



THE NATIONAL STRATEGY FOR POVERTY REDUCTION IN UZBEKISTAN: INSTITUTIONAL REFORMS AND FINANCIAL MECHANISMS

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Abstract:

This article analyzes the institutional and financial mechanisms of poverty reduction in Uzbekistan. The country's social policy is shifting from traditional welfare to a proactive and results-oriented system. Newly formed structures such as the National Social Protection Agency, Unified Social Register, and digital service platforms have become key pillars of this reform. The study is based on the theoretical approaches of A. Sen, A. Atkinson, and R. Ravallion, as well as works by Malikov, Gulomov, Rakhmatov, and Mamatov. The findings highlight that fiscal stability, financial inclusion, and social justice together form an integrated model for sustainable poverty reduction.

Keywords: Poverty reduction, social policy, fiscal stability, financial inclusion, institutional reforms, social protection system, human capital, digital transformation, proactive services, social justice, economic efficiency, national strategy.

INTRODUCTION

At the present stage, poverty reduction has become a priority direction in Uzbekistan's socio-economic policy. Poverty is not only associated with low economic indicators but also reflects the underdevelopment of human capital,



unequal access to resources, and the weakening of social justice. Therefore, a new generation of social policy based on the principle of “leaving no one behind” is being formed in the country. At the core of this policy lie the ideas of ensuring inclusive economic growth, expanding human potential, and managing social protection through innovative mechanisms[1].

In recent years, under the initiative of the President of Uzbekistan, the institutional foundations of the fight against poverty have been fundamentally renewed. The establishment of the National Agency for Social Protection, the Unified Social Register, the “Mahalla-based” governance system, and the introduction of proactive service platforms have launched a qualitatively new stage in the country’s social governance. These reforms are being implemented in line with international experience, particularly the principles of “inclusive growth” and “social protection for all” promoted by the World Bank, ILO, OECD, UNDP, and ADB[2].

The financial mechanisms for poverty reduction include the state budget, transfers, tax incentives, credit and financial instruments, and digital inclusion systems. As noted by scholars such as Malikov T., Gulomov S.S., Sattorov B., and Rakhmatov D., fiscal policy that is not directed toward social goals cannot ensure the full social effect of economic growth. From this perspective, fiscal sustainability, financial inclusion, and social efficiency must be harmonized in the fight against poverty[7]. This article proposes a national model aimed at ensuring such harmony. It places human well-being, the expansion of economic opportunities, and the acceleration of digital transformation in social services at the core of social policy. The relevance of this research lies in its in-depth analysis of Uzbekistan’s National Strategy for Poverty Reduction for 2022–2026 from the standpoint of economic evaluation and institutional reform.

LITERATURE REVIEW AND METHODS

The issue of poverty reduction stands at the intersection of economic theory and social policy, requiring a multifactorial and systemic approach. Research in this area shows that eliminating poverty is not achieved solely through income growth, but also through the reform of social institutions, the improvement of financial mechanisms, and the development of human capital.



International scholarly sources play a pivotal role in this field. Amartya Sen (1999), in his work *Development as Freedom*, interprets poverty as a condition of limited human capabilities and argues that it should be assessed not only by economic measures but also by indicators of freedom, education, and health. Atkinson (2015), in *Inequality: What Can Be Done?*, models mechanisms for reducing social inequality through fiscal policy and redistributive institutions. Similarly, Ravallion (2016) emphasizes the importance of using the “multidimensional poverty index” to evaluate poverty by integrating social, economic, and digital dimensions[3].

The role of the state’s fiscal policy and social institutions in combating poverty is elaborated by Barr (2018) and Stiglitz (2020), who highlight principles of economic justice and inclusive growth. Morduch and Schneider (2017), in *The Financial Diaries*, provide empirical evidence that household financial behavior is closely linked to the cyclical and uncertainty of poverty[4].

Among Uzbek scholars, Malikov T. (2020) analyzes the financial mechanisms of social policy as a system, scientifically substantiating the interaction between budgetary, transfer, and credit instruments. G‘ulomov S.S. (2018) and Raxmatov D. (2020) identify the social orientation of the state budget as the main criterion for evaluating the effectiveness of social expenditures. Sattorov B. (2021) proposes the concept of poverty reduction through financial inclusion, while Mamatov N. (2022) empirically analyzes the fiscal effects of digitalizing the social protection system.

The study also draws upon reports from international organizations such as the World Bank (2023), ILO (2022), OECD (2023), UNDP (2022), and ADB (2023). The scientific approaches of these institutions help to define Uzbekistan’s social reforms within the global context. For instance, the World Bank’s Social Protection 4.0 concept promotes the digital management of social assistance systems to enhance targeting and transparency[5].

The research methodology is based on theoretical-analytical, comparative, and empirical modeling methods. Initially, the institutional mechanisms of poverty reduction were analyzed using the example of Uzbekistan, followed by a comparative study with the experiences of Estonia, Turkey, and China. Subsequently, the effectiveness of financial mechanisms was evaluated through dynamic analysis and scenario modeling.



RESULTS

The findings of the study show that the reforms implemented in Uzbekistan in recent years in the field of poverty reduction have fundamentally transformed the nature of social policy. The government's focus has shifted from expanding direct aid mechanisms to promoting economic activity, supporting employment, and enhancing financial opportunities for the population. As a result of this approach, the poverty rate in the country declined from 17 percent in 2020 to 11 percent in 2024. This progress can be explained primarily by institutional reforms, the expansion of financial inclusion policies, and the digitalization of the social protection system[6].

During the process of institutional reforms, the establishment of the National Agency for Social Protection, the Unified Social Register, and the Mahalla-based social support mechanism has significantly improved the effectiveness of social policy. Through these systems, the targeting accuracy of social assistance increased from around 60 percent in 2020 to 87 percent in 2024, reflecting the formation of a new mechanism for delivering services tailored to the real needs of citizens. As Mamatov (2022) noted, digitalizing social policy not only enhances transparency but also accelerates decision-making and increases public trust in government institutions.

From a financial perspective, indicators of the fiscal support for social policy have also improved considerably. The share of social expenditures in the state budget rose from 34 percent in 2020 to over 42 percent in 2024. At the same time, the financial inclusion rate increased from 42 percent to 68 percent. This indicates an expansion in access to credit, banking, and digital payment systems for low-income groups, demonstrating greater participation in financial services. As Sattorov (2021) emphasized, financial inclusion is one of the most effective tools for reducing poverty, as it transforms individuals into active participants in the economic process. Within the poverty reduction strategy, the volume of social transfers more than doubled. This development confirms the idea of the “multiplicative effect of social spending” proposed by Raxmatov (2020) and G‘ulomov (2018). In other words, as public social expenditures increase, these funds re-enter the economy through



consumption, generate added value, raise household incomes, expand domestic demand, and ultimately translate economic growth into social stability.

A comparison with international practices reveals consistency in Uzbekistan's progress. In countries such as Estonia, Turkey, and China, social protection systems are managed through digital identification, unified databases, and proactive services. Uzbekistan is introducing similar mechanisms — the Unified Social Register and digital service platforms — adapted to local conditions. These systems enable automatic assignment and reassessment of social benefits while eliminating bureaucratic barriers. According to OECD (2023) and World Bank (2023) reports, such models strengthen fiscal sustainability and reduce corruption risks[8].

The study identifies three key factors that have played a decisive role in reducing poverty: first, the digital transformation of social policy; second, the interconnection between financial inclusion and employment policy; and third, the performance-oriented management of fiscal resources. The combination of these factors has ensured the stable and consistent decline of poverty rates.

Another important finding is that along with the increase in social spending, its economic efficiency coefficient has also improved. According to the study's calculations, every 1-percent increase in social protection expenditures contributes, on average, a 0.3-percent positive impact on GDP growth. This empirically supports Malikov's (2020) theory that social spending can become an active driver of economic growth[9].

In conclusion, the results indicate that Uzbekistan is forming an integrated institutional and financial model for poverty reduction — one that ensures social justice, expands economic opportunities, and strengthens digital governance, thereby guiding the nation toward socially sustainable development.

DISCUSSION

A comparative analysis of Uzbekistan's experience with international theoretical approaches shows that the success of anti-poverty policy depends not only on financial resources but also on the quality of governance and institutional coherence. Amartya Sen's (1999) concept of "development as freedom" interprets poverty not merely as a lack of income but as a limitation of human capabilities. This approach



is highly relevant for Uzbekistan, where poverty reduction policy is increasingly focused not only on material assistance but also on human capital development. Therefore, education, healthcare, and employment programs are now considered integral components of the national social policy framework.

Atkinson (2015) and Ravallion (2016) emphasize in their works that the effectiveness of anti-poverty strategies depends on the redistributive role of fiscal mechanisms[14]. The case of Uzbekistan confirms this principle in practice, as the share of social expenditures within the state budget has grown steadily. The expansion of social transfers, the introduction of subsidies for low-income groups, and targeted tax incentives have emerged as mechanisms for ensuring economic justice[10].

At the same time, institutional reforms play an equally critical role in combating poverty. According to the “systemic approach to financial management” proposed by Malikov (2020) and Gulomov (2018), the success of social policy depends on the internal coherence of public finance. Uzbekistan has applied this principle through the establishment of new institutions such as the National Agency for Social Protection and the Unified Social Register. These institutions have reduced bureaucratic barriers while ensuring transparency and accountability in the allocation of resources.

Analyses by the OECD (2023) and the World Bank (2023) note that digital transformation has elevated social policy to a qualitatively new level. Uzbekistan’s experience confirms this: digital identification, automated reassessment systems, and real-time monitoring mechanisms have made anti-poverty policy more responsive and precisely targeted. This process also reinforces Sattorov’s (2021) theory that “financial inclusion serves as a catalyst for economic transformation.”

While Barr (2018) focuses on the equitable distribution of fiscal resources in the social state model, Stiglitz’s (2020) concept of “inclusive growth” emphasizes the need to align economic expansion with social stability[11]. In Uzbekistan, these two approaches converge in practice: fiscal sustainability ensures the continuous financing of social programs, while inclusive policy strengthens social equilibrium through poverty reduction.



Local scholars such as Rakhmatov (2020), Mamatov (2022), To‘xtayev (2019), and Jo‘raev (2020) have explored the regional impact of social spending. They argue that in reducing poverty, local budgets must play an active role alongside central resources[13]. In Uzbekistan, this principle is being implemented through the “Mahalla-level social support system,” which embodies Umurzakov’s (2021) concept of decentralizing social policy.

The discussion reveals that the effectiveness of anti-poverty policy cannot be measured solely by material indicators. Its success is directly linked to social trust, citizens’ economic participation, and the quality of state governance. Thus, the sustainability of social policy represents a comprehensive system aimed at maintaining balance between digital governance, fiscal discipline, and social justice[12].

As a result, Uzbekistan’s current model can be characterized as an “institutional and financial harmonization–based model of social modernization.” This model integrates the key elements of international theories: Sen’s capability approach, Atkinson’s equality framework, and Stiglitz’s inclusive growth paradigm. The synthesis of these ideas has elevated Uzbekistan’s social policy from traditional assistance to a level of strategic governance.

CONCLUSION

The results of the study show that the poverty reduction process in Uzbekistan has evolved from being a separate social program into a central direction of national economic policy. The institutional reforms implemented in recent years — the establishment of the National Agency for Social Protection, the Unified Social Register, and the Mahalla-based social support system — have decentralized social policy while reinforcing the principles of targeting and transparency. Moreover, the use of automated and digital platforms for managing social assistance has increased the efficiency of resource utilization.

From the perspective of financial mechanisms, the effectiveness of anti-poverty policy in Uzbekistan is based on the harmony of fiscal stability, financial inclusion, and economic activity. As the share of socially oriented budget expenditures grows, poverty declines and social stability strengthens. Research confirms that a 1-percent



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increase in social spending contributes, on average, to a 0.3-percent rise in GDP, indicating that social expenditures can serve as an active driver of economic growth. The successful implementation of anti-poverty policy requires sustainable cooperation among the state, the private sector, and civil society. Particularly, the active involvement of local budgets and non-governmental sectors in social initiatives enables the reduction of poverty at the regional level. As noted by To‘xtayev (2019) and Jo‘raev (2020), decentralization of social policy is a key factor for the efficient use of resources.

International experience also indicates that successful poverty reduction strategies rely on three core directions:

1. Institutional coherence – integrating all social programs into a unified management system;
2. Fiscal sustainability – aligning social expenditures with long-term fiscal policy;
3. Innovative approach – modernizing social services through digital technologies, artificial intelligence, and data analytics.

Thus, Uzbekistan’s experience proves that the modern model of poverty reduction is a system that combines social justice, economic inclusion, and fiscal efficiency. This model not only includes short-term assistance mechanisms but also encompasses a long-term strategy focused on investing in human capital, expanding employment opportunities, and encouraging citizens’ economic participation.

To further enhance poverty reduction policy, the following directions are crucial:

- Full implementation of digital governance in the social protection system;
- Expanding financial inclusion programs to increase self-sufficiency among the population;
- Promoting local economic initiatives to reduce regional inequality;
- Increasing investments in human capital through education and healthcare.

In conclusion, Uzbekistan’s National Strategy for Poverty Reduction is based on the integration of international best practices with the national economic model. At its core lie the goals of improving human well-being, strengthening social justice, and expanding economic opportunities — forming the foundation of sustainable and inclusive national development.



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