



FORMATION AND ENHANCEMENT OF HOUSEHOLD INCOMES IN THE REGIONAL ECONOMY

Author: Azizbek Madiev

ABSTRACT	KEYWORDS
This study examines the relationship between population incomes and regional development in Uzbekistan, highlighting the socio-economic disparities that have emerged across different regions. Drawing on statistical data from 2010 to 2024, the research analyzes trends in interregional income inequality, as well as the dynamics of real and nominal incomes over time. Special attention is given to the mechanisms of state regulation and their effectiveness in reducing economic disparities and promoting balanced regional growth. The findings contribute to a deeper understanding of how income formation processes influence regional economic development and provide insights into policy measures aimed at enhancing household welfare and income equality.	Population incomes, regional development, economic inequality, income regulation, real incomes

Introduction

The relationship between population income and regional development is considered one of the most pressing issues in the modern global economy. According to World Bank data, although global economic growth stabilized at 2.6% in 2024, this figure remains significantly lower than the pre-COVID-19 decade's average growth rate of 3.1%.¹ Middle-income countries account for 75% of the global population and 62% of the world's poor, produce 33% of global GDP, and serve as key drivers of economic growth.²

International financial institutions propose a comprehensive approach to reducing regional income inequality. According to the World Bank, while real income growth plays an important role in developing countries, the rise in inequality levels slows down the process of poverty reduction.

In Uzbekistan, the issue of household incomes and regional development holds particular significance. In 2024, the country's real GDP growth reached **6.5%**, an improvement compared to **6.3% in 2023**. Meanwhile, the poverty rate declined from **13.4% in 2023 to 10.9% in 2024**, primarily due to rising wages, increased employment, and the growth of agricultural and business incomes among the

¹ Jahon banki. Global iqtisodiy istiqbol. 2024-yil iyun holatiga ko'ra. <https://www.worldbank.org/en/publication/global-economic-prospects>

² Jahon banki. O'rta daromadli mamlakatlar: Rivojlanish yangiliklari, tadqiqotlar, ma'lumotlar. <https://www.worldbank.org/en/country/mic/overview>

population.³. At the same time, according to the World Bank, **regional economic inequality in Uzbekistan has been increasing**: in 2020, the wage gap between **Tashkent and Surkhandarya regions** was **74%**, while by 2024, this difference had widened to **2.3 times**. This situation highlights the need to **reassess regional economic policies** and to strengthen mechanisms that ensure **balanced socio-economic development** across the country.

Uzbekistan has set the goal of achieving **upper-middle-income country status by 2030**, which requires maintaining **stable income growth** and addressing disparities between regions through **inclusive and targeted development strategies**.

Uzbekistan has set the goal of attaining the status of an upper-middle-income country by 2030, making the sustainable growth of population incomes a key national priority. According to forecasts by the Asian Development Bank, Uzbekistan's GDP growth is expected to reach 6.6% in 2025. Despite significant achievements in reducing poverty, the persistent rise in inequality continues to slow the pace of poverty reduction. Experts emphasize that additional measures are required to raise the incomes of low-income households, as these families generally face lower employment opportunities, possess lower levels of education, and are less engaged in entrepreneurial activities. To ensure balanced regional development, it is essential to strengthen transport and logistics infrastructure, expand the digital economy, promote greater labor market participation among youth and women, and diversify external economic relations. These factors collectively represent critical directions for fostering inclusive and sustainable economic growth across Uzbekistan's regions.

Literature Review

The issue of population incomes has a long history in economic theory, with various approaches developed by scholars ranging from classical economists to contemporary researchers. Adam Smith, in his seminal work *"The Wealth of Nations,"* emphasized the principles of fair distribution of labor outcomes and viewed income as a reflection of productive contribution⁴, David Ricardo further developed the theory of economic value and income distribution, exploring how wages, profits, and rents are determined within the production system⁵. According to representatives of the classical school, income serves as both the main source of economic growth and a key indicator of social welfare.

In the twentieth century, the problem of income formation and distribution was examined more profoundly within the framework of modern economic thought⁶. John Maynard Keynes, in his *"General Theory of Employment, Interest, and Money,"* analyzed the interrelation between effective demand, consumption behavior, and income levels. Keynesian economists highlighted that the distribution of income plays a decisive role in ensuring macroeconomic stability, influencing aggregate demand, employment, and overall economic performance.

In modern economic literature, the issue of population incomes is being studied extensively. The development of the market economy necessitates a theoretical re-evaluation of the processes taking place within distributional relations and a renewed understanding of their essence.⁷. This

³ Jahon banki. O'zbekiston: Rivojlanish yangiliklari, tadqiqotlar, ma'lumotlar.

<https://www.worldbank.org/en/country/uzbekistan/overview>

⁴ Smith A. An Inquiry into the Nature and Causes of the Wealth of Nations. London: W. Strahan and T. Cadell, 1776. 576 p.

⁵ Ricardo D. On the Principles of Political Economy and Taxation. London: John Murray, 1817. 333 p.

⁶ Keynes J.M. The General Theory of Employment, Interest and Money. London: Macmillan, 1936. 403 p

⁷ Atkinson A.B. Inequality: What Can Be Done? Cambridge: Harvard University Press, 2015. 384 p.

transformation primarily necessitates a renewed conceptualization of the theoretical foundations underlying the notion of *population incomes*, along with a comprehensive analysis of its multifaceted structural composition and functional dimensions.

In contemporary research, the issue of population incomes is often analyzed from the perspective of the micro- and macroeconomic mechanisms underlying their formation, as well as the spatial and temporal characteristics of income distribution under various economic conditions⁸. However, in many cases, this issue is examined primarily within the context of its intrinsic relationship with poverty indicators and the institutional mechanisms of social protection. The one-dimensional nature of such an approach is frequently emphasized in the academic literature⁹.

The problem of regional and social inequality has become one of the central topics in modern economic literature. In his influential research, Thomas Piketty demonstrated the growing trends of wealth and income inequality under the conditions of capitalism in the twenty-first century¹⁰. According to his findings, the concentration of incomes in many developed countries has reached a high level, posing a significant threat to social stability.

Joseph Stiglitz emphasized the negative impact of inequality on economic growth and substantiated the necessity of ensuring fairness in income distribution¹¹. His research demonstrates that high levels of inequality reduce economic efficiency and constrain social mobility.

Issues of regional economic development constitute a distinct field of research. In his *New Economic Geography* theory, Paul Krugman analyzed the causes and consequences of the concentration of regional economic activity¹². According to his model, agglomeration effects and transportation costs are considered the main factors contributing to regional inequality.

In Uzbekistan, issues related to population incomes and regional development have been actively studied in recent years. The *New Uzbekistan Development Strategy* identifies increasing population incomes and reducing poverty as priority areas of national policy¹³.

Among local researchers, N.K. Karimov and Y.Sh. Abdullayev have conducted in-depth analyses of the economic development characteristics of Uzbekistan's regions.¹⁴ Their research highlights the interrelationship between regional infrastructure, the investment environment, and human capital

I.A. Usmanov and B.O. Tursunov have analyzed the mechanisms of state regulation of incomes in Uzbekistan¹⁵. According to their conclusions, the mechanisms of minimum wage regulation and the indexation system have improved; however, it remains necessary to introduce a progressive tax system and to expand social protection programs.

⁸ Deaton A. The Great Escape: Health, Wealth, and the Origins of Inequality. Princeton: Princeton University Press, 2013. 376 p.

⁹ Ostry J.D., Berg A., Tsangarides C.G. Redistribution, Inequality, and Growth // IMF Staff Discussion Note. 2014. SDN/14/02. 30 p.

¹⁰ Piketty T. Capital in the Twenty-First Century. Cambridge: Harvard University Press, 2014. 685 p.

¹¹ Stiglitz J.E. The Price of Inequality: How Today's Divided Society Endangers Our Future. New York: W.W. Norton & Company, 2012. 560 p.

¹² Krugman P. Geography and Trade. Cambridge: MIT Press, 1991. 142 p.

¹³ Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022–2026," No. UP-60, dated January 28, 2022. Collection of Legislation of the Republic of Uzbekistan, 2022, No. 4, Article 35.

¹⁴ Kayumov, N.K., & Abdullaev, Y.Sh. Regional Aspects of the Economic Development of Uzbekistan. Tashkent: "Iqtisod-Moliya" Publishing House, 2023. 256 p.

¹⁵ Usmanov, I.A., & Tursunov, B.O. "Mechanisms of State Regulation of Population Incomes in Uzbekistan." Scientific Bulletin of Samarkand State University. Series: Economics, 2023, No. 4(118), pp. 72–81.

Research Methodology

In the research process, various analytical methods were employed, including statistical analysis, comparative analysis, trend analysis, and structural analysis. The study utilized official statistical data from the World Bank, the Asian Development Bank, and the State Committee on Statistics of the Republic of Uzbekistan. In addition, government reports, normative and legal documents, and academic publications were thoroughly examined to ensure a comprehensive understanding of the research problem.

Discussion and Results

The development of the market economy necessitates a theoretical reassessment of the processes taking place within distributional relations and a renewed understanding of their underlying essence. This transformation primarily requires a redefinition of the scientific and theoretical foundations of the concept of *population incomes*, along with an analysis of its complex structural composition and functional characteristics. Furthermore, this concept encompasses the dynamic nature of population stratification, its influence on socio-economic differentiation, and the empirical observation of structural changes in living standards and their long-term trends.

This process, in turn, calls for a systematic analysis of the formation, growth, and diffusion of incomes based on the development and implementation of a consistent and well-targeted income policy.

Table 1 Key Economic Instruments of State Regulation of Population Incomes

Tartibga solish usuli	Mechanism	Scope of application	Advantages	Disadvantages	Level of effectiveness
Establishment of the Minimum Wage	Establishing minimum wage standards in budgetary and non-budgetary sectors	All employers	Ensures the reproduction and maintenance of the labor force	Dependent on the overall economic capacity	High
Fiscal (tax) policy	Progressive taxation, tax benefits, and exemptions	Various income groups	Performs the function of income redistribution	May contribute to the expansion of the shadow economy	Moderate
Income Indexation	Increasing incomes in line with rising prices	Pensions, benefits, and wages	Protects against inflation	Increases the budget burden	High
Subsidies and Privileges	Providing support to small businesses, agriculture, and social sectors	Selectively applied	Stimulates economic growth	Increases budget expenditures	Moderate

The growth of the minimum wage in society depends on the level of economic capacity that emerges at a certain stage of development. If this factor is not taken into account, it may lead to delays in salary payments to employees and budget deficits. At the same time, the minimum wage should be determined

based on the subsistence minimum—meaning the amount of money necessary to ensure the normal physical reproduction of the labor force—which, in turn, is closely linked to the state’s monetary policy.

In contemporary academic research, the issue of household income is often analyzed from the perspective of its micro- and macroeconomic formation mechanisms or the spatial and temporal distribution of income under various economic conditions. However, in many cases, this issue is examined mainly within the context of its interrelation with poverty indicators and the institutional mechanisms of social protection. The one-dimensional nature of such an approach is frequently emphasized in the academic literature. Therefore, the quantitative and qualitative changes in income levels, as well as the transformation of distribution principles, must be examined comprehensively within the terminological and methodological framework of the broader economic system and the fundamental theories of income distribution.

Table 2 Regional Specificities in the Regulation of Household Incomes

Urban areas	Income Level	Key challenges	Regulatory Directions	Recommendd measures
Urban areas	High	Significant inequality and high cost of living	Strengthening Social Protection	Progressive taxation and housing programs
Rural areas	Low	Poverty and limited employment opportunities	Promoting economic Development	Support for the agricultural sector
Industrial Zones	Medium	Delayed wage payments and unemployment	Protecting Labor Rights	Strengthening the activities of trade unions
Peripherl regions	Very low	Isolation and inadequate infrastructure	Implementing Special Government Programs	Wage supplements and transport subsidies

During the course of economic reforms, regional differences in household income levels, poverty incidence, and consumption standards may give rise to a number of adverse socio-economic tendencies. It is noteworthy that the intensification of these disparities can exacerbate social tensions and ultimately undermine the sustainability of economic transformation processes.

One of the most critical challenges in this context is the **increasing spatial stratification of incomes**, which often proves to be both economically inefficient and socially undesirable. The **highest per capita income levels** are recorded in **Tashkent city, Tashkent region, and Navoi region**, largely attributable to the concentration of industrial production, as well as the more advanced development of social and market infrastructure in these areas. Moreover, the application of **regional wage coefficients** and **supplementary payments** has further contributed to income polarization between regions.

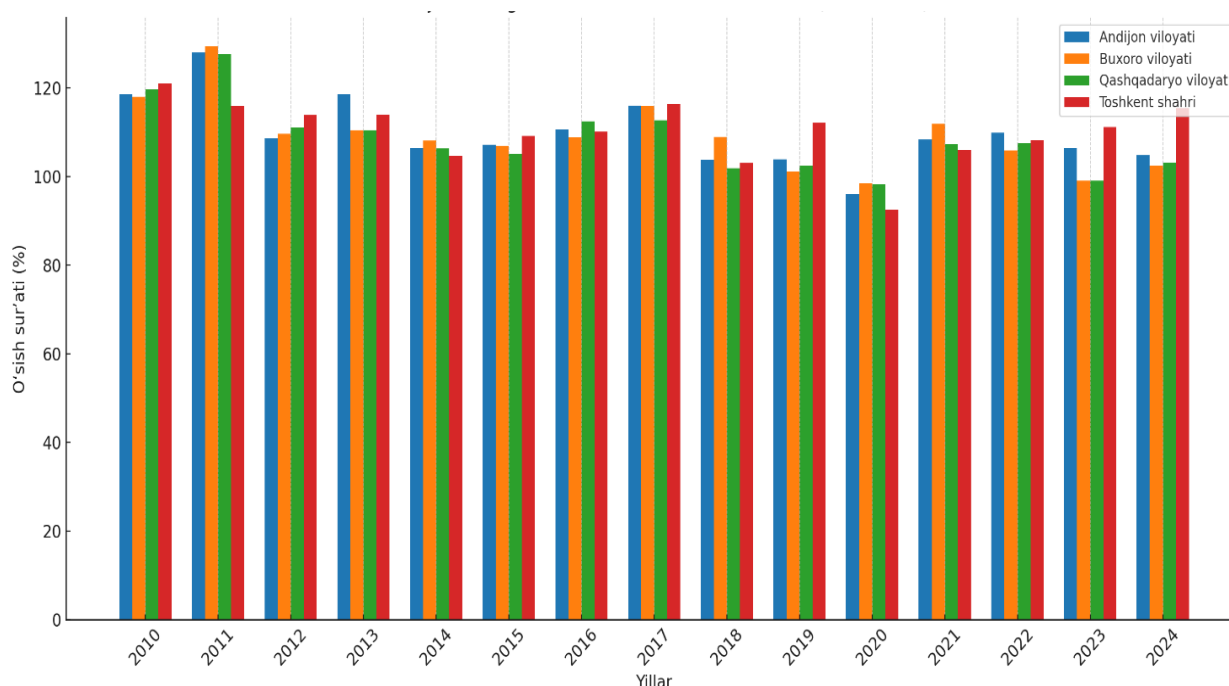


Figure 1. Growth rates of real per capita household income (2010–2024)¹⁶

Real incomes are considered one of the most accurate indicators reflecting the standard of living of the population, as this indicator represents income growth adjusted for inflation. As shown in the graph above, during the period from 2010 to 2019, real incomes in the Republic of Uzbekistan maintained stable growth rates. In particular, in the Bukhara region, this indicator was 129.4% in 2011 and 110.4% in 2013.

However, in 2020, under the influence of the pandemic, the growth of real incomes significantly declined across all regions. Nationwide, in 2020, the growth rate amounted to 98.2%, while in the Bukhara region it fell to 98.5%. This clearly indicates a decrease in the level of real incomes, reflecting the impact of inflation and economic crisis factors.

In 2021–2022, real incomes began to recover: in the Bukhara region, they reached 111.9% in 2021 and 105.9% in 2022. However, in 2023–2024, this indicator again showed a downward trend, indicating regional disparities and the need for stronger economic policies. The fact that real incomes have not achieved the same steady growth as nominal incomes highlights the importance of social protection, employment, and price stability.

¹⁶ Muallif tomonidan tuzilgan.

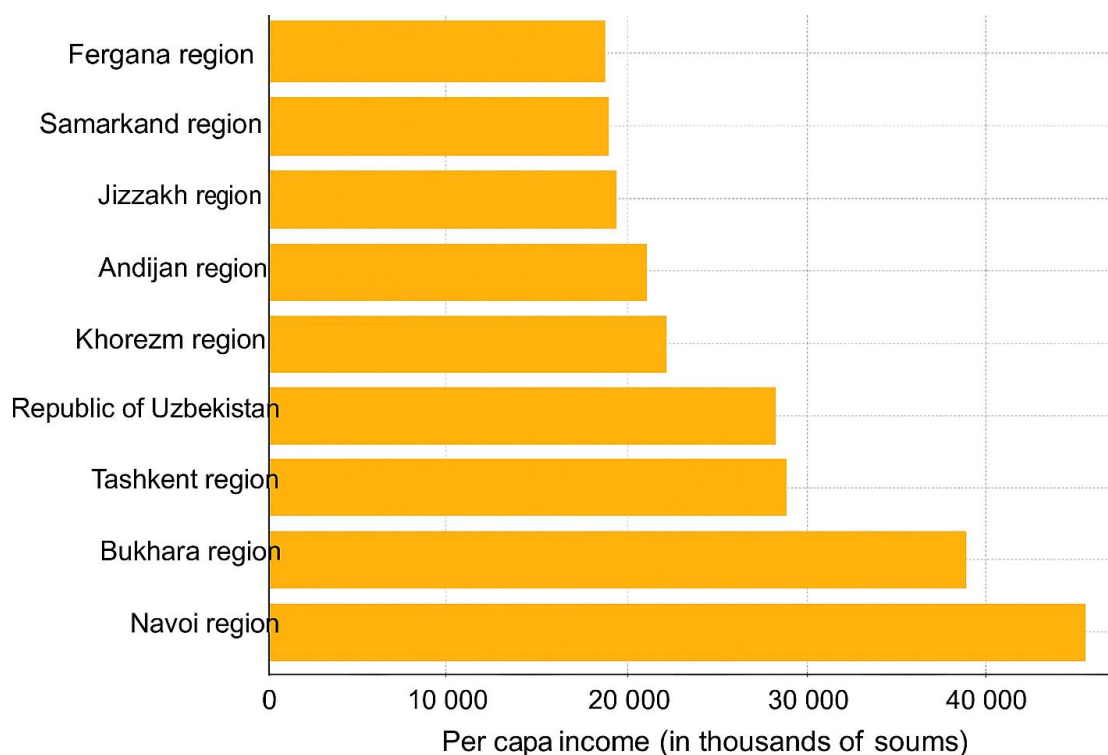


Figure 2. Nominal per capita income by region in 2024 (in thousand soums)¹⁷

As can be seen from the diagram above, by the end of 2024 there are significant differences in nominal per capita income across regions. The highest figure was recorded in Tashkent city, where per capita income reached 38,112 thousand soums. This is associated with the capital's high level of economic activity, the dominance of the service sector, higher wages, and strong investment potential.

CONCLUSION

Based on the research findings, the following conclusions have been drawn:

Firstly, over the past fifteen years, household incomes in Uzbekistan have demonstrated a stable upward trend in nominal terms. Between 2010 and 2024, the average nominal income across the republic increased by 4.2 times. However, the dynamics of real incomes present a more complex picture. Real income growth remained stable between 2010 and 2019 (averaging 110–115% annual growth), sharply declined in 2020 under the impact of the COVID-19 pandemic (98.2%), and then began to recover in 2021–2022 (111.9% and 105.9%, respectively). Nevertheless, in 2023–2024, a slowdown in this growth trend was again observed.

This trend indicates that the growth of nominal incomes does not necessarily equate to an improvement in the standard of living. Factors such as inflation, rising consumer prices, and fluctuations in the exchange rate have a significant impact on the dynamics of real incomes. Therefore, in state policy, it is essential not only to increase the volume of incomes but also to preserve their purchasing power.

Secondly, the research has revealed that interregional economic inequality in Uzbekistan has been systematically increasing. By the end of 2024, the average nominal income per capita in Tashkent city

¹⁷ Compiled by the author.

reached 38,112 thousand soums, while in some regions this figure remained around 18–20 thousand soums. This means that the income gap between the wealthiest and the poorest regions has widened to nearly twofold.

A particularly concerning aspect is the fact that this inequality continues to deepen. According to the World Bank, the wage gap between Tashkent and the Surkhondaryo region was 74% in 2020, but by 2024, it had expanded to 2.3 times. This situation highlights the urgent need to fundamentally revise regional economic policies and demonstrates the serious challenges faced in ensuring the principles of social justice.

Among the main causes of regional inequality, the following factors stand out:

- The concentration of industrial enterprises and large investment projects in Tashkent city and certain provinces;
- Uneven development of transport and logistics infrastructure;
- Regional disparities in access to education and professional training opportunities;
- Limited access to market infrastructure and financial services in peripheral areas;
- Low penetration of digital technologies in rural regions.

Thirdly, Uzbekistan has achieved significant progress in poverty reduction. The poverty rate decreased from **13.4% in 2023** to **10.9% in 2024**, marking a **2.5 percentage point decline**—equivalent to approximately **850,000 people** moving above the poverty line. This positive outcome resulted from several key factors:

- The regular increase of the minimum wage (reaching **965,000 soums** in 2024);
- Indexation of social benefits and pensions;
- Government programs supporting small businesses and entrepreneurship;
- Employment programs and measures aimed at creating new jobs;
- The rise in agricultural product prices, which boosted rural household incomes.

However, the recent slowdown in poverty reduction rates points to emerging challenges. The widening inequality is complicating further progress in poverty alleviation. According to World Bank experts, reaching the “last 10%”—that is, lifting the poorest segment of the population above the poverty threshold—remains the most difficult task.

Fourthly, the analysis of the mechanisms for regulating household incomes by the state yielded the following conclusions:

The **minimum wage mechanism** remains one of the most effective tools for income regulation. An increase in the minimum wage not only has a direct impact on low-income workers but also generates a multiplier effect throughout the entire wage system. However, the effectiveness of this mechanism depends on the economy’s capacity to sustain minimum wage payments. In certain sectors—particularly **small businesses and agriculture**—a high minimum wage may lead to the expansion of **informal employment** beyond the scope of legal regulation.

The **indexation mechanism** serves as an effective means of protecting incomes from inflation. Regular indexation of **pensions, benefits, and social transfers** helps maintain the income levels of the most vulnerable social groups. However, this approach increases the **budgetary burden** and is constrained by the state’s fiscal capacity.

The **system of subsidies and privileges** is selectively applied to support specific sectors and social groups. Subsidies provided to **small businesses and agriculture** stimulate economic growth, yet their effectiveness requires continuous **monitoring and evaluation**.

Fifthly, the analysis of **regional specificities** has produced several key findings:

- **Urban areas**, particularly **Tashkent City**, are characterized by higher income levels and well-developed economic infrastructure. Nevertheless, **intra-urban inequality** remains significant. High living costs, rising housing prices, and expensive services create serious challenges for a segment of the urban population. For these areas, **progressive taxation, social housing programs, and targeted social assistance** are crucial policy priorities.
- **Rural areas** are marked by **low income levels, limited employment opportunities, and weak infrastructure**. The main source of income for the rural population is agriculture, which is highly sensitive to **seasonal fluctuations, weather conditions, and market price dynamics**. Diversifying employment, promoting **non-agricultural rural enterprises**, and expanding access to **financial services** are essential measures for sustainable rural development.
- **Industrial regions** (such as **Navoi, Fergana, and Andijan**) have **moderate income levels**. Strengthening **trade union activities**, improving the **labor inspection system**, and reinforcing **worker protection mechanisms** are necessary to ensure fair labor conditions.
- **Peripheral regions** (including certain mountainous and desert territories) are characterized by **very low incomes, geographical isolation, and insufficient infrastructure**. These areas require **special state programs**, the introduction of **regional wage supplements**, and **transport subsidies** to improve living standards and connectivity.

Sixthly, Uzbekistan's goal of achieving **upper-middle-income country status by 2030** requires substantial **structural transformations**. According to forecasts by the **Asian Development Bank (ADB)**, Uzbekistan's GDP is expected to grow by **6.6% in 2026**. While this is a positive outlook, achieving the upper-middle-income threshold will necessitate addressing several fundamental challenges, including productivity growth, income diversification, and equitable regional development.

References

1. Decree of the President of the Republic of Uzbekistan dated January 28, 2022, No. PF-60 "On the Development Strategy of New Uzbekistan for 2022–2026." Collection of Legislative Acts of the Republic of Uzbekistan, 2022, No. 4, Article 35.
2. World Bank. "World Bank Reports Increasing Economic Disparity in Uzbekistan." May 13, 2024. Available at: <https://kun.uz/en/news/2024/05/13/world-bank-reports-increasing-economic-disparity-in-uzbekistan>
3. World Bank. Global Economic Prospects. As of June 2024. Available at: <https://www.worldbank.org/en/publication/global-economic-prospects>
4. World Bank. Middle-Income Countries: Development News, Research, and Data. Available at: <https://www.worldbank.org/en/country/mic/overview>
5. World Bank. Uzbekistan: Development News, Research, and Data. Available at: <https://www.worldbank.org/en/country/uzbekistan/overview>
6. Atkinson, A. B. Inequality: What Can Be Done? Cambridge: Harvard University Press, 2015. 384 p.

7. Deaton, A. The Great Escape: Health, Wealth, and the Origins of Inequality. Princeton: Princeton University Press, 2013. 376 p.
8. Keynes, J. M. The General Theory of Employment, Interest and Money. London: Macmillan, 1936. 403 p.
9. Krugman, P. Geography and Trade. Cambridge: MIT Press, 1991. 142 p.
10. Asian Development Bank. "Uzbekistan's Economic Growth in 2025." April 9, 2025. Available at: <https://www.adb.org/news/adb-highlights-uzbekistans-economic-growth-2025>
11. Ostry, J. D., Berg, A., & Tsangarides, C. G. Redistribution, Inequality, and Growth. IMF Staff Discussion Note, 2014, SDN/14/02, 30 p.
12. Piketty, T. Capital in the Twenty-First Century. Cambridge: Harvard University Press, 2014. 685 p.
13. Ricardo, D. On the Principles of Political Economy and Taxation. London: John Murray, 1817. 333 p.
14. Smith, A. An Inquiry into the Nature and Causes of the Wealth of Nations. London: W. Strahan and T. Cadell, 1776. 576 p.
15. Stiglitz, J. E. The Price of Inequality: How Today's Divided Society Endangers Our Future. New York: W.W. Norton & Company, 2012. 560 p.
16. Kayumov, N. K., & Abdullaev, Y. Sh. Regional Aspects of Economic Development of Uzbekistan. Tashkent: Iqtisod-Moliya Publishing House, 2023. 256 p.
17. Usmanov, I. A., & Tursunov, B. O. "Mechanisms of State Regulation of Population Income in Uzbekistan." Scientific Bulletin of Samarkand State University. Series: Economics, 2023, No. 4(118), pp. 72–81.