

**DEVELOPMENT OF SMALL BUSINESS AND ENTREPRENEURSHIP AS AN
EFFECTIVE TOOL FOR COMBATING POVERTY***Gulistan State University**Mamajonova Saida Vaxabjonovna, Senior Lecturer**Zuhra Toshmamatova, Student*

Nowadays, the global economy is characterized by various financial-economic and socio-political crises, as well as the intensification of trade wars between countries, leading to restrictions on socio-economic relations among nations. As a result, many national economies worldwide are experiencing a slowdown in GDP growth, a decline in real incomes, deepening social stratification, and an increase in poverty.

Poverty is the inability to ensure a certain acceptable standard of living. In other words, it is a condition where an individual or a household's essential needs exceed their financial capabilities. There are different concepts of poverty, including absolute, relative, and subjective poverty. Absolute poverty refers to a state where a person cannot fully or partially satisfy their basic physiological needs, such as food, clothing, and housing.

A more precise definition of poverty is provided by the World Bank, which, since 2015, has set the poverty threshold at \$1.90 per day, raised from the previous \$1.25. A daily income of \$3.20 represents the poverty line for middle-income countries, while \$5.50 per day is considered the threshold for higher middle-income countries.

Today, extreme poverty, which is the most severe form of poverty, remains one of the biggest and most pressing global issues. Extreme poverty is defined as living on \$1.90 or less per day. It indicates not only financial hardship but also a condition where a person's income falls below the poverty line, reflecting mere survival rather than a decent standard of living. Although the global poverty line is set at \$1.90 per day, each country determines its own poverty threshold based on its level of development and economic capabilities.

For example, in the European Union, a person is classified as poor if their income is less than 60% of the average wage in their country. In most countries, the poverty line is understood as an income level below the subsistence minimum.

It is important to note that merely allocating large financial resources to reduce poverty is not enough. Poverty is a complex and multidimensional issue, caused by various factors. Experience from previous years has shown that increasing social benefits, creating new jobs, improving housing conditions, and expanding access to business loans alone cannot significantly reduce poverty.

Over the past two years, the amount of credit allocated to entrepreneurs in our country has significantly exceeded the total amount provided in the previous 30 years. However, this has not produced the expected positive impact.

The European Anti-Poverty Network (EAPN) identifies several key factors that increase the risk of falling into poverty, including: Unemployment, low literacy levels, disability, poor health, belonging to a minority ethnic group, living in remote or impoverished regions.

In our opinion, one of the most critical aspects that should receive attention is the level of economic awareness among people. Empowering individuals with financial knowledge and fostering entrepreneurial thinking can be an effective tool in the fight against poverty.

Studying and widely applying the experience of other countries in combating poverty is of great importance. In particular, using China's experience in developing anti-poverty programs in Uzbekistan can yield positive results. China has made significant progress in eradicating poverty. According to World Bank data, as of today, 850 million people in China have been lifted out of poverty. In 1981, China's poverty rate was 88%, while in 2019, this figure dropped to 0.7%. This level is comparable to the poverty rates in developed countries, such as the USA (1%), Sweden (0.61%), Germany (0.19%), and Italy (1.5%).

The research conducted by Esther Duflo, Abhijit Banerjee, and Michael Kremer, who were awarded the Nobel Prize in Economics in 2019 for their work on poverty reduction, holds particular significance. These scholars focused on practical research and achieved effective results, which earned them this prestigious award. Their main conclusions on combating poverty are as follows:

- Merely providing financial assistance is not enough to reduce poverty. If people do not escape the "philosophy of poverty," no amount of allocated funds will be highly effective.
- The poor tend to make better use of resources and equipment when they have to contribute something in return, rather than receiving them for free.
- Effective poverty reduction requires a thorough scientific study of the lives of impoverished individuals. As a result, the "Poverty Action Lab" was established, where nearly 200 professors from prestigious universities worldwide conduct research.
- Anti-poverty measures that work in one country or region may not necessarily be effective in another. Therefore, strategies to combat poverty should consider the unique characteristics of each region.
- Using correctional education programs to improve literacy among school-aged children has proven to be highly effective. For example, such programs have been implemented in India, benefiting nearly 5 million children.
- Enhancing children's literacy requires special attention to their health.
- The fight against poverty should be conducted in direct collaboration with the affected population, guiding their behavior toward specific goals.

American economist Jeffrey Sachs, in his book *The End of Poverty*, identifies six types of capital that help societies escape poverty: human capital, entrepreneurial capital, infrastructure, natural capital, social capital, and knowledge capital.

Increasing state funding for poverty reduction, granting various benefits and incentives to entrepreneurs while involving them in large-scale charity efforts, can contribute to addressing

poverty. However, such measures alone cannot completely eliminate poverty. They may help people survive and sustain their daily lives, but they do not provide a sustainable escape from poverty. Achieving real results requires a fundamental review of the socio-economic policies implemented by the government.

In our view, when developing an anti-poverty strategy for Uzbekistan, special attention should be given to the following aspects:

- Conducting an in-depth analysis of key factors contributing to poverty, such as corruption, poor infrastructure, low-quality social services, environmental issues affecting production, and others, to develop scientifically grounded programs and plans for poverty reduction.
 - Establishing a legal framework for calculating and regulating the minimum living wage.
 - Promoting the development of small and medium-sized cities as a means to enhance the socio-economic growth of rural areas.
- Expanding affordable mortgage lending programs for young people and revising interest rates based on regional conditions.
- Actively promoting a healthy lifestyle among the population, particularly raising awareness of medical culture among young people. Taking the above-mentioned measures into account is crucial for developing an effective anti-poverty policy in Uzbekistan.

References:

1. Mirziyoyev, Sh. The Strategy of New Uzbekistan. Tashkent: "O'zbekiston" Publishing House, 2021, 464 pages.
2. Address of the President of the Republic of Uzbekistan, Sh. Mirziyoyev, to the Oliy Majlis. 29.12.2020.
3. Porter, M., & Ketels, K. Competitiveness at a Crossroads // Strategy and Competitiveness, 2008, No. 1 (25), pp. 42-52.