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## **THE ROLE OF INSTITUTIONS IN THE DEVELOPMENT OF AGRICULTURE**

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**ABSTRACT:** This article discusses the role of institutions in the development of agriculture. Moreover, all levels of the institutional system are interconnected, so changes on one level immediately affect other levels. In other words, the role of institutions in society is to reduce uncertainty by establishing stable relations between individuals. Institutions are fundamental factors for long-term functioning of economic systems, and institutional boundaries influence the formation and development of various communities and organizations.

**KEYWORDS:** role, institutions, development, agriculture, institutional system, society, stable relations, individuals, fundamental factors, economic systems, institutional boundaries, various communities.

### **INTRODUCTION**

The notion of institutionalism appeared in the United States at the turn of the XIX-XX centuries as an independent trend in economic science. According to the representatives of this trend the concept of “institution” comprised a number of various factors (state, private property, entrepreneurship, monopolies, trade unions, families, customs) which determine habits, customs, and different decisions of individuals, business entities, organizations, and the state. Institutionalists consider the driving force of the economy to be not only material factors but also spiritual, moral and legal agents that are viewed in the historical context. In other words, institutionalism regards both economic and non-economic problems of socio-economic development as a subject matter of its analysis without dividing the research subjects (institutions) into primary or secondary ones and without opposing them to each other. Within the methodology of this trend the terms “institution” and “institute” have been used to name phenomena of both economic and non-economic interpretation: the state, legislation, public organizations, customs, and family. The inclusion of these institutions into the field of economic analysis has expanded the interpretation of the economic science itself which united representatives of institutionalism with the German new historical school.

### **THE MAIN FINDINGS AND RESULTS**

The notions of “institutionalism” and “institution” were borrowed by the economic theory from law where they denoted a complex of legal norms regulating social and legal relations. Institutions work in socio-economic space, make it suitable for living. They closely interact with each other and make a system, i.e. they form a framework of the economy in society. The system of national institutions has a multilevel character and covers all the society – from the entire population of the country to an individual citizen. Moreover, all levels of the institutional system are interconnected, so changes on one level immediately affect other levels. In other words, the role of institutions in society is to reduce uncertainty by establishing stable relations between individuals. Institutions are fundamental factors for long-term functioning of economic systems, and institutional boundaries influence the formation and development of various communities and organizations. Real rapid development in the Uzbekistan agricultural sector is only possible with the proviso of efficient institutional modernization and creation of proper institutional environment necessary for efficient economic activity in agriculture based on the strategy of general modernization of the industry. It is possible to build a competitive agricultural sector only with the help of coordinated work of agricultural enterprises of all forms of ownership, with the use of high-performance technology, energy conservation techniques and with highly skilled specialists.

Modernization of institutions is a complex process that may last for several years. It is to involve systemic transformations of all institutions – economic, social and political. In addition, every time the choice of modernization strategy and tactics is made one should take into account technological features of agricultural production. Upgrading the rolling stock technical potential, renewing soil fertility, genetic potential of livestock, meliorating and protecting land resources, introducing new zoned plant species are not subject to transformation, so they will require much more time for restoration. Distinguishing features of institutional modernization will be influenced by the processes of the national economy market transformation and globalization challenges.

At the same time, some of the key issues are the formation of a competitive domestic agricultural sector of the economy, the creation and development of informal institutions that will work together with formal institutions of the market economy to promote growth of the industry to a whole new level. T. Veblen, one of the founders of institutionalism as a new trend in economic science that emerged in the late nineteenth and early twentieth centuries, gave it

the following definition: institutionalism is a stable environment of social agreements, norms, contracts and motives of behavior established in the country [1]. There are a few approaches to be distinguished in institutionalism, one of them being psycho-biological that promotes social Darwinism and which laid the methodological and theoretical foundations of institutionalism. Legal institutionalism is committed to common theoretical and methodological foundations [2], quantitative-statistical institutionalism is also identified as a separate approach [3]. Later the idea of institutionalism as a theory of transformation was developed by A. Berle and G. Means, F. Perroux worked on state dirigisme and suggested the idea to increase the role of the state in economy in order to better satisfy interests of different social classes. It is methodologically and practically recognized that institutes and institutions in market economy should be considered in the context of institutional theory, distinguishing between the social and the economic. Thus, the concept of understanding the sense and role of institutions in a market economy stems from the methodological provisions of institutionalism and in particular from the evolutionary theory of determinants of the formation and functioning of socio-economic entities.

There is a complicated problem that needs attention when formulating institutional conditions for structural reform, namely achieving an optimal combination of stability and adaptability of its institutional environment. O. Williamson singles out the following initial characteristics of the institutional environment: the overall stability of existing property structures and rules of appropriation during the period of long-term investment; political and legal stability; impartial judicial system; culture of contracts and responsibilities. D. Hume distinguishes some basic natural laws within the doctrine of natural law: stability of possessions, their transfer by consent, and performance of promises. The presented criteria of stability, formulated in relation to the institutional environment, can be taken as the basis for solving institutional problems of structuring the national economy. Ensuring adaptability of the institutional environment for structural reforms in the national economy as its ability to respond to dynamic challenges of public life and take into account stability of basic institutions should be taken into account when developing and implementing flexible institutional forms of the use of stable basic institutions potential. Examples of such institutional forms include progressive forms of property use within the framework of public-private partnership, cluster The role of institutions in the development of agriculture 25 formation, making various integrative entities. The next task which stems from the previous one is establishing clear algorithms for changing

the rules –institutional forms. This is especially true for institutionalization of agreements, project development and implementation, agreement on sharing resources in the process of implementing structural policies [4].

Market transformation of the economy should be based on main criteria for carrying out institutional transformations: The criterion for choosing the main trend means specifying the main direction of institutional transformation that is going to determine the efficiency of the agricultural sector and focus of all efforts of state authorities. The criterion of a scientific approach involves the use of latest achievements of institutional economic theory in the course of market transformations, the implementation of practical experience of institutional transformations in developed countries. The transparency criterion (information publicity) provides free access to information on predicted changes in the institutional sphere. Ensuring transparency and clarity of legislation processes, their changes and possibility to compare will be instrumental in creating conditions for efficient institutional transformations. The criterion of consistency (enforcement) means creating mechanisms for implementing institutional transformations, continuous monitoring and elimination of various problems.

The criterion of complementarity and phasing of institutional transformations implies that the activity of newly formed institutions will be coordinated with the work of the existing institutions. The criterion of innovation of institutional transformations involves management of institutional innovations, their regulation, support and stimulation in various sectors of the economy and social sphere. Using these criteria will provide for managed institutional transformation of the agricultural sector and its efficient development in modern conditions. Institutional changes take time. The only way to speed up their implementation is to properly use economic, technological, organizational and managerial knowledge.

## **CONCLUSION**

In conclusion, high significance and necessity of studying institutional changes can be easily seen in many developed countries where the knowledge of institution development accumulated during the reforms has enabled them to make remarkable progress in economic and social development in recent decades. It is possible to use this experience for reforming the institutional systems of the Uzbekistan agricultural sector, but it must be borne in mind that each country has its own peculiarities in creating institutions due to different socio-economic, political and technological circumstances. Therefore, it is impossible to transfer foreign

agriculture institutions to Uzbekistan without any changes. The only good recipe for proper reforming is to develop a synthesized approach that combines both domestic and foreign experience of reforming and is based on a comprehensive analysis of the existing institutional system. Such synthesized approach should also include working out the main development vector for both the whole institutional system and its individual parts.

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