



Volume: 69 / 2026
Economy and Innovation
ISSN: 2545-0573

For more information contact: editor@gospodarkainnowacje.pl

THE IMPORTANCE AND ROLE OF STATE PROGRAMS IN POVERTY REDUCTION

Toyirov Shokhboz Ziyodullo ugli

independent researcher of the Academy of Banking and Finance of the Republic of Uzbekistan

ARTICLE INFO.

Keywords: poverty, social protection, labor market, employment, social policy, minimum consumer spending, economic growth, multidimensional poverty (MPI)

Abstract

The article highlights that poverty reduction is one of the most important, priority, and multidimensional directions within Uzbekistan's strategy for sustainable socio-economic development and occupies a central place in the system of large-scale reforms implemented in the country. The study substantiates the necessity of systematically regulating this process by the state, analyzing poverty as a multifactorial phenomenon, developing new mechanisms of social protection, and aligning them with international standards.

<http://www.gospodarkainnowacje.pl/> ©2026 LWAB.

Introduction

Currently, poverty and destitution represent complex, multidimensional, and descriptive global problems. When distinguishing between the terms poverty and destitution, it should be noted that there is no universally accepted and unified definition of these concepts worldwide. Each country characterizes poverty based on its own established criteria.

In recent years, systematic measures to reduce poverty have been implemented in Uzbekistan at the initiative of the President of the Republic of Uzbekistan. In this regard, the "mahalla-based" working system, the expansion of social programs such as "From Poverty to Prosperity", the development of modern vocational training centers, and the support of private entrepreneurship occupy a central place [1].

For the first time in Uzbekistan, the issue of poverty was raised in the Address of the President of the Republic of Uzbekistan to the Oliy Majlis on January 24, 2020, bringing this topic to the forefront of socio-economic policy. In this regard, the Head of State proposed a distinctive approach, stating that:

"Reducing poverty does not mean simply increasing salaries or benefits or issuing loans to everyone. First of all, it is necessary to train the population in professions, increase financial literacy, stimulate entrepreneurial spirit among people, improve infrastructure, ensure education for children, provide quality healthcare, and introduce a system of targeted social assistance". Literature Review

The theoretical approach of Milton Friedman plays an important role in understanding the relationship

Kielce: Laboratorium Wiedzy Artur Borcuch



International Journal of Economy and Innovation | Volume 68 | Gospodarka i Innowacje
 between the volume of credit operations conducted by commercial banks and the stability of money circulation [4]. According to Friedman, excessive lending may increase inflationary pressure, reduce the value of money, and threaten economic stability. Therefore, strict and effective mechanisms of control over money supply and bank credit issuance should be implemented by the central bank. His concept of a “stable demand for money function” is based on the idea that the growth of money supply must be proportional to the needs of the economy and occur in a stable and predictable manner. This view is consistent with the ongoing institutional reforms in Uzbekistan, including the implementation of ICAAP, stress-testing frameworks, and Basel III standards [5].

In his scientific work, V. Usoskin examined important aspects of the lending mechanism used by commercial banks and formulated several scientific conclusions. One of his key findings is that opening credit lines for borrowers can significantly reduce risk levels. According to Usoskin, the use of compensating balances in credit line financing allows banks to provide loans to clients at relatively lower interest rates, thereby reducing credit risk and increasing the likelihood of loan repayment [6].

Research conducted by various economists also indicates that commercial banks widely apply several instruments to reduce credit risk, including the use of highly liquid collateral, insurance mechanisms, credit limits, and standardized approaches to credit risk assessment.

When providing loans for investment projects, it is also important to consider the risk of technological obsolescence. According to Robert Solow, if a bank provides credit to enterprises operating with outdated technologies, such firms may fail to compete in the market, increasing the probability of default and credit risk [7].

Research Rivew

Many classical and neoclassical economists and Nobel Prize laureates such as D. Ricardo, R. Solow, A. Sen, and A. Deaton conducted theoretical and empirical studies on the relationship between income inequality, poverty, and economic growth. Based on the analysis of factors such as gross domestic consumption, technological development, labor productivity, population health, tax base, and other indicators, they theoretically proved that societies with lower levels of poverty tend to demonstrate higher economic growth rates.

The Nobel Prize laureate in economics G. S. Becker justified in his theory that investments in human capital, both by the state and the private sector, are an economic necessity. According to him, investments directed toward education, healthcare, and workforce development not only protect citizens from poverty but also contribute to the creation of new technologies, ultimately yielding significant long-term benefits [2].

Human development is inversely proportional to the category of poverty, and its advancement helps reduce the need for social protection programs. Although financing the social sector does not directly eliminate poverty, it protects the population from falling into poverty in general. At the same time, it reflects long-term plans and creates favorable conditions for the development of human potential [3].

Today, within the framework of the United Nations Sustainable Development Goals (SDGs), which include 193 member states, eliminating poverty and hunger by 2030 has been identified as a primary global objective. There are numerous ways to achieve this goal, one of which is strengthening social protection systems [4].

Economists and researchers from Russia and other CIS countries have also conducted studies on poverty reduction and expressed their views. For instance, according to Maxalina, “A social state is always responsible for providing assistance to people. In a modern social state, citizens must be provided with opportunities and mechanisms to overcome poverty and deprivation, and this is considered a social norm” [5]

Researchers of the World Bank have identified that economic growth can be limited by the absence of economic freedoms. Economic liberalization requires expanding property rights for the poor, particularly land ownership rights. Inefficient institutions, corruption, and political instability weaken investment, while grants and government support directed toward healthcare, education, and infrastructure contribute significantly to economic growth by increasing human and physical capital [6-7].

Research Methodology

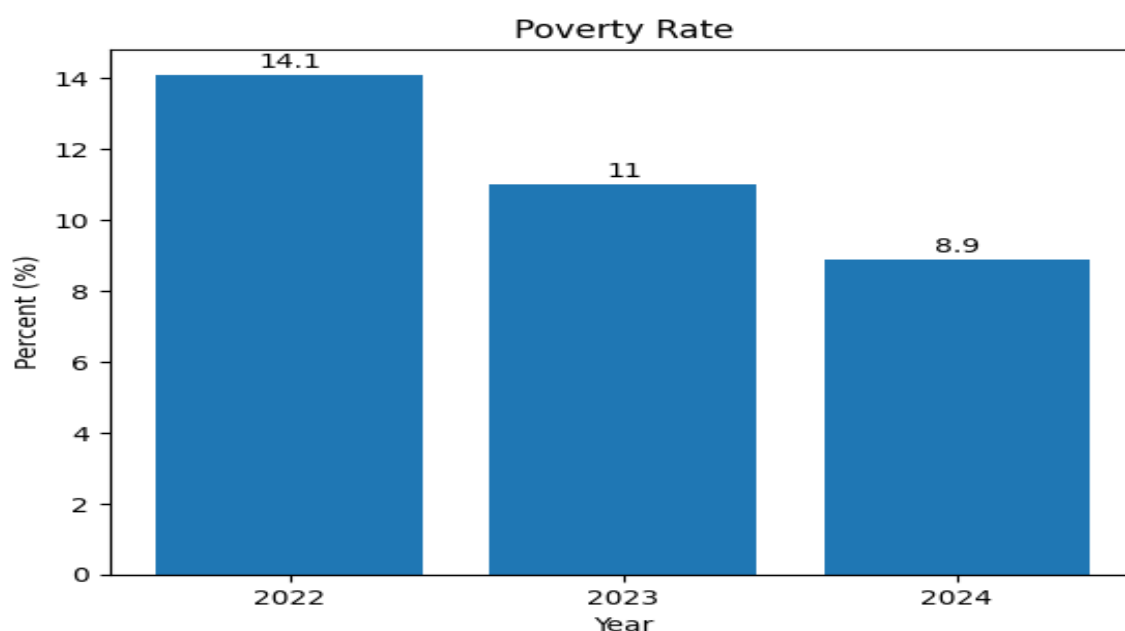
This study employs a mixed-method research approach combining qualitative and quantitative analysis to examine poverty reduction policies in Uzbekistan. Statistical data from the Statistics Agency under the President of the Republic of Uzbekistan, international organizations, and official government reports were analyzed to assess poverty dynamics during 2022–2024. Comparative analysis and descriptive statistical methods were used to evaluate changes in poverty levels and the effectiveness of social protection mechanisms. The findings are interpreted through the lens of socio-economic development theories and poverty reduction strategies widely discussed in the economic literature.

Main Part

Reducing poverty is considered a priority direction in the sustainable development strategy of every country and represents one of the most important components of socio-economic policy. This is because high levels of poverty directly affect not only public welfare but also labor market stability, human capital development, economic growth rates, and social equality. Therefore, in recent years Uzbekistan has consistently implemented medium- and long-term programs aimed at poverty reduction, regional development strategies, and targeted social protection systems. Through these programs, the goal is not only to provide assistance to low-income populations but also to reintegrate them into economic activity, create sustainable income sources, improve infrastructure and service quality, and expand educational and professional opportunities. Such a comprehensive approach enables poverty reduction not merely through compensatory assistance but through systematic economic mechanisms, institutional reforms, and strategic investments in human capital. From this perspective, anti-poverty programs play a decisive role in the country's long-term development trajectory [8-9].

Between 2022 and 2024, the poverty rate in Uzbekistan steadily declined from 14.1 percent to 8.9 percent, reflecting the recovery of the economy in the post-pandemic period, expansion of the labor market, and the strengthening of social policy through targeted mechanisms. The relatively high level of 14.1 percent in 2022 was influenced by external factors such as disruptions in global supply chains, rising price levels, and reductions in employment. However, the sharp decrease to 11 percent in 2023 indicates the recovery of economic activity, increased government budget expenditures directed toward social sectors, and improvements in targeted assistance mechanisms through the mahalla-based system. By 2024, the reduction to 8.9 percent can be explained by the digitalization of social protection systems, stronger intersectoral coordination in job creation, and real growth in household incomes [10].

These processes demonstrate that Uzbekistan's poverty reduction strategy is gradually becoming more effective and that economic policy is increasingly adapting to an inclusive growth model.

Figure 1. Poverty rate in 2022–2024 (percent) (Statistics Agency)

Over the three-year period, the number of people living in poverty amounted to 3.3 million in 2024, while approximately 719 thousand people per year were recorded as moving out of poverty. This annual reduction indicates a significant increase in the effectiveness coefficient of anti-poverty policies. In particular, while compensatory assistance dominated in 2022, the years 2023–2024 prioritized mechanisms that stimulate economic activity, including self-employment systems, family entrepreneurship programs, and the expansion of vocational retraining centers [11].

The poverty threshold in 2024 was set at 621 thousand UZS per capita per month, reflecting an improved methodological approach based on inflation rates, the value of the minimum consumption basket, and real expenditure structures. Compared with the threshold defined in 2022, the normative indicator for 2024 more accurately reflects real living conditions and serves as a basis for targeted distribution of social assistance. At the same time, maintaining proportionality between the nominal increase of the threshold indicator and the real incomes of the population remains important for economic policy [12].

Statistical data for 2022–2024 show that anti-poverty measures in Uzbekistan have shifted from short-term compensatory support toward systematic economic transformation, confirming the effectiveness of the country's medium-term sustainable development strategy.

Comprehensive analysis indicates that the steady reduction in poverty levels in Uzbekistan during 2022–2024 is the result of economic reforms, improvements in targeted social protection mechanisms, and programs aimed at expanding employment opportunities. Strategic state programs have approached poverty not merely as a lack of income but as a multidimensional socio-economic problem, strengthening structural approaches to its solution [13].

Regional development initiatives such as the “Mahalla-based system”, along with digital monitoring platforms including the “Iron Notebook,” “Youth Notebook,” and “Women’s Notebook,” have improved the accuracy, transparency, and efficiency of assistance. Diversification of the labor market, support for self-employment, and professional retraining programs have contributed to increasing the economic activity of vulnerable population groups [14].

Thus, poverty reduction policy in Uzbekistan is becoming an important component of the broader process of economic transformation, creating a strategic foundation for sustainable growth, strengthening human capital, and ensuring social justice.

Table 1. Poverty Reduction Programs and Their Implementation Stages

| Indicators | Medium-term programs (3–5 years) | Long-term programs (10–15 years) |
|-------------------|---|--|
| Objective | Achieving rapid socio-economic results | Achieving sustainable development through structural reforms |
| Scope | Practical projects at the mahalla, district, and regional levels | Reshaping the overall model of the national economy |
| Tasks | Increasing employment and improving social assistance mechanisms | Developing human capital, economic diversification, and digitalization |
| Mechanisms | Iron Notebook, Women’s Notebook, Youth Notebook, mahalla-based system | Long-term macroeconomic strategies, education and healthcare reforms |
| Result timeframe | Produces noticeable results in the short term | Results emerge gradually over a long period |
| Monitoring system | Quarterly and semi-annual evaluation | Periodic monitoring every 3–5 years with national indicators |
| Adaptability | Quickly adapts to economic changes | Strategic directions remain stable |
| Main directions | Employment, development of small business, social protection | Innovation, technology, human capital, economic diversification |
| Resources | Mainly budget and local resources | State, international organizations, long-term investments |
| Examples | Regional poverty reduction program (2021) | Poverty Reduction Strategy for 2021–2030 |

Medium- and Long-Term Poverty Reduction Programs in Uzbekistan

The medium- and long-term development programs designed to reduce poverty in the Republic of Uzbekistan are recognized as an important component of the country’s socio-economic strategy. Medium-term programs generally cover a period of 3–5 years, and their strategic objective is to ensure short-term socio-economic effects, increase regional employment, and significantly improve the welfare of the population by optimizing social protection mechanisms.

These programs include targeted practical projects at the mahalla and district levels, performing functions such as stimulating employment, diversifying income sources, and expanding economic activity. Based on the principle of targeted support, databases such as the “Iron Notebook” (Temir daftar), “Women’s Notebook” (Ayollar daftari), and “Youth Notebook” (Yoshlar daftari) are formed, while the mahalla-based working system ensures the systematic and traceable implementation of policy measures [15].

The results are noticeable in the short term, and monitoring and evaluation mechanisms are carried out

International Journal of Economy and Innovation | Volume 68 | Gospodarka i Innowacje quarterly and semi-annually. These programs demonstrate a high level of adaptability to economic fluctuations and ensure efficient allocation of resources. Their main directions include increasing employment, developing small and medium-sized enterprises, and optimizing social protection mechanisms.

The successful implementation of poverty reduction programs plays a key role in transforming their strategic objectives into tangible outcomes. This process consists of several integrated stages, each of which contributes to improving program efficiency and systematically addressing regional socio-economic problems.

The sequence of stages begins with identifying and assessing problems, followed by defining goals and objectives, designing policy measures, implementing them in practice, and developing monitoring and evaluation mechanisms. From this perspective, a comprehensive analysis of implementation stages is considered an important scientific and practical task that contributes not only to optimizing program outcomes but also to achieving sustainable poverty reduction, strengthening the social protection system, and ensuring social justice across regions.

Figure 2. Stages of developing effective poverty reduction programs



The implementation of state programs aimed at reducing poverty requires a complex, integrated, and multidisciplinary mechanism aligned with the country's socio-economic development strategy, the mahalla-based working system, and international standards.

During the initial analytical stage, which forms the analytical foundation of the program strategy, the level of poverty in regions, districts, and mahallas is identified in detail through scientific-analytical and statistical methodologies. The major socio-economic challenges of low-income, socially vulnerable, and economically disadvantaged population groups are mapped according to regional, sectoral, and demographic parameters.

At this stage, indicators such as income insufficiency, low employment levels, and limited access to education and healthcare services are analyzed systematically and quantitatively. Integrated databases such as the Iron Notebook, Women's Notebook, and Youth Notebook make it possible to identify vulnerable groups, conduct digital monitoring, and perform real-time statistical observation. This, in turn, enables the strategic mapping of "growth points" across regions and allows for optimized and targeted allocation of resources, thereby increasing economic efficiency and sustainability.

Conclusion

For Uzbekistan, ensuring effective employment and reducing poverty is considered a priority direction for

International Journal of Economy and Innovation | Volume 68 | Gospodarka i Innowacje
addressing current socio-economic challenges. Therefore, the following conclusions can be highlighted in regulating this activity:

- Social assistance programs serve as an effective tool for smoothing consumption levels among low-income households.
- Considering the high potential of the country's labor resources, temporary or fixed-term public works programs, especially in agricultural production, should be expanded.
- Reducing refinancing rates can stimulate the creation of new jobs and increase business activity.
- Developing small business and entrepreneurship will contribute to returning unemployed citizens to active economic activity.

In addition, in the process of reducing poverty and expanding microcredit mechanisms for socially vulnerable groups in Uzbekistan, it is considered appropriate to place greater emphasis on supporting women, as this can significantly enhance both economic participation and household welfare.

References

1. O'zbekiston Respublikasi Prezidenti, "Kambag'allikni qisqartirish va aholini ijtimoiy qo'llab-quvvatlash chora-tadbirlari to'g'risida", PQ-330-son qaror, 23-sentabr 2024-yil.
2. B. Z. Batova, L. O. Aslanova, M. V. Alikava, and A. M. Gubachikov, "Problemy finansirovaniya obrazovaniya v Rossii," *Fundamentalnye Issledovaniya*, no. 5-3, pp. 546-550, 2016.
3. D. Ricardo, *On the Principles of Political Economy and Taxation*. London, U.K.: John Murray, 1817.
4. G. S. Becker, "Investment in Human Capital: A Theoretical Analysis," *Journal of Political Economy*, vol. 70, no. 5, pp. 9-49, 1962.
5. S. Alkire and S. Jahan, *The New Global Multidimensional Poverty Index*. Oxford, U.K.: Oxford Poverty and Human Development Initiative (OPHI), 2018.
6. J. P. Tursunov, "Ijtimoiy himoyaga muhtoj ayrim toifadagi shaxslarga nafaqalar tayinlash va to'lash mexanizmini takomillashtirish," *Iqtisodiy taraqqiyot va tahlil ilmiy elektron jurnali*, vol. 5, pp. 675-682, 2024.
7. O. M. Makhalina and V. N. Makhalin, "Strategies for Poverty Reduction in the Modern Social State," *Management of the Personnel and Intellectual Resources in Russia*, vol. 11, no. 4, pp. 45-52, 2022.
8. O'zbekiston Respublikasi Prezidenti huzuridagi Statistika agentligi, "O'zbekiston Respublikasida kambag'allik ko'rsatkichlari bo'yicha statistik byulleten", Toshkent, 2024.
9. United Nations Economic Commission for Europe (UNECE), *Guide on Poverty Measurement*. New York-Geneva: United Nations, 2017.
10. United Nations Development Programme (UNDP), *Human Development Report 2023/2024*. New York, NY, USA: UNDP, 2024.
11. World Bank, *Poverty and Shared Prosperity 2022: Correcting Course*. Washington, DC, USA: World Bank, 2022.
12. A. Deaton, *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton, NJ, USA: Princeton Univ. Press, 2013.
13. R. Solow, "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics*, vol. 70, no. 1, pp. 65-94, 1956.
14. A. Sen, *Development as Freedom*. New York, NY, USA: Oxford Univ. Press, 1999.
15. World Bank, *Uzbekistan Poverty Assessment: Toward a New Social Protection System*. Washington, DC, USA: World Bank, 2023.