

## The Role of Total Income Indicator in Poverty Reduction in Uzbekistan

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**Abstract:** *This article examines the concept of total income of the population, scientific approaches to the issue of its distribution among various strata, poverty reduction in Uzbekistan using the example of state policy in recent years.*

**Key words:** *population income, total income, poverty, poverty reduction, Lorenz Curve, income distribution, inequality, nominal and disposable income.*

### Introduction.

The issues of income distribution among different strata of the population and the social welfare of the people have been relevant since ancient times. The description of the concepts of economic inequality is found in the Code of Hammurabi, the works of Thomas Aquinas, Aristotle, Jean-Jacques Rousseau and other philosophers.

The advancement of countries along the path of market reforms has intensified the process of stratification of society by income level. Economists and statisticians have continued to study the topic of distribution of the total income of society between different strata of the population, in particular, the fair and efficient distribution of income and wealth depending on the level of income.

As the issue of income distribution and social stratification has been studied, the role of the state in this issue has only increased. In order to solve the problem of poverty, countries have faced the need to measure the degree of inequality and assess the level of poverty in order to find ways to reduce them.

Today, the problem of poverty reduction is of concern to many countries in the world. Uzbekistan is a country that has responsibly approached the solution of this problem and is engaged in collecting statistical data that allows tracking the degree of effectiveness of the mechanisms implemented by the state aimed at reducing poverty.

The term "population income" is quite capacious and includes such components as - personal income of citizens, families and households, received in the form of cash. These include: wages, pensions, scholarships, benefits, and include: wages, pension, scholarship, allowance, income from the sale of goods produced in one's own farm, cash receipts in the form of boards for the services rendered services, royalties, income from the sale of personal property, renting it out [1].

**Methodology** The methodology for this research focuses on assessing the role of total income indicators in poverty reduction within Uzbekistan, emphasizing state policy and its measurable impacts over recent years. The study employs a mixed-methods approach, integrating quantitative and qualitative analyses to ensure comprehensive insights. Key data sources include national statistics, household budget surveys, and poverty measurement indicators aligned with international standards, such as the Lorenz Curve and purchasing power parity benchmarks. Quantitative data were systematically analyzed to track income distribution trends, poverty rates, and the impact of government interventions like wage increases and social benefits. Concurrently, qualitative analysis explored the narratives surrounding state policies, examining their alignment with broader socioeconomic goals. A significant component of the methodology involved cross-referencing international comparisons and growth elasticity models to contextualize Uzbekistan's progress in poverty reduction. This multifaceted approach allowed the study

to capture nuanced changes in income distribution and their correlation with poverty metrics. By focusing on structured policy evaluation, the methodology underscores the interplay between state-driven initiatives and economic outcomes. Findings from this methodological framework not only illuminate the effectiveness of targeted interventions in reducing inequality but also provide actionable insights for sustaining progress in poverty alleviation. The combination of robust statistical data and policy analysis ensures the results are both grounded in empirical evidence and relevant for shaping future strategies.

**Result** For a more accurate calculation of this indicator in economic theory, receipts are divided into separate categories.[2] (Fig. 1) [3]:

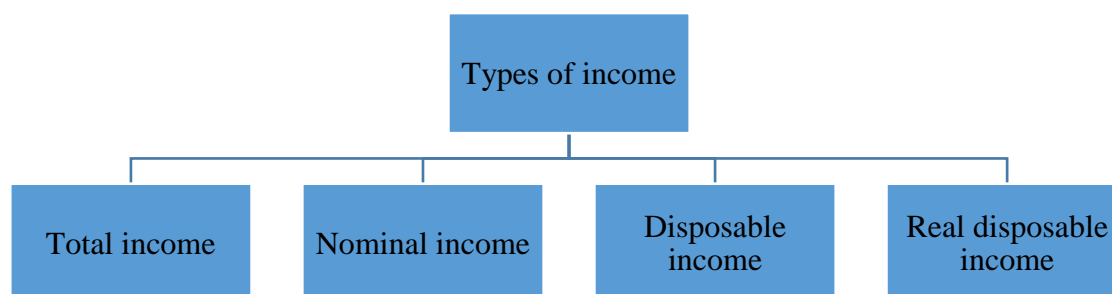
**total income** – the total value of all types of receipts in financial and natural form. As a rule, the majority of the population's income is in monetary form, but among the poor strata of the population, natural receipts also account for a significant share. Also, during an economic downturn, an increase in natural income can be observed among other strata of the population. The total income indicator allows taking into account all types of receipts;

**nominal income** – the total amount of financial receipts excluding taxes and fees. This indicator allows us to assess the level of financial receipts regardless of the tax system applied in the country;

**disposable income** – the money remaining after deducting all mandatory payments, taxes and fees from the nominal income. This is the money that an individual spends directly on consumption or savings. The growth of this indicator may indicate an increase in the standard of living and welfare of the population;

**real disposable income** – disposable income adjusted for the consumer price index. This income category allows us to evaluate not the amount of money, but its real value. This indicator characterizes the purchasing power of an individual at a certain income level.

**Fig. 1 Types of receipts**



Robert Kiyosaki, a famous publicist, in his book “Rich Dad, Poor Dad” defines the following types of income:

- earned income or what people get from work. This is one of the simplest and most obvious ways to earn income.
- passive income or money that comes through business, property, intellectual property, patents, etc. Receiving such income implies the formation of capital even if a person does not perform any work.
- portfolio income or money from stocks, mutual funds and other securities. By investing money in securities, a portfolio of stocks is formed that generates income [4].

The term "total income" first appeared in the United States of America.

Total income of the population is the gross income before deducting mandatory or other deductions. It includes both monetary income and income in kind, and consists of receipts that, as a rule, have the

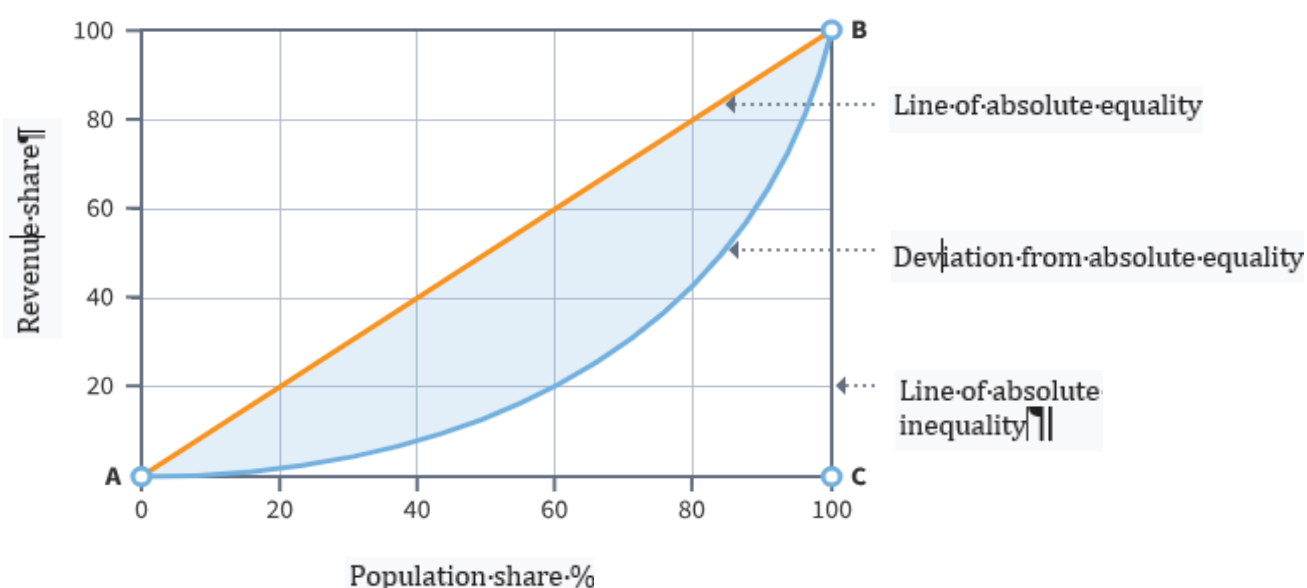
property of repetition and come to the household or its individual members on a regular basis, annually or at shorter intervals.[5].

The indicator of total income as an economic category significantly influences various processes, characterizes the purchasing power of the population, allows to provide for the life of the worker, and therefore is a guarantor of the reproduction of labor resources, provides solvent demand for goods and services at the macroeconomic level. The economic essence of the population's income is the distribution relations between the state and the population, the enterprise and the population, a group of people and an individual.

The distribution of total income among the population (low-income and high-income families) can be seen clearly using the Lorenz Curve, which was proposed in 1905 by the American economist Max Otto Lorenz.[6].

**Lorenz curve**— a graph showing the degree of inequality in the distribution of income in a society, industry, and the degree of inequality in the distribution of wealth. If we turn to the Lorenz curve, which shows the degree of inequality in the distribution of income in a society, then the graph or Lorenz curve will reflect the share of income that falls to different groups of the population, formed on the basis of the amount of income they receive. That is, the Lorenz curve is a cumulative distribution of the population and the income corresponding to this population. As a result, it shows the ratio of the percentage of all incomes and the percentage of all their recipients [7] (Fig. 2).

**Fig.2 Lorenz curve [8]**



The line of absolute equality is achievable in an ideal world, but in reality, the more the Lorenz curve deviates from the line of absolute equality, the greater the inequality in income distribution.

Since, from an economic point of view, poverty is characterized, first of all, by the level of consumption expenditure, and the aggregate indicator characterizes the purchasing power of the population, it can be concluded that these two concepts are closely related.

Poverty is a "marked decline in well-being." The poor are that portion of a country's population that does not have sufficient resources, or whose level of consumption is insufficient, to place that portion of the population above some relevant minimum threshold.

The social policy of most countries in the world that have faced the problem of poverty is based on the principles of social equality and contains elements of a strategy aimed at reducing the poverty of the population.

Considering the somewhat aggressive nature of the market economy, which leads to stratification of the population, the solution to this problem does not seem possible without government intervention.

### **Discussion**

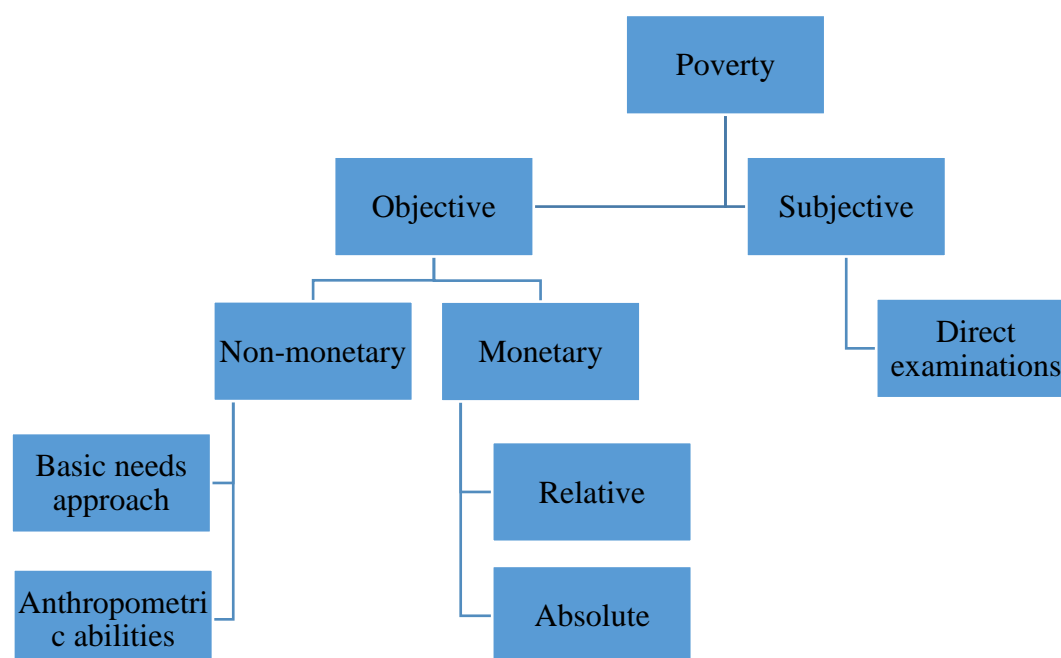
Since 2017, Uzbekistan has begun its active participation in International Comparison Program— a global initiative to develop comparable price data, coordinated by the World Bank under the auspices of the United Nations Statistical Commission (UN Statcom), since then Uzbekistan has begun the process of thoroughly revising its poverty measurement system.

In 2021, a new poverty measurement methodology was introduced, with the aim of halving the poverty rate by 2026.

Measuring poverty is necessary for several reasons (Figure 3):

- to compare poverty across different households and regions of the country.
- to compare poverty over time.
- to compare poverty between countries.
- for poverty monitoring.
- to determine a poverty reduction strategy.
- to assess the impact of the poverty reduction strategy.

**Fig.3 Measuring poverty [9]**



The indicators used to measure poverty in Uzbekistan allow us to consider the history of poverty reduction in the country in a global and regional context.

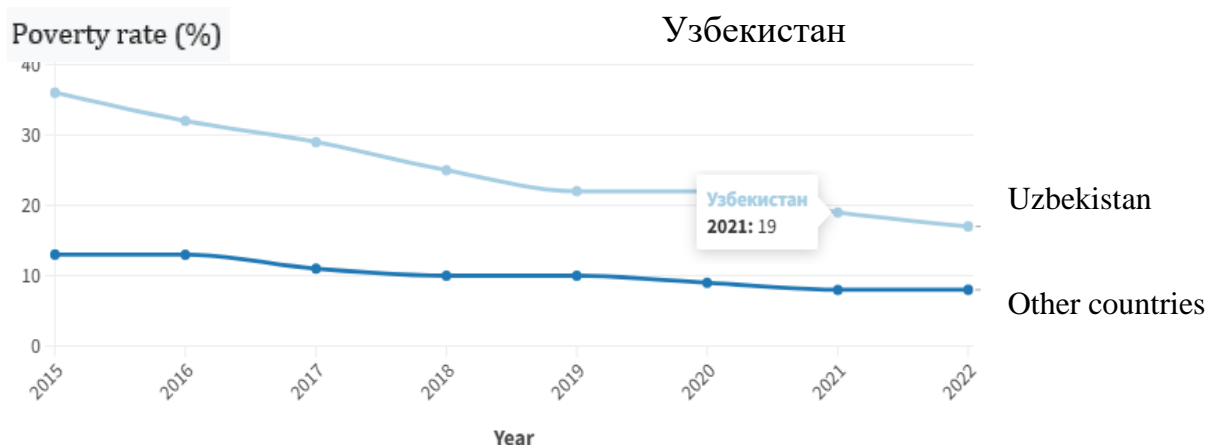
By 2022, Uzbekistan has successfully reduced the poverty rate (the proportion of the population living below the poverty line) to 5%, measured using the international poverty line for lower middle income countries (\$3.65 per person per day, at purchasing power parity (PPP) in 2017 prices).

Based on the Household Budget Survey data conducted in 2022, Uzbekistan has reduced the poverty rate by half since 2015 by international standards (Figure 1)[10] Projections for the period up to 2022 are based on the relationship between economic growth and poverty, also known as the growth elasticity of poverty.

### Diagram 1. Dynamics of poverty reduction in Uzbekistan

For several years, the social focus of Uzbekistan's policy has been linked to poverty reduction. The poverty rate in Uzbekistan, measured by the international poverty line for countries with high poverty rates, has fallen sharply from 36% in 2015 to 17% in 2022, with the rate of decline being faster than in the rest of Europe and Central Asia, where the rate fell from 13% to 8% over the same period.

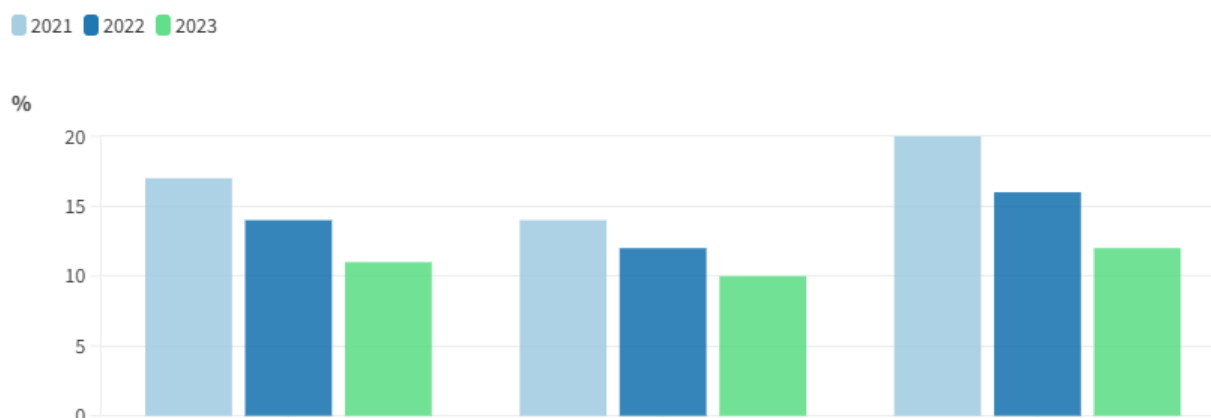
Poverty rate trend based on international poverty line for upper middle income countries (\$6.5 per day per person)



The main driver of poverty reduction was household income growth. Increases in wage income accounted for 60% of the progress in reducing poverty. Social benefits were the next most important factor, as the government modernized and expanded key support programs for certain groups of the population. Improvements in pension provision, however, had the largest positive impact among the various social benefits that households receive.

Statistical data for recent years clearly demonstrate the positive dynamics of state policy and measures taken to reduce social inequality. (Diagram 2).

**Figure 2. National poverty rate (%).**



### **Conclusion.**

Poverty has many dimensions, some of which are not immediately obvious but are deeply interconnected. Uzbekistan's ambitious goal of halving poverty in the next five years requires significant effort and investment. The role of think tanks in understanding the impact of policies on key aspects of poverty reduction is also important.

Successful implementation of various projects, including the Sustainable Rural Development project, will contribute to the creation of a favorable standard of living for rural residents and provide access to basic infrastructure, health care and education.

It is important to support marginalized communities, develop economic opportunities for their individuals, expand access to vital resources and strengthen opportunities to improve living conditions.

Thus, to maintain the high rate of poverty reduction in Uzbekistan, additional efforts by the government to increase the productivity of poor households are required. Reducing gaps in education and employment between households will be critical in efforts to curb rising inequality and further reduce poverty in Uzbekistan.

The Poverty Reduction Strategy in Uzbekistan for 2022-2026 is a complex and multi-tasking process led by the state represented by the Ministry of Economic Development, and also supported by international organizations: the World Bank and UNDP.

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