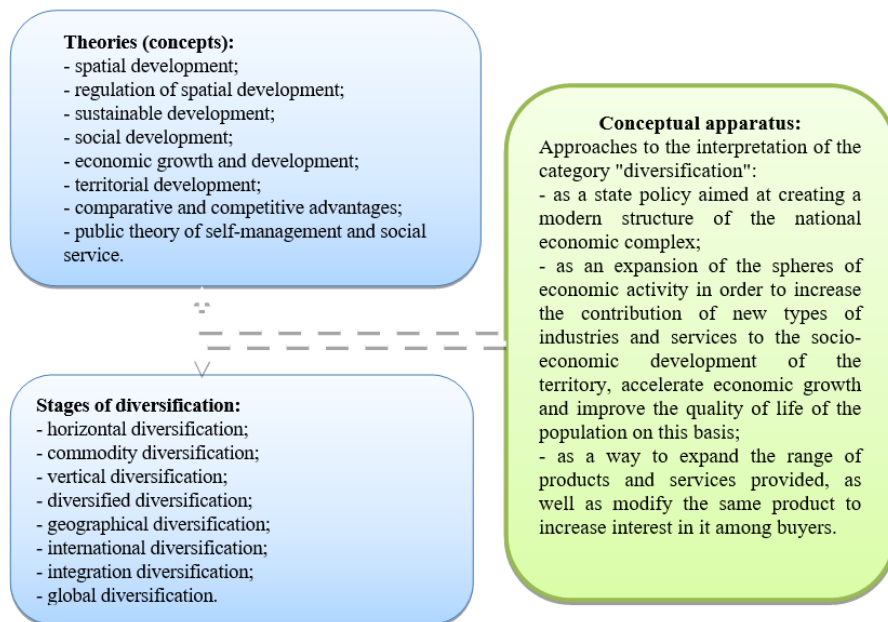


Figure 3. Block diagram of the theoretical foundations of diversification Source: compiled by the author [14; 15; 16].

Based on the principles of system analysis, which allow us to consider the rural area as a complex hierarchical structure, the functioning of which is aimed at improving

the quality of life of the rural population, we have defined the goal, objectives and identified features, prerequisites and constraints that determine the content of the diversification of rural areas.

The main goal of the diversified development of rural areas is to achieve their economic sustainability and stability, as well as to improve the quality of life of the villagers, and the prerequisites are a decrease in the number of the rural population and its level of income, a deterioration in the demographic situation, an increase in unemployment, a low level of development of social and market infrastructure; uncontrolled spending of natural resources available on the territory, depopulation of territories.

Ireland and Finland can be considered as an alternative model for economic diversification. Ireland was not among the industrialized countries of Western Europe, developing the branches of the agro-industrial complex to a greater extent. For 10 years, as a result of the ongoing economic policy, carried out in three areas: fiscal stabilization; openness of trade and investment regimes; active structural policy, there was a significant change in the structure of the economy.

According to the subsidiarity principle, the policy of diversifying rural areas in the USA, France and other countries is being built to support organic agriculture [10]. It is well known that the production of environmentally friendly products involves high costs, which is reflected in its final cost. Therefore, in developed countries, agricultural policy is gradually becoming environmentally oriented. State support for agricultural producers includes various instruments: subsidies, soft loans, the complete abolition of taxation of entrepreneurial activities in rural areas.

In Norway, the priority care of the state for dehkans, which is considered an absolute value, is carried out. This country takes into account the difficult working conditions in harsh climatic zones, supports active life in rural areas, and produces environmentally friendly and safe products.

As in many European countries, in the UK, the standards for providing the rural population with public services are applied, the achievement of which is controlled by British ministries and departments. If they are violated, then any villager can go to court with a complaint against the government.

In Sweden, the development of rural areas is directly related to cooperation in the countryside, which has become a form of cooperation between producers, primarily farmers. In world practice, during the restructuring of the rural economy, agritourism is actively spreading, which allows you to transfer labor resources to another industry and create new rural jobs. If we look at the statistics, in Austria, agritourists

accounted for 16% of the total number of rural tourists in the EU, in France - 15%, in Italy - 13% and Spain - 8%. Spain has over 5,000 different rural holiday options and hosts almost 27,000 agritourists at any one time. In France, monasteries, inns, historical castles, and estates have been given over to rural hotels.

Italy is characterized by the specialization of wine and gastronomic tourism. The owners of agrocottages offer guests a variety of products from cheeses, meat products, olive oil, asparagus and homemade noodles with porcini mushrooms to entire wine cellars.

Important in the development of agritourism in Germany is the support at all levels of management, provided in the form of direct financing of entrepreneurs involved in the industry. Along with direct support for agro-tourism, indirect support is widespread - in the form of various programs for the development of rural areas and agriculture, economic and socio-engineering infrastructures.

In Poland, those wishing to engage in rural tourism are registered with local governments (without licensing) and if the farm provides guests with at least five rooms, they do not pay taxes. Rural tourism in Polish legislation is given a significant place and the basic concepts and principles of its management are clearly defined among other types of tourism services and entrepreneurial activities in the countryside. International practice shows that rural diversification is gaining momentum more and more, and each country has its own specifics and directions, determined by the diversity of the structure of the economy.

Summarizing the above, we present the main theoretical provisions of the diversification of rural areas, based on the following postulates:

1. For the development of rural areas (their multifunctionality and new types of activities), it is important, on the one hand, to take into account large untapped resource reserves (nature, land, labor), and, on the other hand, a steady demand in the market (food, various services, including and social).

2. Studying the organizational and economic foundations of the diversification of rural areas, it

is necessary to substantiate the prerequisites for the transition from a one-sided structure of the rural economy to a diversified one through the development of new types of activities and a more rational use of available resources.

3. In modern conditions, the social sphere affects the reproduction of the labor force and has a significant diversification potential for the development of new types of economic activity - as social services for the rural population and focused on meeting their needs.

4. Diversification, along with a change in activities, requires appropriate changes in organization and management, as well as information and infrastructure support, including consulting, business planning, marketing research.

5. There is a need for a unified mechanism for the diversification of rural areas, which will ensure a real multiplier effect from the use of the economic resources of the territory, competitive advantages, and, ultimately, improve the standard of living of the population.

Conclusion. Thus, concretizing the above, it is possible to define the diversification of rural areas as a continuous process aimed at creating various forms and types of economic activities in rural areas, the integrated use of the natural resource potential of the territory, which, in turn, determines the possibility of restructuring the rural economy, providing employment rural population and improving their quality of life.

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