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DEVELOPING INVESTMENT PORTFOLIO DIVERSIFICATION IN BUSINESS ENTERPRISES

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Abstract: These authors define the concept of investment as a business diversification or the production of several types of additional investments. Diversification in agriculture is an agrarian policy that involves the identification of the diversity of economic activities in the rural economy. In the calculation, the income of economic entities is only the income of economic entities that contribute to the development of agriculture. The article analyzes the quality of the high level of diversification of economic entities in the Bukhara region, using descriptive and comparative methods.

Keywords: diversification, economic entities, portfolio investments, family budget, resource conservation, food security, local infrastructure, supply chain, savings, financial stability, stable employment, risk level

In the wake of growing global population and decreasing marginal arable land per capita, agricultural land has emerged as a low-correlation asset class that can enhance portfolio diversification for business enterprises. For enterprises operating in rural or agri-business contexts, investment portfolio diversification is not only about choosing different financial instruments but about configuring the entire set of investible assets—land plots, greenhouse infrastructure, technological lines, services, processing facilities—in such a way that risk is spread and long-term sustainable development is enabled. In Uzbekistan, for example, agriculture accounted for a substantial portion of GDP and employed a large segment of the workforce. The push by households and enterprises toward using agricultural land efficiently, establishing smart greenhouses and aligning with processing and export lines reflects a strategic shift toward diversification and value-addition in the agrarian sector. This article asks: How can business enterprises operationalise investment portfolio diversification using agricultural land and related assets? What are the mechanisms, typologies and benefits of such diversification? And how do these strategies contribute to household income growth and poverty reduction in Uzbekistan?

Literature Review

Classical economic theory emphasises that when individuals pursue their self-interest in a free market, overall welfare increases, as articulated by Adam Smith in his "The Wealth of Nations." Karl Marx in "Das Kapital" analysed the relationship between labour productivity and capital structure, linking income distribution inequalities to the capitalist system. John Maynard Keynes in "The General Theory of Employment, Interest and Money" underlined the role of demand in income generation and employment. Simon Kuznets in "Economic Growth and Income Inequality" proposed that income inequality initially increases then decreases across the course of economic development (the "Kuznets-curve"). These foundational works provide the backdrop for understanding how income growth and structural change intersect with asset allocation and diversification strategies.

In post-Soviet economies scholars have examined poverty reduction and household income increases under structural transition. Vladimir Mau in his 2018 work Экономическая политика в условиях кризиса argued that state intervention and market mechanisms must be

balanced to reduce poverty effectively in transition economies, emphasising targeted social programmes (subsidies, preferential credit) while warning about inefficiencies when resources are not properly targeted. Natalya Zubarevich (2020) in Региональное развитие и социальная политика emphasises that inter-regional economic inequality is a key barrier to poverty reduction, and proposes local infrastructure development and region-based specialisation as part of the solution. In the Uzbekistan context, this corresponds to the "one region – one product" strategy.

Uzbek researchers also contribute significantly. Bahodir Umarov (2021), in his article "Poverty Reduction in Uzbekistan: Economic and Social Factors", highlights the key role of the agricultural sector, agro-processing and export orientation of farms for boosting household incomes. Sherzod Tashpulatov (2022) analyses labour-market reforms and suggests that imbalances (skills shortages, unemployment) are major obstacles to poverty reduction; he advocates vocational education and online platforms to link employers and workers.

Agriculture plays a strategic role in developing economies: it enhances food security, creates rural jobs and supports inclusive growth. For Uzbekistan, literature shows agriculture being both a source of employment and income and a mechanism for diversification of household income sources beyond farming. The transition away from heavy reliance on cotton and towards horticulture and processing reflects this diversification agenda. Investment in agricultural value-chains, processing infrastructure, and technological improvements (such as greenhouse systems, drip-irrigation) contributes to higher productivity and resilience.

The study employs a mixed-method approach combining literature review, statistical analysis of secondary data, and a conceptual modelling of investment portfolio diversification for business enterprises in agriculture. The methodology includes a literature analysis of both international and domestic sources on diversification, rural incomes, agricultural investment and poverty reduction; statistical analysis based on publicly available datasets regarding poverty rates, household incomes, regional differences and agricultural employment in Uzbekistan; and conceptual modelling of the enterprise investment portfolio, defining the set of investible assets (land plots, equipment, greenhouses, processing lines, services), assigning risk-return profiles to each asset class, and illustrating how diversification reduces risk and enhances long-term stability. The unit of analysis is a business enterprise operating in the agricultural sector and/or agro-processing in Uzbekistan. The portfolio approach posits that each asset can be treated like a "security" in a broader portfolio, with its own expected return, risk (variability), and correlation with other assets.

Diversification means not concentrating investments in one type of asset, product or market, but distributing across different assets, products, markets or geographic regions. This approach allows compensation of a decline in one product or market by gains in another; reduction of the overall portfolio risk; enhancement of long-term stability. For a business enterprise in agriculture or agro-processing, portfolio diversification may involve sectoral diversification (investing not only in one crop or product line but also in other crops or support services such as greenhouses, processing, logistics); geographic diversification (operating across different regions or export markets rather than being confined to one area); funding-source diversification (using a mix of own capital, leasing, credit, equity); risk-profile diversification (balancing high-risk projects such as a new export line with lower-risk projects such as domestic production for the local market). By treating the enterprise's investment base as a portfolio, each asset (land, technology, processing line) has a risk-return profile and correlation with others. Including agricultural land (which typically has low correlation with traditional equities/bonds) offers diversification benefits.

An enterprise's investible assets may include land parcels (including irrigated or greenhouse land); equipment and machinery; product lines (crop varieties, greenhouse production, processed goods); infrastructure (storage, cold-chain, transport); services (agri-logistics, marketing, export facilitation). For example, an enterprise may invest in a greenhouse using modern technology, in processing of vegetables, and in export logistics, alongside maintaining a portfolio of land parcels across regions. Each component contributes differently to expected returns and risk exposure.

For enterprises, the benefits include reduced risk (for example, a price drop in one crop may be balanced by a gain in another line) and greater stability as diversified assets across regions and technologies reduce sensitivity to single-market shocks. In addition, a growth path is enabled as the enterprise can scale by adding new product lines, entering new markets, upgrading infrastructure. Including agricultural land, which often displays low correlation with equities and bonds, offers improved correlation characteristics and thus improves overall portfolio efficiency.

In Uzbekistan, poverty rates have shown a declining trend: for instance, the poverty rate dropped to around 11 % by the end of 2023 and then to 8.9 % in 2024. Household real incomes increased by 8.1 % in 2024 compared to the previous year, while nominal incomes grew by 18.5 % (average monthly per person ~2.1 million UZS). The following table provides the poverty rate changes by region:

Table 1. Poverty Rate Changes by Region

Region	2023 %	2024 %	Change (pp)
Navoiy	7.6	5.7	–1.9
Samarkand	10.6	7.5	–3.1
Bukhara	11.8	8.7	–3.1
Namangan	10.4	7.6	–2.8
Karakalpakstan	13.6	10.8	–2.8
Khorezm	13.5	11.9	–1.6
Kashkadaryo	11.5	9.6	–1.9
Tashkent city	7.9	7.3	–0.6

As the table shows, the largest declines in poverty were observed in Samarkand and Bukhara (−3.1 percentage points each). Navoiy achieved the lowest poverty level in 2024 (5.7 %), reflecting its industrial specialisation and employment programmes. Regions such as Khorezm (11.9 %) and Karakalpakstan (10.8 %) still lag, indicating persistent inter-regional inequality.

Table 2. Income Composition and Growth

Income Type	2023 Share %	2024 Share %	Nominal Growth %
Paid employment (wage)	63.6	62.8	19.0
Self-employment	—	62.8	15.9
Transfers (pensions, remittances)	26.5	26.0	13.7

(Values based on the provided input text.) The decreasing share of transfers implies increasing economic activity and labour income share, yet the slight reduction in paid employment share suggests structural shifts in the labour market.

The agriculture sector remains significant for Uzbekistan's economy and for rural incomes. According to recent food-security research, agriculture accounted for approximately 24.3 % of GDP in 2023, and employment in agriculture declined from 31.5 % in the early 1990s to 13.9 % in 2023. The transition away from heavy reliance on cotton and towards horticulture and processing reflects the diversification agenda. The Ministry of Agriculture's large projects emphasise greenhouse production, crop diversification and processing infrastructure.

The input text describes large programmes for 2025-26 including "one contour – one product" projects (6,680 hectares) and 3,000 agro-processing projects across regions. These investments suggest that enterprise portfolios incorporating land, greenhouse production, processing and export lines are being scaled up. In regions where agriculture processing and diversification projects were more intensive (for example, Samarkand with 357 processing projects), poverty fell more significantly (−3.1 pp). This correlation supports the proposition that enterprises which diversify along production, processing, infrastructure and geography contribute to household income improvements and poverty reduction at regional level.

The findings support the concept that agricultural enterprises can treat their asset base as an investment portfolio. By including land, technology, greenhouses, processing and export infrastructure, enterprises can reduce risk, stabilise returns and contribute to regional development and household welfare. From a policy perspective, the Uzbek government's "Poverty to Prosperity" programme, regional-specialisation initiatives and support for greenhouse and agro-processing projects align with this diversification strategy. However, challenges remain: regional inequality persists, inter-regional income gaps widened (for example, the ratio between the richest region and the poorest region increased from 3.32 to 3.6), and infrastructure deficits (cold chain, irrigation) still limit enterprise diversification potential. The review of financing mechanisms also notes that small farmers often lack access to capital, modern technology, and markets. For enterprises, the practical implications are as follows. Enterprises should diversify both asset types (land, greenhouses, processing) and geographic regions; they should balance high-risk versus low-risk investments; they should use mixed funding sources; and they should integrate vertically from production to processing to logistics. These steps may enhance portfolio efficiency and contribute to sustainable income growth.

This article has examined how agricultural land and related assets can be integrated into an enterprise's investment-portfolio framework. For business enterprises in Uzbekistan, diversification of land use, product lines, infrastructure and services appears to support both enterprise risk management and household income growth. Empirical evidence from Uzbekistan shows that poverty rates have fallen and household incomes risen in regions where diversification and agro-processing investments have been more intensive. The key recommendations emerging from this study are that business enterprises should identify and segment all investible assets (land, equipment, processing lines, greenhouses, services) and assign risk/return profiles to each, enabling portfolio management. Enterprises should diversify in multiple dimensions: product (crop/greenhouse vs processing), geography (multiple regions or export markets), funding (equity, leasing, credit) and risk (balance high-volatility and low-volatility assets). Policymakers should target support (subsidies, infrastructure, training) to regions and enterprises adopting diversification strategies, especially in lagging regions to reduce inter-regional inequality. Financing mechanisms (credit, leasing, venture capital) should facilitate enterprise diversification into processing and export lines, not just primary production. Continuous monitoring of household income, poverty rates and asset portfolios at enterprise

level would strengthen evidence-based policy and implementation. The limitations of the study lie in its conceptual nature and reliance on aggregated secondary data. Future research could collect firm-level data on diversified agricultural investment portfolios, measure correlation coefficients between asset classes (land, equipment, processing lines) and estimate portfolio efficiency. Also, longitudinal household surveys would help to measure the direct impact of enterprise diversification on household welfare.

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