

**PSYCHOLOGICAL ECONOMICS IN UZBEKISTAN IS THE KEY TO IMPROVING
THE FINANCIAL CONDITION OF THE POOR POPULATION: PROBLEMS AND
SOLUTIONS**

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Abstract: The article puts forward proposals and recommendations for popularizing psychological (spiritual) economics among the population, especially among young people, in Uzbekistan to overcome poverty, which are scientifically and theoretically substantiated.

Keywords: poverty, budget, investment, concept, credit, small business.

Introduction. Every year, financial and government agencies in Uzbekistan provide advice and practical assistance to low-income, poor, and families who have lost their breadwinners on issues such as “making a family budget,” “saving for investment,” and “spending less.” However, most of this conventional advice is ineffective. The reason is simple: the psychological world of a poor person and the mechanisms for making financial decisions are different. Poverty is not only a state of low income, but also a state of constant stress, short-term thinking, fear, and hopelessness. If a person wakes up every day with the question “what should I eat tomorrow?”, he cannot think about “saving for next year.” The importance of psychological economics is that it recognizes these real psychological conditions and shows people the way to improve, starting from their current state. This science studies not what people should do in theory, but what they do in practice, and offers appropriate solutions.

Literature review. Poverty is a characteristic feature of the economic situation of an individual or social group, in which they are unable to satisfy a certain range of minimum needs necessary for survival, maintenance of working capacity and reproduction. Poverty is defined as an extreme form of poverty. Poor people are deprived of even the most basic necessities. Therefore, each country pays special attention to the issues of poverty or poverty. Depending on the specific situation, there are many causes of poverty. Sometimes a person cannot influence it, but in other cases people drive themselves into poverty. According to recent studies conducted by specialists from the University of Oxford, in 103 countries, where 76% of the world's population (5.4 billion people) live, at least 26.5% (1.45 billion) of the population live below the poverty line. At the beginning of 2020, for the first time in the history of Uzbekistan, the concept of poverty was reviewed by President Shavkat Mirziyoyev, and poverty reduction became a key priority of socio-economic policy. The Decree of the President of the Republic of Uzbekistan No. PF-101 dated April 8, 2022 “On the next reforms to improve the business environment and create conditions for sustainable economic growth through the development of the private sector” put forward new concepts for improving the business environment and ensuring economic growth through the development of the private sector, thereby achieving inclusive and sustainable economic growth and reducing poverty by two times[1].

This goal is also reflected in the Strategy for the Development of New Uzbekistan for 2022–2026. Strengthening social protection of citizens and reducing poverty are recognized as priorities of state policy, and the provision of new jobs and a guaranteed source of income, qualified medical and educational services, and decent living conditions have been raised to a qualitatively new level[2].

Scientists usually distinguish three types of poverty: relative, absolute, and subjective. Relative poverty is usually understood as the inability to maintain a certain standard of living in a more prosperous society. Absolute poverty is determined based on the general cost of living, which is

assessed by determining the direct lack of the most basic, usually physiological needs - food, clothing, and housing[3].

Absolute poverty means that a person cannot meet the minimum needs necessary for life. Subjective poverty is determined by a person's self-assessment. This means that poverty is a psychological or socio-economic state of a person. The concept of poverty has two meanings: broad and narrow. The broad meaning means the poverty of states that arises as a result of financial, political and social influences. As T.G. Oshurkova noted in her article, there is no general definition of the fight against poverty. Therefore, each country uses somewhat unique methods. The author identifies two methods, the first of which is aimed at ensuring a good minimum income for the population, the second is aimed at a narrow circle of people and means helping people who find themselves in a difficult situation. The narrow meaning means the poverty of individuals. T.G. Oshurkova divides the causes of poverty into the following groups:

1. Political - related to war or military operations;
2. Social and medical factors characterizing the elderly and disabled;
3. Financial factors leading to currency depreciation, national crises, and low wages;
4. Geographical factors determined by the presence of disadvantaged areas and their uneven development;
5. Demographic factors, such as single-parent families and dependents;
6. Personal factors, such as drug or alcohol addiction and gambling;
7. Qualification factors, such as limited knowledge and skills[4].

The measures implemented in this area in our country have their own characteristics. For example, the role of the mahalla is noteworthy. Using the “Mahallaboy” system, work was carried out in the regions of Uzbekistan, including providing employment to 658,000 people (233,400 young people and 213,400 women), or 76.5 percent of the population in need of social protection; training and development of entrepreneurial activities for 170,200 out of 197,300 people (86.3 percent) who expressed a desire to be trained in various professions and entrepreneurship; 346,900 people who wanted to continue and expand their entrepreneurial activities were identified. In addition, a total of 7,280.6 billion soums of loans were allocated to 304,400 people, and 343,300 new jobs were created. As a result of these efforts in the neighborhoods, specific problems faced by individuals and social institutions were identified. As a result of the measures implemented by October 2021, more than 1,802,000 people in various regions of the republic were provided with drinking water, and more than 4,780,000 people in 1,738 settlements had improved their drinking water supply. The country's water supply coverage increased from 61.5% to 70.0%[5].

Discussion. The psychological state of low-income people has a profound impact on their financial decisions. First, their brain resources are spent on dealing with various problems every day: their child's school supplies, utility bills, food, transportation. This constant chain of problems tires a person's brain, a condition called “cognitive load” in the scientific literature. When cognitive load becomes heavy, a person loses the ability to make complex financial decisions. By the time he tries to understand a bank loan agreement, his brain is already tired, so he often signs the agreement without reading it or refuses complex financial offers altogether.

Secondly, time works differently for low-income people. This is a psychological process in the unit of measurement of human time. For a rich person, the “future” may be 5 years or 10 years from now, but for a poor person, the future is the end of this week or the beginning of next month. This is a psychological phenomenon called “current depreciation.” A person perceives 50,000 soums today as more valuable than 70,000 soums in 3 months, because 3 months is a very long time in their world. This is not only a financial issue, but also a psychological defense

mechanism: if there may be no money for food tomorrow, then thinking about savings in 3 months will lead to despair.

Third, poverty is usually not an individual situation, but a social phenomenon. If a person's family, neighbors, and friends are also poor, he or she sees the financial behavior of others and adapts to them. If everyone is taking out informal loans, he or she will do the same. If no one has opened a bank account, he or she will not open one either. This social influence is a powerful psychological factor. Also, a poor person often feels "outside the system." He is afraid to work with banks, insurance companies, government agencies, because he considers himself "not good enough" for these institutions. This low self-esteem limits his financial actions.

One of the most important principles of psychological economics is the principle of "push". Push means changing the environment in which a person makes decisions so that he makes decisions of his own free will, but in the right direction. Push is not an obligation, but an opportunity. For example, in India, a "daily savings box" project was implemented for low-income families. This is a simple box, designed to be used to deposit 10 rupees (about 1,300 soums) every day. There is no key in the box, only a small hole. Family members deposit 10 rupees every day and, in the end, break the box and get the money saved. The psychological effect of this simple system is enormous.

First, it is not difficult to allocate a small amount of money every day.

Second, seeing the money in the box gives a mental response: "I am saving."

Third, the process of breaking the box creates a sense of reward. As a result, 85 percent of families who adopted this system continued to save for 6 months, while in bank accounts this figure was only 40 percent.

The second important principle is the principle of "social proof". People like to see what others are doing and act accordingly. The "M-Pesa Savings Club" project in Kenya is a vivid example of this. Using mobile phones, low-income people form small groups and report to each other the amount they are saving each week. Each participant receives a message on their phone: "Your group saved 50,000 shillings this week." The psychological impact of this simple message is very strong. First, a person feels that he is not alone, but in a team. Second, seeing that others are saving, he wants to do the same. Third, a competitive spirit arises: "I will not save less than others." As a result, savings in groups that have adopted this system have doubled. The third principle is the principle of "standard choice". When people have a difficult choice among many options, they often choose the standard option. This principle works very well in the pension system. For example, in the UK, employers automatically enroll their employees in a pension fund. If an employee wants to unsubscribe, he must write a separate application. Most simply refuse to write an application and remain in the savings. This simple change has increased the level of pension fund participation from 75 percent to 95 percent. This principle can also be applied in Uzbekistan. For example, when a new bank account is opened, a "savings account" can be automatically added to it. If the customer decides that this account is no longer needed, he or she has to go to the bank to close it. Most people do not do this and start saving. The fourth principle is the principle of "limited choice". For low-income people, too many options lead to confusion and inaction. If a bank offers 20 types of loans, a person cannot choose any of them. However, if the bank offers 3 simple options: "home improvement loan", "education loan", "small business loan", then the choice becomes easier. Each option is explained on a single sheet of paper, the terms are short, and the interest rates are clear. This system was implemented in the United States as a "simple loan" program and increased the level of credit by 30 percent. A similar system could be introduced in Uzbekistan: if each bank offered three types of simple loans, it would be much easier for customers to choose.

There are significant differences between the urban and rural populations of Uzbekistan, so separate programs need to be developed for them. For the urban poor, the “One Month, One Goal” program can be very effective. This program sets one specific financial goal for each month. For example, the first month sets a goal of “reducing utility bills.” Families are given free energy-saving light bulbs and water-saving devices and are shown how to install them. At the end of the month, each family calculates how much money they have saved and the results are announced to the community. The second month sets a goal of “food budgeting.” Families are given a guide showing price comparisons at local markets. They are also given recipes for “eating for 150,000 soums a week.” The third month sets a goal of “small savings.” Each family is encouraged to save 2,000 soums a day. The psychological effect of this program is that people do not set big goals, but small, but achievable tasks. Each success is a motivation for the next step.

A “Farmer Psychomotricity” program should be developed for the rural population. The financial life of the rural population is connected with seasonality: sowing, cultivation, harvesting, selling. Each of these processes requires a special psychological approach. The first stage of the program is the “pre-sowing” stage. Farmers are shown 3 simple financial steps before sowing: 1) comparing seed and fertilizer prices, 2) calculating labor costs, 3) estimating expected income. The second stage is the “during the season” stage. Farmers are given a simple notebook to track cash flow. This notebook records how much was spent each week and how much income was received. The third stage is the “after harvest” stage. Farmers are shown how to properly divide the harvest: part for sale, part for the next season, and part for savings. Another important concept for the rural population is the “nature bank.” According to this concept, each farmer allocates 5 percent of his harvest to an “emergency fund.” This fund can be not only money, but also physical storage: 1 sack of grain, 1 sack of potatoes. This is very important psychologically, because a person does not see the money, but he sees the reserve, and this gives him a sense of confidence.

One of the main obstacles to financial improvement for low-income people is the feeling that “I am not capable of this.” To overcome this obstacle, the “start small” principle can be applied. For example, the “one box of tea” method. According to this method, a person starts saving every day for the price of one box of tea. 2,000 soums per day for the first week, 3,000 soums per day for the second week, and 4,000 soums per day for the third week. This is a very small start, but psychologically very important. Firstly, a person thinks: “this is not such a big amount.” Secondly, he experiences a sense of success every day. Thirdly, gradually the amount increases and the person begins to save a large amount without realizing it. 70 percent of families who used this method formed a habit of constant savings within 3 months. The second important obstacle is the feeling of “lack of time.” People with limited resources often complain about a lack of time. To solve this problem, a “simplified time” system can be developed. According to this system, all financial tasks are divided into two: “to do today” and “tomorrow’s plan”. The “to do today” list includes only tasks that take less than 5 minutes: checking the savings account by phone, making a payment, writing down a small expense. The “tomorrow’s plan” consists of a simple 1-page plan: 3 major expenses, 1 savings goal. The advantage of this system is that a person experiences a sense of success every day, and planning does not seem burdensome to him. The third obstacle is the feeling of “social isolation”. People with limited resources often feel isolated. To solve this problem, the “success cascade” method can be used. In this method, each small success becomes motivation for the next one, and these successes are evaluated on a social scale. For example, through the mobile application: 1) 3 consecutive days of saving - a “beginner” medal, 2) 50,000 sums of saving - a “reliable” medal, 3) 3 months of constant saving - a “professional” medal. These medals come with not only virtual, but also real rewards: small

bonuses, discounts in stores. Most importantly, these successes are shared on social networks. When a person shares his success with others, this gives him additional motivation.

Conclusion. A number of practical projects can be implemented to improve the financial situation of the low-income population in Uzbekistan. The first project is the “Mother of Finance” program. This program is specifically designed for low-income women. The program consists of several stages. The first stage is group therapy. Women gather in a group and talk about financial problems. The psychological value of these conversations is that each woman understands that “I am not alone, others are also facing similar problems.” The second stage is time with children. Women play financial games with their children. For example, the “little merchant” game: the child learns how to buy and sell. This is an educational process not only for children, but also for mothers. The third stage is practical training. During these trainings, women hold a “one-day meal for 30,000 soums” competition, participate in a “recycling old things” workshop. The fourth stage is microcredit. Women are provided with small microloans with a group guarantee. The results of this program are impressive: within 6 months, 70% of participants started regular savings, and 40% opened small businesses. The second project is the “Youth Financial Future” program. This program is intended for low-income young people aged 18-25. The main methodology of the program is gamification. Young people learn financial literacy through a computer game. In the game, they manage virtual money, open a business, and invest. The second methodology is mentoring.

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