



## Mechanisms for Using Non-Standard Methods in Poverty Reduction

*Kulmatov Primkul Melikuziyevich*

*Doctor of Philosophy of the "Social Sciences" Department of JizPI, associate professor*

**Annotation:** In this article based on the level of socio-economic development of the country, it is considered to be determined separately based on the consumption and income of people.

**Keywords:** Income, "Poverty", Consumption, macroeconomic stability, inflation, development, market mechanisms in Uzbekistan, economic growth, poverty reduction, sustainable development, labor market, human capital, single register of social protection, family entrepreneurship.

### INTRODUCTION

Poverty, which is a feature of the economic situation of each person or social group, implies that people can satisfy a certain amount of minimum needs necessary to maintain life, work ability and leave their descendants. "Poverty" is a relative and vague concept that depends on the general standard of living in a given society <sup>1</sup>.

Measuring poverty using income or consumption has a long tradition. Although consumption is generally preferred in developing countries because consumption is less volatile than income. Therefore, consumption is considered as the best indicator of the standard of living. In practice, consumption is generally easier and more accurately measured than income in countries with relatively low levels of participation in formal labor markets <sup>2</sup>.

Research shows that many sources of poverty use consumption rather than income. Consumption is already a one-time result that does not require calculations of discretionary income. In addition, rural areas experience higher seasonality of income, while consumption fluctuates less. In addition, developing countries have a high share of the informal economy in the economy, which complicates the collection of income data.

### ANALYSIS AND RESULTS

Poverty reduction requires the implementation of the following measures at the Government level in each country:

- ✓ creation of conditions for the increase of monetary income of the population by expanding production;
- ✓ use of the progressive taxation method in order to introduce the principles of socially oriented market economy and to distribute income fairly between high and low income persons;
- ✓ maintaining macroeconomic stability;
- ✓ anti-inflation policy;

<sup>1</sup> <https://www.20min.ch/story/held-kritisiert-armut-in-der-schweiz-527333294386>

<sup>2</sup> A Measured Approach to Ending Poverty and Boosting Shared Prosperity. Policy Research Report

<https://openknowledge.worldbank.org/bitstream/handle/10986/20384/9781464803611.pdf?sequence&isAllowed=y>



- ✓ setting the minimum wage in the amount of at least 40 percent of the average wage (Keytts index);
- ✓ development of social programs and their implementation mechanisms;
- ✓ control of the economic immigration of the population from regions with low development (reducing the import of poverty).

At the new stage of reforms based on the principles of wide introduction of market mechanisms in Uzbekistan, reducing the role of the state in the economy and increasing the efficiency of the next work on expanding the participation of the private sector requires the development of a clear, transparent and result-oriented mechanism of economic management.

The tasks of improving the living standards and quality of the population in the regions, in particular, reducing poverty, are to a large extent directly related to the creation of new and stable jobs at the expense of increasing the competitiveness of all branches and sectors of the economy and creating fundamental conditions for the development of entrepreneurship.

The Ministry of Economic Development and Poverty Alleviation was established in order to introduce a system of implementation of the optimal state policy on poverty reduction in the republic. One of the tasks of the Ministry was to reduce poverty, and in this regard, it was decided to implement the following:

- ensure the inclusiveness of economic growth, develop, implement and coordinate strategies and programs for poverty reduction in cooperation with state administration bodies, non-governmental non-profit organizations, public organizations and international financial institutions and foreign government financial organizations;
- development of specific levers and mechanisms of poverty reduction, development and implementation of criteria and assessment methodology for determining the level of poverty, minimum standards and normative frameworks of social security, taking into account foreign experience;
- implementing measures to achieve national goals and objectives in the field of sustainable development, developing a methodology for calculating the minimum living wage and the minimum consumption basket, and carrying out systematic work on the study of income stratification of the population and ensuring their compatibility with state target programs;
- carrying out work on mutual compatibility in terms of qualitative development of the labor market and its composition, analysis and improvement of labor migration processes, and distribution of labor resources;
- development and implementation of human capital development programs.

In the regions, the first practical work on reducing poverty will be carried out in the "neighborhood" style. Including:

- preliminary list and neighborhood passports are formed based on the study of the living conditions and social situation of each household and family in the neighborhoods;
- by separating this layer of the population into groups that should be provided with direct material and non-material support or whose income can be increased through vocational training and entrepreneurship training, as well as determining the necessary resources and measures based on the specific characteristics of the regions are developed and implemented.



A new procedure for assigning and paying social allowances and material assistance to low-income families was gradually introduced in the Republic through the information system of the "Unified Register of Social Protection".

In the context of the pandemic, on the basis of the measures implemented to ensure the employment of the population and social support, the head of each sector started to maintain a register of support for needy families - an "iron register".

"Temir Daftar" is a transparent list formed in the neighborhood of needy families who are unemployed and without income during the quarantine. Residents included in this list are continuously provided with necessary assistance. Material and social support will be given to these families in order to relieve the poor population. This financial assistance was implemented in accordance with the "Temporary Order" of creating a source of income for families whose social situation and living conditions have worsened in the context of the coronavirus pandemic, approved by the Prime Minister of the Republic of Uzbekistan and the head of the Presidential Administration on June 16, 2020.

Formation of the list of entrants to "Temir Daftar" is carried out through the neighborhood. In this case, talking with family members in need of social care, it is determined that they have the desire, desire and potential to engage in work, and they are divided into the following groups:

1. Setting up activities within family business programs.
2. Establishing activities in the field of handicrafts.
3. Involvement in public works.
4. Self-employment in agriculture and other fields.
5. Employment in investment projects in industry and services.
6. Employment in agricultural production and processing projects.
7. Provide employment through replanting of fallow land and development of fallow land.
8. Placement of work in the construction facilities carried out at the expense of centralized resources.
9. Employment in housing construction facilities.

Within the framework of family entrepreneurship programs, it is determined that the families studied have the inclination and opportunity to engage in entrepreneurship. To the families with inclination to family entrepreneurship, the heads of the sector together with the chairman of the neighborhood citizens' gatherings were given a recommendation for a loan by a commercial bank. In accordance with the "Temporary Order", the loan funds of "Agrobank", "People's Bank" and "Mikrokreditbank" will be directed to support family entrepreneurship (Fig. 3.1).

The head of the sector will help families who want to start their activities in the form of individual entrepreneurship (YATT) or family entrepreneurship to carry out state registration and after state registration, get **a loan in the amount of 1000 times the amount of the base calculation**. A commercial bank employee attached to the sector helps prepare the business plan, collateral and other relevant documents of the family business project and submits it to the attached bank branch. In this case, in case of insufficient security, the Bank will apply for the need to use the guarantee of the State Fund for the Support of Entrepreneurial Activities. The fund provides up to 50% of the loan amount.



Families with a desire to engage in handicrafts are formed by MFY chairpersons and presented to the head of the sector. The district "Craftsman" association presents the list of district craftsmen to the head of the sector. The head of the sector, the chairman of the MFY, the head of the "Hunarmand" association, on the basis of **the "Master-disciple" principle, connects** representatives of needy families with an inclination to handicrafts to officially registered craftsmen from the association. No more than 10 apprentices are attached to one craftsman. Also, the district (city) Center for Assistance to Population Employment envisages the systematic organization of crafts through the conclusion of a tripartite contract ( Fig. 3.2).

According to the analysis, during the past period, on the basis of the information included in this database, the citizens were provided with material support, employment, retraining for a new profession, granting preferential loans and subsidies, and creating opportunities for effective use of private land.

100.0 billion in the financial year 2020 from the Anti-Crisis Fund under the Ministry of Finance to finance measures to reduce the level of poverty in Uzbekistan. Soum funds were allocated.

We would like to draw attention to the situation in neighboring countries regarding minimum consumption costs. For example, the minimum living wage in Kazakhstan is 31,982 tenge (783,000 soums)<sup>3</sup>.

It was decided to introduce a new mechanism to reduce poverty in the republic based on the principle of "motivation, skills and financial support". The most important factor for getting out of poverty is the desire of a person, relying on his own strength, and moving towards a specific goal.

In 2021, more than a thousand vocational training centers will be established in neighborhoods. For each person trained in the profession, training centers will receive a subsidy of up to 1 million soums, and 100 billion soums will be allocated from the budget for this purpose. Citizens who want to start their own business after completing training courses in vocational training centers will be given subsidies of up to 7 million soums for the purchase of equipment.

Depending on the potential of the regions and the direction of development, the families engaged in agriculture will be allocated plots of land from 10 hectares to 1 hectare.

## CONCLUSION

At this point, it is noteworthy that after South Korea, which is one of the developed countries and one of the country's strategic partner countries, was recognized as a poor country, efforts aimed at the country's development prospects began. This is mainly related to sustainable economic growth as a result of implementing deep structural changes, introducing market mechanisms, reforming the agrarian sector, especially the land ownership system, and conducting a policy of external openness. In March 1950, the "Agricultural Land Reforms" law allowed land to be transferred directly to the population, farmers to own land and fight against poverty. Also, the first step taken for the development of the country was the cancellation of the debts of the population in rural areas and the allocation of subsidies for the economically disadvantaged and able-bodied population. At this stage, the most important task is to increase the production of agricultural products and ensure economic growth in rural areas through institutional reforms in rural areas. As a result of these changes, between 1950 and 1960, the production of agricultural products averaged 5 percent per year, and the annual growth of real income per household was 8.5 percent<sup>4</sup>.

<sup>3</sup> <https://informburo.kz/novosti/vsemirnyy-bank-issledov-uroven-bednosti-v-kazahstane-tri-regiona-okazalis-v-zone-riska.html> ; <https://www.adb.org/sites/default/files/linked-documents/cps-kaz-2012-2016-pa-ru.pdf>

<sup>4</sup> <https://www.legco.gov.hk/yr04-05/english/sec/library/0405in34e.pdf>



International scientific centers note that it will take 2-3 years for the end of the coronavirus pandemic and the elimination of its negative effects on the economy. Based on this, it is important not to allow the population to fall into poverty during the pandemic. Therefore, the temporary unemployment allowance will be increased 3 times, and it is envisaged that the old bureaucratic procedure, which requires 6 documents, will be abolished.

Assessing the real situation in the regions regarding poverty reduction, monitoring the execution of the works being carried out, it was determined that the Oliy Majlis chambers and local Councils should be the focus of attention (Fig. 3.4).

In this case, it is necessary to pay special attention to the social spheres - education, health care system of the local state authorities, local councils in the regions . At the same time, it is appropriate to organize vocational training of the unemployed population, especially young people, on the basis of "neighborhood".

In order to solve the mentioned tasks, the heads of local state authorities, the district (city) mayor will develop a targeted program for reducing poverty in their territory, and report on its implementation to the people quarterly in local councils and through mass media. It was emphasized that this issue should become the primary task of all leaders and the main criterion for evaluating the performance of their work.

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