TOPIC: PERSONAL AND FAMILY BUDGET: WHY IS HOUSEHOLD FINANCE MANAGEMENT IMPORTANT?

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Introduction

In a market economy, every individual and family must manage their financial resources wisely. Balancing income and expenses, creating savings for the future, and protecting against financial risks are closely linked to the proper management of personal and family budgets. Therefore, household finance management is one of the most important socio-economic issues today.

One of the key conditions for avoiding unnecessary spending and preventing financial difficulties by the end of the month is maintaining a personal or family budget. Through this, you can clearly identify the gap between your financial capabilities and your needs. Generally, to maintain a personal budget, you must first identify your sources of income. You calculate your average monthly income based on how much capital comes from which source. After creating income forecasts, you develop an expense estimate and allocate funds primarily to the most essential, non-deferrable expenses.

While it may sound simple, personal budgeting requires time, persistence, and

discipline. At the same time, it helps to form these qualities in a person. It is worth noting that managing a family budget is more complex than a personal one. Let us first define the concept of "household finance."

The Concept of Household

According to the standards recommended by the UN, a **household** is a small group of people living together in one dwelling, contributing their income and wealth fully or partially to a common fund, and consuming certain goods and services collectively. **Household finance** refers to the monetary relations that arise during the formation, distribution, and use of targeted funds with the participation of households and their individual members.

In most economic literature, the term "household finance" is used interchangeably with "home" or "family." However, the term "household" has a broader character than "family." For example, a student renting a room is part of the landlord's household but is not part of their family. In other words, a household can consist of unrelated individuals or even a single person. Living together, having a common budget, and making joint economic decisions are the criteria for a household.

The concept of household finance was not well-studied until the American economist and Nobel Prize winner **Gary Becker**. Starting in the 1960s, as a result of Becker's work, the concept of family and household finance began to be studied as a formal subject. Becker defined households as units of consumption and production. According to him, the less free time household members have, the higher the household's income will be.

Budgeting Increases Financial Discipline

Many people assume that a family budget simply means recording income and expenses to save money. In reality, it encompasses much broader measures. This includes:

- Forecasting monthly, quarterly, and annual income;

- Pre-determining major future expenses;
- Building savings;
- Postponing certain expenditures;
- Ensuring timely repayment of debts and loans;
- Categorizing expenses into priority, non-deferrable, and avoidable costs.

In general, consistent management of personal and family budgets increases financial discipline. It encourages the accumulation of savings and directs them toward generating non-wage income. This is essentially where financial literacy begins. A national economy only benefits from the existence of financially literate and calculating households.

Case Studies:

- **Firuz Allayev**, entrepreneur and founder of *Asaxiy.uz*, states that he has been managing his family budget through a mobile app for four years. He believes that if expenses are not planned and cash flow is not tracked, even an income of 100 million UZS a month will not be sufficient.
- **Mirshod Shakirov**, founder of the *Uzbekistan–UK Trade House*, has been managing his budget since 2012. He initially used Microsoft Office tables and shifted to the "Domashnyaya Bukhgalteriya" app in 2017. He emphasizes that budgeting makes achieving goals easier and serves as a positive psychological example for his children, teaching them moderation in all things.

ILO Study: Primary Expenses Account for 83% of Monthly Outgoings

Currently, there is no definitive statistics on how many people in Uzbekistan maintain a personal or household budget. However, a recent report by the **International Labour Organization (ILO)** indicates that:

- 60% of respondents live in single-family households;
- 27% live in two-family households;
- 13% live in households with three or more families.

- Food, transport, clothing, and medicine account for **83%** of household consumption. Interestingly, 50% of respondents stated they cover expenses by cutting back on consumption. It is important to note that insufficient income is not an excuse to avoid household finance management. Budgeting is equally important for all segments of the population. When citizens are financially literate and vigilant, it leads to better income distribution, increased savings, and fewer issues with debt/credit relations, ultimately stabilizing the national economy.

Conclusion

In conclusion, personal and family budgeting is the foundation of effective household finance management. It ensures financial stability, expands opportunities for savings and investment, and protects against unexpected risks. Therefore, it is vital for every individual and family to consciously plan and maintain their budget.

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