

The Problem of Poverty in Our Country and Issues of Its Reduction

Yadgarova Malika Lutpillayevna

Tashkent Financial Institute, Senior Lecturer of the Department "Banking Accounting and Audit"

Abstract

The article studied the concept of poverty, its causes, signs and measures to eliminate it are an urgent task of today. The categories of poverty definition, the development of multidimensional poverty indices and their criteria, proven and effective methods of combating poverty are highlighted.

Keywords: *low-income families, population, poverty, income, multidimensional poverty indices, financial disadvantage, financial literacy, causes of poverty.*

Introduction

Poverty is not a concept that appeared in the coming days. In biblical language, poverty is called an indicator that represents the economic States of individuals or social groups who are not able to work, continue the continuity of generations, meet vital needs. Poverty is a relative concept and will depend on the general standard of living adopted in each society.

In the science of poverty, specific definitions are given, everyone knows what this concept means. Until recently, the so-called "underprivileged" layer of morality began to be called poor in recent years, indicating the presence of this problem in our country and the need to look for ways to solve it. The answer to the relevance of this problem on the agenda and the fight against this problem in Uzbekistan can be found in the appeal of the president of our country to the Supreme Assembly on January 24, 2020.

"...A family can have both a car and a pet, but if a person is seriously ill, at least 70% of the family's income goes to treat him. So, is it possible to call such a family to itself? As president, I am tormented every day by the question of what is happening to our people's vital needs, such as eating, treating, educating, dressing their children..."Reducing poverty does not mean increasing the amount of monthly or benefits, giving loans to Joppa. To do this, first of all, it is necessary to introduce a system of vocational training of the population, increasing financial literacy, arousing a sense of entrepreneurship in people, improving infrastructure, educating their children, quality treatment, payment of addressable benefits¹.

There are five different approaches to determining poverty in world practice. These include poverty in the form of deprivation of means of livelihood, poverty in the form of inequality, cultural poverty, poverty in the form of exploitation, and structural poverty.

¹ Ўзбекистон Республикаси Президенти Шавкат Мирзиёевнинг Олий Мажлисга мурожаатномаси <https://www.gazeta.uz/uz/2020/01/24/president-speech/>

Literature review

According to the UN definition, poverty is manifested in such restrictions as a person's lack of choices and opportunities throughout his life, the presence of barriers to full participation in society, in addition, the maintenance and dressing of his family, education or hospital treatment, the lack of employment opportunities that allow him to operate in a field or earn income. In a UN report on human development, human development is expressed in one sentence: «the real goal of development is to increase people's choices». At the heart of this concept lies the skill of living a long, healthy and creative life. Other opportunities include political freedom, guaranteed human rights, and self-esteem - which Adam Smith called "shamelessly appearing in public" by contacting others. From this point of view, poverty means not having or being able to make choices and opportunities, it is a violation of human dignity.

Poverty means a lack of basic opportunities for genuine participation in society. This is manifested in the lack of opportunities to support and dress the family, go to school or be treated in a hospital, grow food on their land or have a job that allows them to make a living, as well as in the absence of the opportunity to live. Poverty refers to the insecurity, helplessness and social exclusion of people, households and communities. It represents a vulnerability to violence and the deprivation of clean water and sewage, often in undeveloped and dangerous areas.

Also, poverty is the social delimitation of people, households, and communities, with no measure in the face of risks.² The poor are individuals, families, and groups whose resources are limited enough to prevent them from leading a minimally acceptable life in (material, cultural, and social) States.³

The recognition of the existence of a poorer layer in Uzbekistan was an early turning point in the policy on the industry. Previously, the Poverty Reduction Strategy Paper () of the international organizations we operate on was issued in a slightly modified manner to improve the living of the population. That is, the term poverty is not deliberately emphasized. The impression was awakened from this as if there was no poverty and poor or impoverished stratum in Uzbekistan. After 2020, the approach on this issue has changed. At the time, it was publicly stated that the poor population in the country was 12-15% of the population. This means a population of 4-5 million people! So it can be said that the income of these compatriots for a day does not exceed 10 — 13 thousand rubles.

Analysis and results

According to the Center for Economic Research and reform, at present, the provision of a poor family with a personal computer is 12 times that of the average family in the Republic, 11 times that of a personal car, 8 times that of an air conditioner, 4 times that of a vacuum cleaner, 4 times that of washing machines, 2 times that of a refrigerator,⁴

Uzbekistan is ranked among the countries with an average income per capita on the National Income Index (us \$ 1,533 per capita per year on average). In fact, the average level of income is divided into two groups. Countries with incomes below average — \$ 1,036 — \$ 4,085 per year per person and countries with incomes above average — \$ 4,086 — \$ 12,615 per year per person. Criteria were adopted for the first group of countries. It is an average poverty line rate of \$ 3.2 per

² БМТ Европа Иқтисодий комиссиясининг “Камбағалликни ўлчаш бўйича қўлланма”сидан, 2017 йил Нью-Йорк, Женева

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31985D0008&from=EN>

⁴ news/2021/05/22/uzbekistonda-kambagallik-muammosi-sabablar-va-yechimlar

person per person by measurements. For countries with a higher national income than average, \$ 5.5 per person per day is the median poverty line.

So, it can be said that the poverty line for Uzbekistan means living for less than \$ 3.2 a day. For example, if the gross income of a family of five people is less than 480 dollars per month or 4.6 million rubles, this family can be considered poor.

Since 2018, the World Bank has been implementing a project called “listening to citizens of Uzbekistan” in cooperation with the Center for development strategy. Within the framework of this project, a report was prepared on “indicators of district-wide poverty level, average consumption and middle class of the population in Central Asia”. In it, maps of poor and middle-class populated districts are presented separately for the entire region, in particular for Uzbekistan. This aims to be used in the allocation of funds to improve the effectiveness of efforts aimed at reducing poverty, or to solve the problems of social groups at the local level. These analyzes are used to understand the factors of income distribution and to identify and develop the necessary measures.

World Bank poverty rate assessment methodology⁵

The only global standard assessment methodology that makes it possible to compare the poverty level of the World Bank internationally	\$5.50 for countries with a higher income level than average
	\$3.20 for countries with lower income levels than average
	International poverty line \$1.90

From the results, it turned out that the poverty rate in most regions of Uzbekistan is 3.2 dollars per day. This is a somewhat lower figure than in other countries of Central Asia (Tajikistan, Kyrgyzstan). In some regions of Uzbekistan, income is unevenly distributed. High levels of poverty are observed in Tashkent, Samarkand, Surkhandarya, Andijan, and some districts of the Republic of Karakalpakstan. The lowest share of the middle-class population in the total population also falls in Samarkand, Surkhandarya, Andijan, Syrdarya, Tashkent, Khorezm, and some districts of the Republic of Karakalpakstan.

It should be said that since 2020, when it was recognized that there was this problem in our country, special attention has been paid to the issues of poverty reduction in Uzbekistan. A separate public body, the Ministry of Economic Development and Poverty Reduction, was established in this area.

Let's look at multidimensional poverty indices developed by experts in the development of human potential at the University of Oxford. Multidimensional poverty index (MPI) covers all aspects of life, including the use of unappreciated indicators such as health, education, living conditions, personal security, competencies, etc. The breast is recommended differently in terms of the proportion of men, women, and children. Multidimensional poverty assessment is primarily common in countries with low levels of economic development that do not collect statistics on the income and expenses of their population. A number of countries at an average economic level are advised to use MPI as an additional indicator.

MPI indicates the average number and denominational level of the poor. The main problem in calculating multidimensional poverty at the national level is the implementation of measures for choosing the priorities to be carried out, as well as the identification of the necessary indicators and their descriptions. For this, interagency cooperation must be well established. It is desirable that all

⁵ Prepared on the basis of data from the World Bank.

the priorities of public policy be aimed at reducing poverty and inequality. According to international recommendations, the following criteria are used to calculate the Multidimensional Poverty Index:

Multidimensional poverty index criteria⁶

Health	1. Family members are malnourished. 2. In the last five years, the family had a child who died of illness.
education	3. Each member of the family received at least six years of primary education. 4. A child of school age does not go to school.
Living conditions	5. Inability to use electricity 6. The lack of access to clean drinking water or the fact that sources of clean drinking water are more than 30 minutes on foot 7. Lack of sewage or access to a hostel only in public places 8. The use of fuel (gas, furnace) for cooking 9. Materials of the dwelling (made of soil, clay, sand, etc.) 10. There is no car in the household, and only one of the following is available: radio, TV, phone, or computer.

In the countries of the European Union, the underprivileged layer of the population is defined as having the material deprivation to buy certain goods so that they can live a normal life. In these countries, control was mainly carried out on the following:⁷

1. availability of debts (mortgage or lease, utility payments, or become-become payments);
2. normal heating of housing;
3. solvency for unforeseen expenses;
4. the opportunity to eat meat, chicken, fish, or vegetarian dishes;
5. a weekly vacation from home every year;
6. personal car;
7. Color TV
8. washing machine
9. telephone

That being said, some of the indicators on this list have lost their importance due to the change in the standard of living of the population in EU member states. For example, a washing machine, color TV, or phone are no longer on the lists.

Since 2016, a new set of defining material denominators has been developed and approved:

1. the ability to use a computer and access the internet for personal extirpation at home;
2. replacing worn furniture;
3. replacing worn clothes with new ones;
4. buying two pairs of shoes (including any weather-friendly shoes);

⁶ Human Development Reports (UNDP). URL: <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>.

⁷ <https://core.ac.uk/download/pdf/230566768.pdf>

5. dinner together with friends or relatives at least once a month (lunch);
6. regular participation in recreational and recreational activities;
7. Spend a small amount of money on three of their needs every week.

Data for Types 1 and 2 in the list is collected for the entire household, from 3 to 7, by individual individuals.

In our opinion, according to the criteria of this index, we believe that the possibilities of clarifying the poorer layer of the population in our country increase and make it possible to draw up specific strategic plans on this issue.

In order to determine the strategic goals of poverty reduction in the medium and long term, together with experts from the World Bank and the UNDP, the project "Poverty Reduction Strategy in the Republic of Uzbekistan by 2021–2030" was developed. In order to properly implement this project in Uzbekistan, it is definitely necessary to take the demographic situation into account. Scientists believe that the tested, correct, and most effective way to eliminate poverty is to increase the level of employment in the population. For people, creating jobs that are worthy of them and have a high income is a bold step towards the goal. To do this, it is necessary to create conditions for entrepreneurship in rural areas—a favorable environment for business. According to our president, poverty reduction means awakening the entrepreneurial spirit in the population, fully realizing the internal strength and potential of a person, and implementing a comprehensive economic and social policy to create new jobs.⁸

With the number of professionals entering the labor market, the number of available jobs is disproportionate to each other. People remain unemployed because there is not enough job creation. Due to this, there was a need for external labor migration. In this way, the "surplus" labor force in Uzbekistan is seeing its day. From experience, it is known that 80–90% of the working population turns out to be not entrepreneurs but people who are hired by the same entrepreneur or state enterprises and agencies. And to solve this issue, we consider it important to develop the financial literacy of the population.

Conclusion and suggestions

From the types of labor, it is necessary to develop workmanship. In this case, it is difficult to create the opportunity to use financial resources for the purchase of modern machines, equipment, raw materials, and other materials. It is necessary to help them find customers and expand their cooperation with business entities.

It is also necessary to offer persons in need of employment the types of loans offered by banks for the development of private entrepreneurship, including the expansion of the system of professional training, retraining, and professional development and the creation of optimal conditions taking into account the needs of the market.

It is difficult to dramatically increase the volume of production of goods and services per capita, that is, labor productivity, by increasing the real income and purchasing power of the population without correctly establishing the social division of labor.

⁸ Prepared on the basis of data from the World Bank. Appeal of the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, to the Supreme Assembly <https://www.gazeta.uz/uz/2020/01/24/president-speech/>

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