

UDC 334.6:63:338.11:338 (575.2)
AGRIS E10
JEL Codes: Q01; Q56; Q00

<https://doi.org/10.33619/2414-2948/120/38>

REFORM OF AGRICULTURAL COOPERATION AS A FACTOR IN SUSTAINABLE DEVELOPMENT OF RURAL AREAS OF KYRGYZSTAN

©*Koichumanova I.*, ORCID: 0009-0003-7744-6166, Naryn State University
named after Satybaldy Naamatov, Naryn, Kyrgyzstan, koichumonova@gmail.com
©*Sarbagyshova A.*, ORCID: 0009-0004-4630-3338, SPIN-code: 2086-8731, Ph.D., Naryn State
University named after Satybaldy Naamatov, Naryn, Kyrgyzstan, aigulsarbagyshova@gmail.com

СОВЕРШЕНСТВОВАНИЕ СЕЛЬСКОХОЗЯЙСТВЕННОЙ КООПЕРАЦИИ КАК ФАКТОР УСТОЙЧИВОГО РАЗВИТИЯ СЕЛЬСКИХ ТЕРРИТОРИЙ КЫРГЫЗСТАНА

©*Койчуманова И. Т.*, ORCID: 0009-0003-7744-6166, Нарынского
государственного университета им. Сатыбалды Нааматова,
г. Нарын, Кыргызстан, koichumonova@gmail.com
©*Сарбагышова А. Э.*, ORCID: 0009-0004-4630-3338, SPIN-код: 2086-8731, канд. экон. наук,
Нарынский государственный университет им. Сатыбалды Нааматова,
г. Нарын, Кыргызстан, aigulsarbagyshova@gmail.com

Abstract. This article examines the development of agricultural cooperation in Kyrgyzstan and the prerequisites for its formation, which is highly relevant to the country's socioeconomic development. Financing options for agriculture are analyzed. This will result in the development of agricultural cooperatives in the country, aimed at creating favorable conditions for their effective operation, improving financial and credit support for cooperative forms of management, organizing rural infrastructure, introducing elements of cooperative management in agriculture, and developing a system of scientific, informational, and advisory support for cooperatives. The development of individual entrepreneurship contributes to the formation of a class of small and medium-sized owners as the basis for stability in the country's economy, politics, and social sphere. For this to be achieved, positive changes are needed in the ratio of the growth in the number of small businesses to their contribution to GDP.

Аннотация. Рассматривается вопрос о развитии сельскохозяйственной кооперации в Кыргызстане, о предпосылках её формирования, что является весьма актуальной в настоящее время в вопросах социально-экономического развития страны. Анализируются пути финансирования сельского хозяйства. Результатом является развитие сельхозкооперативов в стране, направленное на создание благоприятных условий для эффективной деятельности кооперативов, совершенствование механизма финансово-кредитной поддержки кооперативных форм хозяйствования, организация инфраструктуры села и внедрение элементов кооперативного управления в сельском хозяйстве, развитие системы научного, информационно-консультативного обеспечения кооперативов. Развитие индивидуального предпринимательства способствует формированию класса мелких и средних собственников как основы стабильности в экономике, политике и социальной сфере страны. Для реализации необходимы позитивные изменения в соотношении роста количества малых предприятий и их вклада в объем создаваемого ВВП.

Keywords: agriculture, cooperation, livestock farming, crop production, processing of agricultural products, agricultural financing.

Ключевые слова: сельское хозяйство, кооперация, животноводство, растениеводство, переработка сельскохозяйственной продукции, финансирование сельского хозяйства.

Agricultural co-operation as a type of entrepreneurship plays a great economic role for the population of the country, and in the current conditions of structural transformation of the agrarian sector of the country, it is a special configuration of joint production or other activities of producers of goods, supplying its high efficiency, as well as social protection and support. In recent years, significant changes have taken place in the state regulation of peasant farms in Kyrgyzstan. Market methods of influence have come to the forefront, while direct state management is excluded. Based on the fact that rural entrepreneurship is gaining significant momentum and becoming a priority direction of reforming the life of society and modernisation of the entire national economy, an objective assessment of the effectiveness of the use of credit and financial resources allocated for its growth is of major importance [1].

Noting the great efforts of state regulation in the development of a unified direction to the issue of effective satisfaction of the needs of agricultural entities, it should be recognised that the current scale and pace of development of society, including market economic transformations and the way of life itself, call for greater initiative from the subjects of agro-industrial complex to attract the available means and opportunities. To implement this task, it is necessary to achieve positive changes in the ratio of land, labour and material resources used in any agricultural production. The main importance of the state, in our opinion, lies in the formation of the necessary legislative framework, the development of information support system, the provision of guarantees for the observance of the rights and interests of farmer cooperatives, as well as in the training and retraining of professional staff of a new warehouse, capable of implementing policies in the agricultural sector and investment projects [2].

In our opinion, the development of individual entrepreneurship contributes to the creation of a class of small and medium-sized owners as a basis for stability in the economy, politics, and social sphere of the country. For realisation, positive changes in the ratio of growth in the number of small enterprises and their contribution to the volume of GDP created are necessary.

Table 1

NUMBER OF FARMS BY CATEGORY IN THE KYRGYZ REPUBLIC (end of year)

	2019	2020	2021	2022	2023
Units					
Total	453 127	462 483	468 402	474 440	488 151
including:					
Agriculture	452 803	462 129	468 011	473 994	487 702
of which:					
state farms	31	31	34	33	32
collective farms	464	517	554	800	730
peasant (farmer) farms	342 153	349 159	354 654	356 816	361 497
individual entrepreneurs	110 155	112 422	112 769	116 345	125 443
Forestry	112	116	120	127	129
Fishery	212	238	271	319	320

Source: National Statistical Committee, Kyrgyzstan in Figures, 2024

As of 1 January 2024, more than 488 thousand active economic entities operating in the field of agriculture, forestry and fishery were registered on the territory of the republic, including 361.4 thousand, or 74 per cent of the total number of such entities were peasant (farm) farms, 125.4 thousand entities, or 25.7 percent — individual entrepreneurs engaged in agricultural production [3].

Almost most of the various organisations, factories, combines, industries, mini-plants and workshops located in rural areas (in absolute terms), and which had been producing their products smoothly during the Union period, creating jobs, closed down during privatisation, either due to unprofitability or mismanagement, etc. As a result, many rural people in search of means of survival went either to nearby cities or to neighbouring countries. In recent years, the country has witnessed excessively increased negative flows of population migration, both internal and external [4].

In addition, the consumer demand of the rural population for many types of goods and services is decreasing. Due to real income limitations, 64.8% of the rural population is forced to use only the most necessary products and services, i.e. specific effective measures are needed in this situation. The experience of countries near and far abroad shows that in the current conditions only small and medium-sized businesses ensure growth in the well-being and standard of living of rural residents. It follows from the analysis of the main indicators that the main activities of rural farms and individual entrepreneurs include crop and livestock production.

As already mentioned, the main sectors for farms are crop and livestock production. However, the whole range of agricultural products produced by our peasant (private) farms is of interest. The dynamics of growth in the number of small and medium-sized rural businesses is a positive factor. As it is known, in recent years a difficult situation has developed in rural areas of Kyrgyzstan. There is a decline in the income of rural residents, low standard of living, and often there are no opportunities for permanent income for rural residents.

Practically the absolute majority of various rural organisations, factories, combines, industries, mini-plants and workshops, which in the Soviet period almost uninterruptedly produced their products and created jobs in rural areas, were closed down during privatisation, either due to unprofitability or mismanagement, etc.

As a consequence, many rural residents are forced to go either to the nearest cities or to neighbouring countries in search of livelihoods. In recent years, the country has witnessed an inordinate increase in negative flows of internal and external migration.

In addition, consumer demand in rural areas for many goods and services is decreasing. Unlike urban areas, rural residents are forced to use only the most necessary products and services, as their real incomes are limited.

The current situation in rural areas requires specific effective solutions. Analysing the experience of countries near and far abroad, we can come to the conclusion that under the current conditions only small and medium-sized businesses guarantee the growth of welfare and living standards of rural residents.

Analysis of official data shows that the main areas of activity of rural farms and individual entrepreneurs are crop production and livestock breeding. Thus, of the total volume of products produced by farms, including individual entrepreneurs.

Financing of agriculture is one of the strategic objectives of providing state support to business entities and individuals of the Kyrgyz Republic, in particular for the timely conduct of spring field work, further development of livestock, crop production and processing of agricultural products.

Within the framework of this strategy, various projects have been developed and are in operation. For example, starting from 2019, financial resources of commercial banks and non-bank financial and credit organisations were provided to economic entities for the development of crop production, livestock breeding, processing of agricultural products at preferential interest rates.

To date, the Government of the Kyrgyz Republic has implemented the Project ‘Financing of Agriculture — 7’, which subsidises the costs of commercial banks and non-bank financial and credit institutions from the national budget for 2019-2023 for the placement of loans at preferential interest rates.

The procedure for granting loans is carried out in accordance with the requirements of the legislation of the Kyrgyz Republic and regulatory legal acts of the National Bank of the Kyrgyz Republic. Commercial banks and non-banking financial and credit organisations bear all risks on the repayment of issued credits; the selection of borrowers is also made in accordance with their internal procedures. The Russian-Kyrgyz Development Fund also plays an important role, providing guarantees to commercial banks and non-bank financial and credit organisations. The main condition is that commercial banks and non-bank financial and credit organisations are not allowed to refinance the existing debt of borrowers. There are the following basic conditions of commercial banks and non-bank financial and credit organisations, which are shown in Table 2.

Table 2

BASIC CONDITIONS OF COMMERCIAL BANKS
AND NON-BANK FINANCIAL AND CREDIT ORGANISATIONS

Target industry	Crop production, livestock breeding, processing of agricultural products
Final interest rate	6 per cent per annum: - For priority areas of lending; - for the sector ‘Processing of agricultural products’; 8 per cent per annum: - for entities engaged in horticulture and intensive forestry; - for entities engaged in greenhouse farming and introduction of drip irrigation systems; - for entities acquiring breeding stock and livestock or equipment for artificial insemination; 10 per cent per annum for the ‘Livestock’ and ‘Crop Production’ sectors.
Loan term	No more than 36 months; for loans granted for horticulture, intensive forestry, seed and breeding farms, newly established food processing enterprises, greenhouse farming, introduction of drip irrigation systems, it is allowed to set the repayment period up to 60 months.
Grace period	Full exemption from principal contributions for up to 6 months

The priority condition is that credit funds up to 150 (one hundred and fifty) thousand soms for individual loans and up to 500 (five hundred) thousand soms for group loans may be issued on a collateral-free basis, with a repayment period of up to 18 months, in the presence of a written recommendation of the aiyl okmotu. At the same time, the total amount allocated for these purposes should not exceed 7 per cent of the total amount of lending.

Also, priority areas for lending are farms that have been duly granted the status of a breeding plant, breeding farm, and seed farm, as well as entities engaged in the cultivation of sugar beet.

For additional support of agricultural producers, in case of insufficient collateral from potential borrowers, guarantees are also provided by the open joint-stock company ‘Guarantee Fund’, where farmers and co-operatives can apply for a guarantee. However, guarantees are

provided to commercial banks and non-bank financial and credit organisations that have entered into cooperation agreements with JSC 'Guarantee Fund'.

There are also the following additional conditions by commercial banks and non-banking financial and credit organisations for selected sectors of agriculture, which provide clarifications on some of the conditions [2].

The development of the co-operative movement is necessary for Kyrgyzstan, at present, the investment potential of individuals and the republic as a whole will be restrained and agricultural co-operatives could possibly be the main factor in the development of agriculture as a whole. Consequently, efforts should be directed towards creating prerequisites for the early development of agricultural co-operatives as one of the highest advantages [4].

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Поступила в редакцию
04.10.2025 г.

Принята к публикации
12.10.2025 г.

Ссылка для цитирования:

Koichumanova I., Sarbagyshova A. Reform of Agricultural Cooperation as a Factor in Sustainable Development of Rural Areas of Kyrgyzstan// Бюллетень науки и практики. 2025. Т. 11. №11. С. 351-356. <https://doi.org/10.33619/2414-2948/120/38>

Cite as (APA):

Koichumanova, I., & Sarbagyshova, A. (2025). Reform of Agricultural Cooperation as a Factor in Sustainable Development of Rural Areas of Kyrgyzstan. *Bulletin of Science and Practice*, 11(11), 351-356. <https://doi.org/10.33619/2414-2948/120/38>