

## MECHANISMS FOR THE ECONOMIC REGULATION OF THE SYSTEM FOR LAND RESOURCES USE

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**Abstract.** The formation of a system of economic regulation of land use requires the development of a methodological mechanism as a theory of land rent. Land rent is, first of all, an income factor, the existence of which is associated with a number of specific features of the land, which cannot be ignored in economic sectors, especially in agriculture. The territorial and material limitations of the land, its division into different categories and levels of fertility determine the need for its intensive, but rational use. The problem of the systematic use of land resources still remains relevant for the development of the economy and society. This article deals with the use of the right to land as a pledge and the formation of mechanisms for the implementation of this process. Suggestions and recommendations are developed by the author.

**Keywords:** *credit, collateral, land, property, land use, guarantee, capital, resource, land rent.*

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### 1. Introduction

The theory of land rent is an economic doctrine consisting of two parts: the first part explains the causes, conditions and source of land rent, identifies its types, and the second, in fact, is related to the issues of rent distribution. It is known that land resources are used in all spheres of the economy and society and constitute the land fund, which is used in the process of social production. The fact that land use is both a process of systematization of nature management and the use of land resources by society determines its social significance and the constant relevance of the problem of land use. Collateral is one of the types of collateral when issuing a loan to a client. It can be provided in the form of property, mortgages, rights and goods, as well as land and the right of permanent ownership and lease of land. However, in practice, it can be seen that land remains aloof from the process of issuing a loan, which in turn makes us look at land as a less liquid commodity (Muhammadbek, 2018).

In Uzbekistan, land is state property, and citizens have the right to use land for life. Accordingly, when applying for a bank loan, the right of lifelong use of land or land plot can be considered as collateral. Consequently, increasing the efficiency of limited land resources is associated with investment by land owners and tenants on the basis of market mechanisms that create opportunities for the formation of a system for further strengthening the functions of land as an economic resource. The fact that land is a means of production in the economy, its territorial and material limitations, different degrees of

fertility and division into categories, always makes the problem of its systematic use relevant for the development of the economy and society. However, the economic content of the right of land lease is unclear, there is no price of the market value of land, the unified land tax does not sufficiently perform a stimulating role in land use, there is no mechanism for providing land as collateral for obtaining a bank loan. That is why, in our opinion, from a conceptual point of view, there should be a systematic approach to building an economic basis for the participation of land in financial and banking relations. And this means that this process should be considered as a constantly developing dynamic process with certain trends. Consequently, taking into account the movement of the laws of economics and nature, knowledge of the epistemological foundations and principles of the system of financial and banking relations, will serve to develop the theory of these relations (Ugli, 2019).

## **2. Methodology**

In economics, he was one of the first to study the essence of land rent. F. Quesnay and A. Turgot tried to discover that the nature of land rent is twofold, stating that, on the one hand, its source is the properties of the land, and on the other -labor in agriculture. The main provisions of the theory of land rent classics of economic theory he. W. Petty, A. Smith, D. Ricardo, K. Marx, A. Marshall and others studied on the basis of the theory of value. They considered rent and land ownership to be directly related. a. Smith argued that as soon as land becomes private property, the landowner begins to demand his share of almost any product grown or harvested here by an employee (Sultanovich & Dilshodbek o'gli, 2022).

Rent relations in agriculture, throughout the history of their development, have always been the subject of scientific disputes. Despite numerous studies, at present the question of the objectivity of applying the theory of land rent to determine payments for land remains open in Uzbekistan. Especially in the conditions of the development of market relations in agriculture, in the conditions of a variety of forms of ownership and management, the problem of the formation of land rent and its distribution is becoming increasingly relevant (Mahsudov, 2019).

As a result of insufficient attention to the structure of land use and reproduction of land fertility, the incompleteness of the reproductive cycle of land use has been observed for many years. It can be said that the land use system is not based on such laws as the ever-increasing need of society for material goods and the objective need to reproduce soil fertility (Altiev & Mahsudov, 2020).

The problem of land use in accordance with the market is complex, which requires the solution of such specific issues as economic, social, legal, recreational, environmental, organizational and territorial, informational, innovative, technological, entrepreneurial. The systematic nature of land use and its essence are manifested through socio-economic and other relations in society. For example, humanity has always used the earth primarily to satisfy its own needs for material goods and living space. Consequently, land use has primarily socio-economic content. The development and improvement of land use makes it necessary to regulate it by legislative methods, resulting in the legal content of land use. With the continuous nature of land use, with the unsystematic and irrational use of land resources, leading to the deterioration of the state of nature, it becomes obvious that land use has an ecological content. The development of the land market, however, gives a

market-fiscal characteristic of land use and further strengthens the role of land as the most important object of relations in society, etc (Altiev & Mahsudov, 2021).

Since the system of financial and banking relations and land use is the most important integral part of the unified system of the common economy, scientific and theoretical substantiations and effective implementation in practice of mechanisms that meet the requirements of the stages and principles of diversification of the collateral base when issuing bank loans are required (Sultanovich & Ugli, 2019). In this regard, the need to create promising new mechanisms for reforming the system of financial, banking and land relations adequately to the interests and needs of business entities justifies the relevance of the topic of this article. In this regard, the issues of developing a mechanism for providing land as collateral for obtaining a bank loan in the absence of a land market in Uzbekistan and a full-fledged mechanism for the privatization of land plots are of great practical importance. And this, in turn, requires appropriate institutional reform. As our research shows, today there is a need to develop a new edition of the Land Code (Sultanovich, 2022). From this point of view, we consider it necessary to supplement the system of improving land relations with norms aimed at ensuring public-private partnership, a clear expression of the differences between the forms of land use rights (ownership, possession and use (lease), the formation of mechanisms for the evaluation and privatization of land plots, the land market and its infrastructure, the provision of land as collateral to obtain a bank or other loan (Altiev & Mahsudov, 2021).

It should be noted that despite the introduction of the procedure for crediting farmers secured by the right to lease land, unfortunately, until today this procedure has not found its place in practice. Therefore, not only for farms, but also for homesteads and dehkan farms, we consider it expedient to put into practice a mechanism for providing a pledge for a bank loan of the right of lifelong ownership of inherited lands. In addition, it requires the creation of scientific and methodological and practical foundations for investing in these processes, mortgage lending, securities regulations regarding the ownership and use of land and the introduction of a wide range of incentive levers. In developed countries, the price of land is rising faster than for other goods or capital (Altiev *et al.*, 2021). As world practice shows, the trend of land price growth relative to the trend of inflation is faster by 2-3 or more times. Most of the land resources are not marketable goods, and in countries with developed market economies they are the property of state and local authorities. The land market is the main and voluminous object of state regulation (Sultanovich, 2022).

### 3. Results

As a result of our research on the problem of land rent distribution, it has been established that the differential rent-I should be paid as a land tax and replenish the state budget and expand the state's capabilities to support the technological and economic potential of land resources, and the differential rent – II and absolute rent-belong to the owner (owner) of the land, if there is a land rent, a certain part of the differential rent-II should remain with the tenant, the amount of which should be determined by the implementation of a set of measures for the economic regulation of the rational use of agricultural and other lands using the market value of land, land tax and other similar instruments, in turn, requires the development of a scientifically sound methodology for land assessment. In the conditions of the formation of a market management system, an integral indicator-the price (market value) of a land plot, determined by capitalization of

rental income in accordance with the classical approach, occupies a central place among the indicators of the economic assessment of land. In market conditions, the importance of this economic category is determined by the development of the land market, the creation of a mortgage lending system, the need to make quickly adaptable decisions in the field of tax policy.

The factors influencing the cost of a land plot may be the fertility of the land, the location of the land plot, the availability of communications, transport networks, landscape characteristics of the area. According to the classical theory of rent, the price of land (market value) calculated by the expression:

$$E_n = D_n / r \times 100,$$

In this:  $E_n$  – land price,  $D_n$  – annual differentiated income,  $r$  – loan interest rate.

As the economic basis of the land use system, the cycle of reproduction of land resources, the priority of the economic approach, and the economic mechanism are studied. In this regard, the organization of the use of land resources from an economic point of view, as well as any other resources, should be considered at the present stage one of the priority tasks of ensuring high rates of economic development by searching for scientific and practical solutions to strengthen, along with the fiscal and regulatory functions of the modern economic mechanism based on the theory of land rent, stimulating its function.

The use of land resources by the society reflects an objective process of a continuous nature, since the society cannot stop using land to meet the ever-growing needs for material and other interests, cyclical reproduction occurs. Since the land resources used require reproduction in order to steadily meet the necessary interests of a constantly developing society, they are multi-purpose and multifunctional in nature, due to the requirements of meeting various material and other types of needs of society.

Along with the fact that Land is a spatial basis (for the placement of structures and structures), it is also a means of production, and in agriculture – the main means of production -the fertility of the land has a direct impact on the production of products and in many cases determines its result. Although in other industries and industries, land and its fertility do not have such characteristics, it is not only an important means of production in the economy, but also a reliable asset and capital. Therefore, in world practice, land is included in the concept of "fixed capital", and its lack of material and moral depreciation emphasizes its study as an 'economic resource-capital' rather than as a 'natural resource', 'real estate object' and an object of economic activity. In our opinion, this idea allows, firstly, to form scientific views on the land use system and its economic mechanism, secondly, to introduce into the process of using land resources methods of stimulating the effective use of land resources through the use of methods of an effective economic mechanism and, thirdly, to scientifically substantiate the sphere of interests of the land owner and land users.

In market conditions, there is a constant and uninterrupted redistribution of land to ensure more efficient use and stimulation. Such redistribution mainly happens during the purchase and sale of land plots. To date, it is too early to talk about the land market in Uzbekistan, it is only being formed, while it has a local and illegal form. However, despite the beginning of the privatization of land not in the form of ownership, the number of contracts related to land is only growing. The growth of real estate prices in large cities of Uzbekistan plays an important role in this. While the most profitable area of investment so far has been the purchase and subsequent sale of residential real estate, now investing

in land acquisition is largely more profitable and affordable, which is an important factor in saving money.

According to world practice, land is the most reliable asset, because with reasonable and efficient use it does not become obsolete, its value increases over time, and cities and regions with a high share of privatized land and an active land market have a progressive and attractive appearance and a favorable status for investors. It is also known that the lack of private ownership of land and the lack of legal guarantees for property owners hinder the rapid development of the land market.

This is due to the fact that the current land acquisition system does not allow enterprises to fully use the market turnover of existing land due to limited land rights. On the one hand, the enterprise does not have a reliable and firm guarantee that the state authorities will not terminate the contract of permanent use of the land plot with it at any time. Therefore, it is risky to invest heavily in a land plot transferred for use.

On the other hand, many landowners have used automatic and free land plots during the privatization of production facilities in the form of buildings and structures that occupy tens or even hundreds of hectares and cannot effectively use such land for various reasons. As a result, a large number of production areas have been decommissioned, as other entrepreneurs wishing to invest have limited access to such land.

In many cities of the country, the proportion of industrial zones is disproportionately large. In Tashkent, its area is about 14.0% of the total built-up area, 2/3 of the living area. Within a radius of 7-8 km from the city center, the most expensive land with developed infrastructure is occupied by industrial enterprises.

Positive effects of the introduction of private ownership of land for the immediate economy and land users:

- acquisition of full rights to a single object of immovable property, guarantee of the right to own and dispose of immovable property, reduction of market risks;
- increase in the value of fixed assets, increase in the exchange rate of shares, issue and sale of additional shares in case of its increase due to the addition of the value of land to the authorized capital;
- expansion of investment opportunities, increase of investment attractiveness of enterprises;
- pledge of a land plot, the possibility of obtaining a mortgage loan;
- income from the sale or lease of an unused part of the land plot;
- it manifests itself in such processes as the use of land by citizens for the organization of entrepreneurial activity.

Large-scale reforms implemented in the Republic of Uzbekistan have led to the formation and introduction of land ownership, that is, partly the land market. However, in our country, this process is clearly haphazard and unstable, does not fully correspond to the pace of economic growth of the market.

One of the problems hindering the effectiveness and development of land reform is the imperfection of competent solutions to land ownership rights.

In the future, an increase in budget revenues, the establishment of a unified order in public administration in the field of the land market, the development of rational methods for determining rent for land use will ensure the effective use of land resources.

#### 4. Discussion

Land assessment is carried out by state bodies, mainly on agricultural land. However, there is practically no information about the cost of non-agricultural types of valuation, especially about the cost of land plots on which real estate is located.

#### 5. Conclusion

In conclusion, it should be noted that part of the income from rent is received by the land user in exchange for his expenses aimed at improving the quality of land, entrepreneurial abilities and the introduction of a modern management system. Of course, the inclusion of this part (differential rent-II) in the object of land tax or land rent in whole or in part dramatically increases budget revenues for land tax or land rent with further strengthening of their fiscal function, but this ultimately leads to a violation of the property rights of the land user, failure to fulfill the stimulating function of land tax or land rent. This ultimately generates such negative phenomena as the looting of land, the misuse of land, the transformation of Land into an object of speculation. Here I consider it expedient now to prescribe such control measures as the application of economic sanctions, the introduction of additional fees for Latifundist land users (who do not use their land independently).

In conclusion, it should be noted that the evaluation of the results of our research is theoretically possible, first of all, with the correct interpretation of the specifics of the concepts “natural resource”, “economic resource-capital”, “real estate object” and “object of economic activity”, characterizing the land as a multifunctional object, and only after a clear definition of the differences and boundaries between them can talk about taxation, loan collateral, regulation of privatization and other economic processes. One of the important issues in the conditions of land use lease is the establishment of rent for land, taking into account the fertility, location and other characteristics of the land plot. When assessing land, it is impossible not to take into account the ecological characteristics of land, which means that it is necessary to develop an ecological and economic assessment of land plots, measures to protect land from salinization and erosion. Regulation of land relations as the most important form of state regulation of economic processes should be aimed at the implementation of the state's land policy.

The urgency of the problem is also determined by the need to develop scientific and methodological foundations for the formation of the land market, the use of forms and methods of land acquisition, land privatization, the investment process, mortgage lending, comprehensive incentives when working with securities related to the ownership and use of land. In this it is necessary:

- to study the experience of developed countries in the formation of the land market;
- to improve the methods of using land cadastre data in determining the market value of land;
- introduce innovations in improving the methodology for determining the normative value of land and market value in the regional context;
- to determine the significance and places of new forms of ownership and land use during the transition to market relations;
- to substantiate the distribution structures of added value in determining the market value of land;



- to improve the methods of determining the normative (economic) value of the land plot;
- to study the patterns of the emergence, formation and implementation of the land market, the definition of its economic essence and specifics;
- scientific substantiate the prospects for the development of the land market in the regions of the Republic of Uzbekistan;
- to develop models for improving the state management of land market relations in the regions of Uzbekistan based on the study of international best practices;
- to solve the actual problems of applying the achievements of scientific and technological progress in the gradual formation of the land market and the justification for the introduction of a differentiated land tax.

Further development of the above opinions, the use of land rights as collateral for obtaining a bank loan will lead to the following advantages:

- further strengthening of mutual integration of land and financial market institutions and the establishment of a qualitatively new stage of socio-economic development by expanding the content and scope of land ownership relations;
- strengthening the financial source of payment of land tax and the independence and stability of local budgets will be ensured by increasing their revenue;
- sustainable and productive jobs will be created and employment will be provided;
- new types of market and production infrastructure institutions will be created;
- the possibility and efficiency of production will increase as a result of the expansion of the volume and types of loans, due to the fact that land is always the most liquid capital, which strengthens its collateral nature and increases the confidence of banks in the repayment of the loan;
- in connection with the introduction of sublease of land for banks, a clear and effective mechanism for the redistribution of land will be created in case of non-repayment of bank loans issued against the pledge of the right to land.

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