



ANALYSIS OF HOUSEHOLD INCOMES AND SAVINGS

M. N. Karimova 1

Toshkent xalqaro ta'lim universiteti,
“Iqtisodiyot va menejment” kafedrasi mudiri, i.f.f.d.1

S. Sh. Ismaylov 2

Toshkent xalqaro ta'lim universiteti,
“Biznes boshqaruvi” ta'lim yo'nalishi 1-bosqich talabasi2

Abstract

This article deals with the study of the role of incomes and savings of the population in the economy, the sources and distribution of their formation. It also analyzes the monitoring of household incomes, determination of the level of savings and the impact of these indicators on the well-being of society. As a result of the study, it is substantiated that the study of income and savings is an important factor in assessing the economic development of the country.

Keywords: Income of population, savings, sources of income, economic well-being, monitoring, analysis, standard of living.

Introduction

In the conditions of modern globalization and the development of a market economy, improving the well-being of the population and ensuring a decent standard of living is one of the important directions of the state policy. Household incomes and savings play an important role in the economic development of the country, influencing the formation of domestic demand, the consumer market, and investment resources. Although a number of reforms have been implemented in recent years to increase incomes and improve the social protection system, some imbalances in the distribution of income between regions and population groups remain. Therefore, it is important to monitor the



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distribution of income and savings of population, as well as analyze existing problems.

Improving the well-being of the population, ensuring social equality and economic stability is one of the priority areas of the economic policy of the Republic of Uzbekistan in the conditions of improving the well-being of the population, ensuring social equality and economic stability in the conditions of the current deepening processes of globalization and competition intensify. Household incomes and savings have a direct impact not only on the level of household consumption and the volume of domestic demand, but also on investment activity, capital accumulation, rates of economic growth and strengthening of social stability in society.

In recent years, the country has been carrying out systemic reforms aimed at liberalizing the economy, developing entrepreneurship, modernizing the labor market and strengthening the social protection system for population. In particular, the New Uzbekistan Development Strategy for 2022-2026 (UP-60, January 28, 2022) identifies as priority tasks to increase real incomes of the population, reduce poverty, create new jobs and improve the social support system.¹

Ensuring a decent standard of living of the population is one of the constitutional duties of the state. This issue is reflected in the new edition of the Constitution of the Republic of Uzbekistan (adopted by referendum on April 30, 2023), which guarantees the right of every citizen to work, earn income and use social security.²

Statistical data on the formation and study of income distribution of the population are provided through the official statistical observations in accordance with the Law "On Statistics" (ZRU-696 dated June 14, 2021). Wages and employment issues are regulated by the Labor Code of the Republic of Uzbekistan (new edition of 2023).³

¹ Decree of the President of the Republic of Uzbekistan "New Uzbekistan Development Strategy 2022-2026". – PF-60, January 28, 2022.

² Labor Code of the Republic of Uzbekistan (new edition, April 30, 2023). – Tashkent: Justice, 2023.

³ Law of the Republic of Uzbekistan "On Statistics". – June 11, 2021, RU-696.



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In addition, the definition of the level of minimum expenditures necessary to meet the basic needs of the population and its implementation in social policy is regulated by Decree No. PP-5181 (August 30, 2021). Support for low-income groups, modernization of the social protection system and transparency of pension mechanisms are being implemented on the basis of the "Strategy for improving the system of social protection of the population 2023–2030" (PQ-292, August 1, 2023).⁴

The level of development of the country's economy largely depends on the income and savings of the population. Household incomes are the most important economic indicator that determines the standard of living, consumption opportunities and social wellbeing of citizens. By studying the formation and distribution of incomes, the level of economic equality, the state of poverty and directions of economic development in society are determined. And people's savings are important in ensuring economic stability. Savings are not only a source of satisfying the future needs of the population, but also play an important role in generating investments in the country's economy. Therefore, studying and monitoring the distribution of income and savings is important in economic policy formulation.

In the conditions of a market economy, the issue of distribution of income and savings of the population constitutes one of the central limbs of the economic system. This process is inextricably linked not only to economic, but also to social stability and political balance. The distribution of income determines what share of the gross product produced in society belongs to the strata of the population, who can consume how much and how much they can save, as a result, the degree of formation of investment resources in the economy. Therefore, in order to understand this process, it is important first to examine the theoretical approaches that have been formed in the history of economic teachings. The first theoretical views on the distribution of income of the population were formed by the manifestations of classical economics. ⁵

⁴ Decree of the President of the Republic of Uzbekistan "On improving the system of social protection of the population." – PF-292, August 1, 2023.

⁵ Afonso A., Schuknecht L., Tanzi V. Income Distribution, Determinants and Public Spending Efficiency. – Frankfurt am Main: European Central Bank, 2008. – 121 p.



Thinkers such as Afonso, Barro,⁶ and Becker⁷ interpreted income as a naturally distributed value over factors of production. According to them, labor makes its products available to its owners in the form of wages, capital in the form of profit, and land as rent. That is, income is distributed in society according to the place it occupies in the process of production. The positive aspect of this approach is that it explains the internal mechanisms of economic processes on the basis of production. However, this theory cannot explain why income inequality occurs in society and its consequences.

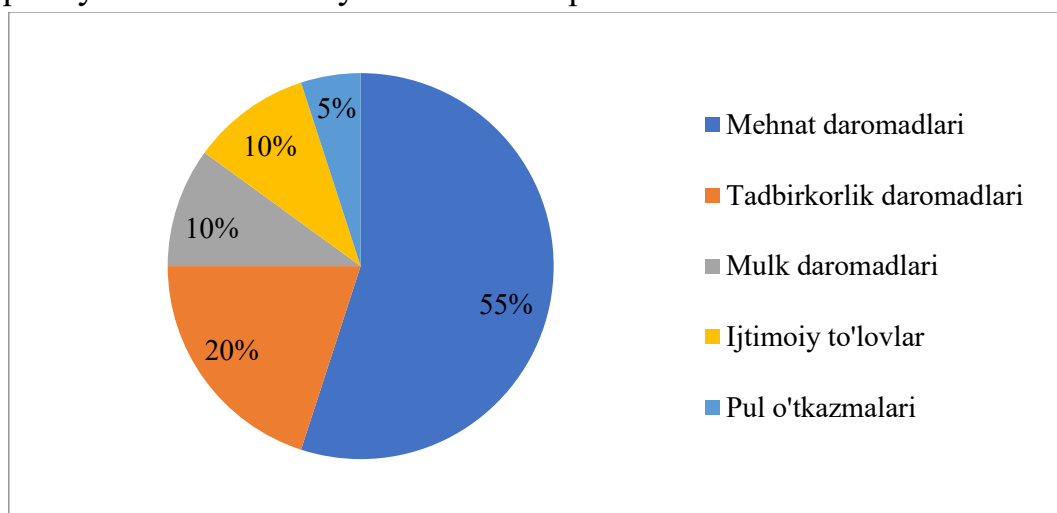


Figure 1. Composition of sources of income of the population⁸

According to the Picture, Labor earnings are the main ones with a 55% share. Income from business is 20%, which means that the economic activity of the population is increasing. Income from property is 10%, indicating that the investment and financial culture of the population is thriving. Social payments (pensions, pensions) are manifested as a stable source of supply within 10% of income. Remittances from labor migration are recorded as an additional source of income with a 5% share. Overall, income composition reflects the predominance of labor incomes in the economy, but the diversification of income sources is gradually increasing .

⁶ Barro R., Sala-i-Martin X. Economic Growth. – MIT Press, 2004. – 654 p.

⁷ Becker G. Human Capital: A Theoretical and Empirical Analysis. – Chicago: Chicago University Press, 1993. – 412 p.

⁸ Tulyaganova G. Economy of living standards and social welfare of the population. – Tashkent: Finance, 2023. - 298 p.



Uzbekistan takes a balanced approach in income distribution. That is, although the price of labor and capital is formed on the basis of market freedom, a sharpening of economic inequality is predetermined through the social protection system. The fact that poverty reduction has been identified as one of the main areas of the government's strategy is evidence of this. Since 2021, the approved "Mahallabay social support system" is aimed at increasing the economic activity of low-income families by expanding sources of income.

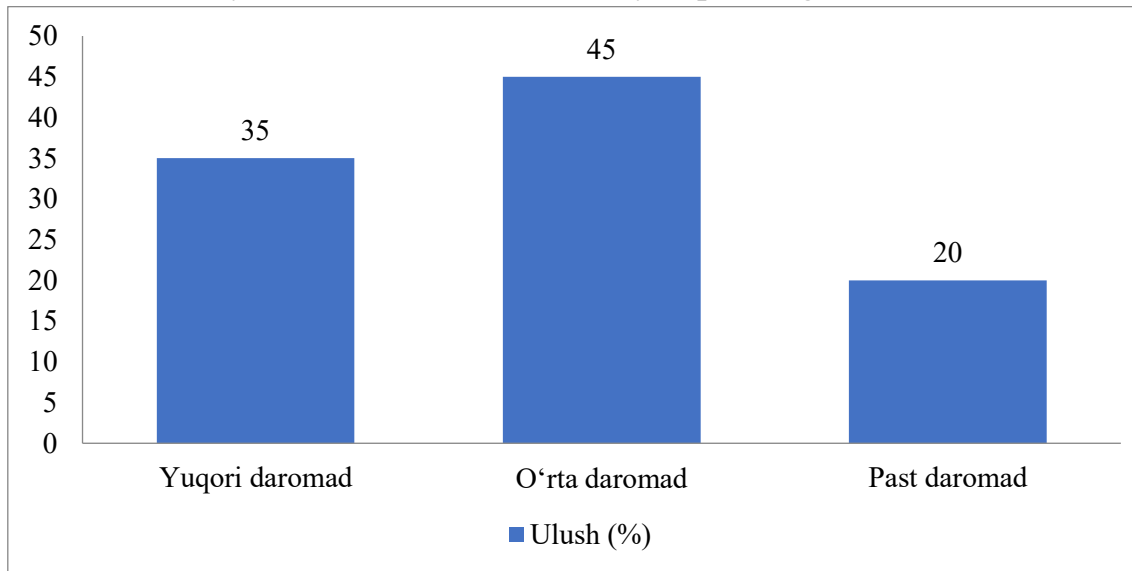


Figure 2. Breakdown by income groups of the population⁹

Figure 2 shows the distribution of population by income group and illustrates the following situations:

- **The share of the middle-income group is 45%.** This means that economic stability is being achieved within the population and a middle class is taking shape.
- **The high-income group is around 35%.** This stratum consists mainly of entrepreneurial activity, investment and capital holders, and is emerging as a driver of economic activity.
- **The share of the low-income group is 20%.** This shows that the government's poverty reduction policy is bearing fruit, but it also shows the need to continue social support measures.

⁹ Compiled by the Author



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Overall, income distribution underscores the fact that in Uzbekistan, **inequality is curbed through the social safety net**, along with market freedom.

The structure of the labor market is also an important factor in the distribution of income. There is a process of segmentation in the labor market, which widens the income gap between the skilled and unskilled workforce. Training opportunities, adaptation of the education system to modern demand are of crucial importance to reduce income inequality. In the experience of developed countries, in particular Japan, the model of social cooperation aimed at increasing labor productivity is recognized as an effective tool for ensuring equality in income distribution.

And the main role in the process of distributing household funds is played by the infrastructure of the financial market. The banking system, investment funds, pension funds, and the level of development of the insurance market determine the behavior of population. If the financial system has won the trust of the population, the savings enter into economic circulation and form investment resources. If the financial market is unreliable, savings are held informally, which acts as "dead capital" for the economy.

There is also a psychological model that influences the distribution of foundations.¹⁰ According to the "life cycle" theory developed by Cruz, Dornbusch¹¹ and Dybczak¹², the individual's saving behavior is related to his life stages. A large part of the income of the younger population is spent on consumption, the share of savings increases during middle age, and in old age savings are converted into consumption. This theory fits into the demography of Uzbekistan, as a significant part of the population is of working age, which means a huge savings potential. In this regard, digital financial services, micro-investment platforms, and policies to expand shareholder participation are aimed at increasing the economic activity of young people.

Studies show that income and savings of a population are the decisive factor for the sustainable development of an economic system. The level of income has a

¹⁰ Cruz M., Ahmed S., Chen Y. Demographic Change and Its Impact on Growth, Savings and Poverty. – Washington, D.C.: World Bank, 2016. – 98 p.

¹¹ Dornbusch R., Fischer S. Macroeconomics. – New York: McGraw-Hill, 2019. – 720 p.

¹² Dybczak K., et al. Household Savings in Selected Southern European Countries: Evidence from Cross-Country Micro Data. – Washington, D.C.: IMF, 2023. – 112 p.



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direct impact on indicators of consumer demand, saving capacity, investment activity and social welfare of the population. In recent years, liberalization of the labor market, expansion of the private sector, tightening measures to support entrepreneurial activities have played an important role in the formation of income bases in the economy of Uzbekistan. At the same time, the high share of the informal sector in the structure of incomes of the population and a significant role of remittances from labor migration require the introduction of additional mechanisms in the regulation of economic processes.

The analysis of international experience confirms the institutional role of the state in managing income and savings of the population, the importance of developing the financial market infrastructure, the formation of a culture of saving, modernization of pension and insurance systems. The experiences of the United States, Germany, Japan, South Korea and Singapore show that domestic sources of economic growth are strengthened when funds return to the economy in the form of investment. Therefore, in the conditions of Uzbekistan, it is expedient to increase the functional importance of funds in the economic cycle by strengthening the financial literacy of the population, developing investment platforms, expanding the participation of pension funds in the economy.

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