



## **PURPOSE OF THE FUND AND WAYS OF TARGETED SAVINGS**

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**Abstract.** *This article analyzes the role of savings in the economic system, their main purpose and importance in ensuring financial stability. The article highlights the factors of formation of personal and institutional savings, their impact on economic growth and their role in reducing financial risks. It also analyzes effective ways of target savings, including budgeting, cost optimization, automatic savings systems and methods of using investment vehicles. The results of the study make it possible to provide practical recommendations for individuals and organizations in forming a savings strategy.*

**Keywords:** *savings, financial stability, budgeting, investment, personal finance, financial planning, expense management.*

### **INTRODUCTION**

Savings are not only funds saved for the future, but also one of the important factors of economic stability and growth. Personal savings refer to funds generated by families or individuals, usually accumulated as a part of income in excess of spending. Institutional savings are accumulated and efficiently distributed by large systems such as enterprises, banks, insurance companies and state funds. It is important to analyze the factors affecting the formation of both types of savings and the positive results they bring to the economy.

The most important factor in the formation of personal savings is the level of income. A regular and stable income allows for more savings. In addition, economic awareness - financial literacy - also plays a major role: as people understand credit, interest, inflation and investment instruments, their approach to savings changes [1]. International experience shows that financial advice and education significantly increase the size of savings. Taxes and social security systems are also important; if social protection is strong, families save less against short-term risks, but the context for long-term investments is stable. At the same time, easy access to credit and the availability of banking services encourage people to save and invest.

The economic environment and regulatory policy are central to the formation of institutional savings. The development of financial markets, the soundness of the banking system, the expansion of insurance products, and the



liquidity of the capital market allow institutions to attract more funds. Enterprises also increase savings through profits and depreciation to finance themselves; at the state level, budget surpluses, social funds, and investment funds support the economic strategy. In addition, a legal framework and strong financial supervision ensure the safety of institutional savings - a decisive factor in attracting private investors.

The impact of savings on economic growth is observed in two directions. First, savings serve as a source of investment. These funds are used to finance new production capacities, infrastructure projects, jobs and technological innovations. As a result, production volumes and labor productivity increase, which accelerates economic growth. Second, savings stabilize demand: consumers and businesses can continue spending during periods of sharp declines due to savings, which softens the shocks of business cycles [2].

Their role in reducing financial risks is also important. At the individual level, savings protect the family from economic crises in the event of unexpected loss of income, illness or emergencies. These savings protect consumption and investment from sharp declines. Institutional savings, on the other hand, mitigate systemic risks: the reserves of banks and insurance companies serve as a kind of floor against financial shocks. In addition, diversification - the distribution of funds across different assets - is a key tool for reducing investment risk, and is widely practiced through these institutions.

There are also practical ways to increase savings: increasing financial literacy, introducing tax incentives and subsidy mechanisms, developing private pension funds, facilitating access to banking services, and creating special instruments for financing small businesses. Financing investment projects through public-private partnerships is also important.

Savings with a purpose is a process based on financial discipline and foresight, in which a person or organization accumulates funds to meet a specific need in the future. These needs can be different: buying a house, financing children's education, preparing for retirement, or starting a large business project. In the process of saving, it is important not to simply accumulate excess funds, but to plan, store and increase them correctly. Budgeting, cost optimization, the use of automatic savings systems and investment tools are of particular importance as effective ways of saving with a purpose.

First of all, budgeting is the most basic and initial stage of saving. By creating a budget, an individual or organization keeps its income and expenses under complete control. Accurately recording monthly income and outgoing expenses gives a person financial discipline [3]. For example, determining in advance how much money will be spent on utility bills, food, transportation, or



recreation each month can prevent unnecessary expenses. Creating a budget also allows you to determine how much money can be allocated to savings. Experts recommend allocating at least 10-20 percent of your monthly income as savings. In this case, creating a budget not only increases the amount of savings, but also stabilizes your personal financial situation.

Spending optimization is another important way to increase savings. This process involves reducing unnecessary or excessive expenses, using products and services at the most affordable prices, and making rational use of discounts and promotions. For example, you can save significantly by making a list for daily purchases in advance, reducing impulsive purchases, and limiting expensive habits (for example, unnecessary branded goods, frequent meals in cafes or restaurants). The use of technology also helps to optimize spending - comparing prices through mobile applications, using budgeting programs, and using cashback services for online payments are clear examples of this. Optimized spending increases the share allocated to savings and speeds up the process of accumulating funds.

Automatic savings systems are also a modern and very effective tool. In this case, a certain amount of income is automatically transferred to a savings account every month. This system is less dependent on the human factor and reduces the risk of "spending money while you are away." Most banks provide customers with a convenient option through automatic transfers: as soon as a salary is received, a certain percentage of the amount is automatically transferred to the savings account. This approach ensures regularity and is also psychologically convenient - a person does not have to remember to allocate money to savings every time. This method is especially useful for long-term savings goals, such as housing or a pension fund.

The use of investment vehicles is also an important step in target savings [4]. Funds in ordinary savings accounts can lose their value due to inflation. Therefore, it is necessary to invest them to increase the savings. In this case, low-risk and long-term investment vehicles, such as government bonds, index funds, term deposits or private pension funds, may be a good option. The main principle for investors is diversification, that is, reducing risk by distributing funds across different assets. Before each investment decision, it is very important to conduct market analysis, assess risk and profitability. If you do not have sufficient knowledge in this regard, it is recommended to use the services of financial advisors.

Developing a savings strategy is not just about accumulating surplus funds, but about managing them in a conscious, systematic and purposeful manner [5]. Financial stability and future development opportunities for each individual or organization largely depend on a properly developed savings



strategy. Planning, risk assessment, discipline and regular monitoring are of great importance in developing a strategy. Below are practical recommendations for individuals and organizations in a systematic manner.

First of all, any savings strategy starts with setting clear financial goals. Without goals, the savings process can be unmotivated and ineffective. For individuals, this could be buying a house, paying for education, traveling, or saving for retirement; for organizations, it could be expanding production, purchasing new technology, or creating an emergency fund. It is recommended that goals be specific, measurable, achievable, realistic, and time-bound (SMART). This principle makes the savings process more purposeful.

The second important recommendation is budgeting and financial control. At the personal level, this means recording monthly income and expenses, categorizing expenses, and cutting out unnecessary and unnecessary expenses. For organizations, it is more complex: it involves processes such as maintaining financial statements, managing cash and cash flow, properly planning depreciation deductions, and reinvesting profits. Financial control helps determine how much money can be allocated to the fund.

The third recommendation is to automate savings. For individuals, this means setting up automatic monthly transfers of funds from their salary to a savings account through banking services. This method takes into account human psychology: if funds are automatically withdrawn, the desire to spend them decreases. Organizations can automatically transfer a certain part of their profits to special savings or reserve accounts at the end of each quarter or year. This system ensures regularity and serves to steadily increase the size of savings.

The fourth recommendation is to take into account financial risks and create a reserve fund. Any personal or corporate financial strategy must include a reserve fund for unforeseen circumstances. For individuals, this means creating an emergency fund equal to at least 3-6 months of expenses. Organizations should form reserve capital to be prepared for risks such as production shutdowns, a decrease in market demand, or sharp changes in exchange rates. This approach helps maintain financial stability in times of crisis.

The fifth important recommendation is to invest the savings. Keeping funds in a regular savings account reduces their real value due to inflation. Therefore, it is beneficial to direct part of the savings to low-risk investment instruments (government bonds, term deposits, index funds). For organizations, it is advisable to invest part of the profit in updating technologies, investing in marketing, or investing in diversified assets. In both cases, it is very important to follow the principle of diversification to reduce risk.



The sixth recommendation is to increase financial literacy and consult with experts. For individuals, this means reading books on financial planning, participating in online courses or trainings. Organizations can develop a savings strategy in collaboration with professional financial advisors or accountants. Expert support allows you to foresee risks and adapt the strategy to real market conditions.

And finally, the seventh recommendation is to regularly monitor and update the strategy. A savings strategy is not a one-time thing. Life circumstances, market conditions, and financial goals change. Therefore, it is important to analyze your savings status every quarter or every year and, if necessary, revise your budget, investment portfolio, or goals. This process makes the strategy flexible and increases its effectiveness.

Conclusion. In conclusion, it can be said that savings are not just a way to accumulate excess money, but also one of the most important tools for reducing future financial risks, achieving big goals, and creating a sustainable lifestyle. Therefore, each person needs to form a savings strategy to achieve their life goals.

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