

INVESTMENT IN HUMAN CAPITAL IN UZBEKISTAN

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Abstract

Significant inequality in the distribution of income is socially dangerous and does not correspond to the needs of modern production. The solvency of the population and development of human capital which ensures a high aggregate demand, is an important condition for economic growth. The basis of the new economy is human capital, which is the main driving force of the socio-economic development of modern society. The most important level of increasing the level of employment and income of the population is small and medium business. In order to reverse the current situation, involve the population in business, it is necessary to implement a set of measures, placing on improving the entrepreneurial climate and disclosing the entrepreneurial potential of the population.

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Introduction

Improving the quality and standard of living of the population is a priority task of socio-economic development of Uzbekistan. To solve it requires overcoming the most acute problems of low living standards, unemployment, high differentiation of society.

The transition to an innovative development path is a strategic priority for Uzbekistan, the implementation of which requires a radical increase in innovation and investment activity, the construction of advanced industries, the modernization of industry and agriculture, the increase in investment in human capital, the rise of education, science, and health care. In these areas it is necessary to reach world standards.

Significant inequality in the distribution of income is socially dangerous and does not meet the needs of modern production. The solvency of the population, providing high aggregate demand, is an important condition for economic growth. At the same time, maintaining high standards of living standards and quality of life is necessary for the reproduction of the skilled labor force necessary for production in a post-industrial, knowledge-based society.

Analyzing the passed stage of the country's development, changing the world economy in the context of globalization and increasing competition require the development and implementation of radically new ideas and principles for the further sustainable and accelerated development of the country.

Theoretical background

In order to radically increase the effectiveness of the reforms, create conditions for the comprehensive and accelerated development of the state and society, implement priority areas for the modernization of the country and liberalize all spheres of life, the Strategy has been approved actions in five priority areas of the development of the Republic of Uzbekistan in 2017 - 2021. One of the priority areas is the development of the social sphere and in this paragraph a consistent increase in real incomes and employment by increase in real cash income and purchasing abilities of the population, further reduction in the number of low-income families and the level of differentiation of the population by income;

consistent increase in the salaries of employees of budgetary institutions, pensions, scholarships and social benefits in the amounts ahead of the rate of inflation;

creation of new jobs and ensuring rational employment of the population, primarily graduates of secondary specialized and higher educational institutions, ensuring balance and developing market infrastructure labor; reduction in unemployment;

creation of conditions for the able-bodied population to fully the implementation of their labor and entrepreneurial activity, improving the quality of the workforce, expanding the system of vocational training, retraining and advanced training of persons in need of employment.¹

Under the income of the population refers to the amount of cash and material goods received or produced by households for a certain period of time.²

If we talk about society as a whole, its income should be considered as a gross domestic product or as the sum of the income of all economic entities, which also represents the value and the measured part of the product produced over a certain period of time. The income of an individual, household, social group is a part and the corresponding value of the produced product, which is obtained as a result of their economic activity.

Main part

The distribution of consumer goods and commodities is usually preceded by a distribution of income. The population receives its share of the gross product for personal needs, initially in the form of income. The proceeds received are then used to purchase the necessary goods and services.

Thus, the level of income is of great importance, since it is he who determines the level of consumption. The size and composition of income is one of the most important, although incomplete characteristics of the standard of living of the population. The incomes of the population not only determine their financial situation, but also largely reflect the state and effectiveness of the economy and economic relations in society. Revenues are characterized by level, composition and structure, dynamics, correlation with expenditures, differentiation by different strata and population groups.

According to the data below, in 2000-2016 per capita, one can observe a growth trend in income, wages and pensions. But in recent years, the growth rate of wages and pensions, which are considered one of the main sources in the structure of incomes, and this phenomenon has had its effect on the decrease in total incomes of the population.

Table 1. Information on changes in per capita incomes of the population, salaries and pensions for 2000-2017

Indicators	2000	2005	2010	2015	2017
I. Total income per capita, in thousand soums	96,4	371,8	1668,1	4565,2	5800
<i>real growth compared to the corresponding period</i>	124,7	117,4	120,1	110,0	112,2

<i>last year, in percent</i>					
II. Average annual nominally accrued wages, in thousand soums	13,5	81,5	504,8	1293,8	1453,2
<i>to the corresponding period last year, in percent</i>	146,0	138,7	129,4	110,4	112,3
III. The average amount of the established pension, in thousand soums	7,4	31,7	171,9	494,2	567,3
<i>The average amount of the established pension, in thousand soums</i>	152,0	143,5	125,9	112,8	114,8

According to preliminary data, in January-December 2017, the total volume of the aggregate income of the population amounted to 186.2 trillion. UZS and compared with the corresponding period of 2015, increased by 22.8% (real growth - 12.2%). In terms of per capita, real income amounted to 5.8 million soums. The highest rates were recorded in Tashkent - 12.7 million soums per person, Navoi region - 9.1 million soums (real incomes of citizens) and Bukhara region - 6.7 million soums.

The total volume of income from labor activity has grown due to changes in income from labor activity. The share of labor income in the overall structure was 68.8%, of the transfer - 24.8%. At the same time, income from transfers in 2017 increased by 55.9%.

In 2017, the income of employees increased by 12.8%, and their share in the income structure is 34.3%. Incomes of citizens from self-employment, which make up 34.5% of the total income structure, increased by 14.6%. [4]

Table 2. Real total population income by region of the Republic Uzbekistan for January-March 2018

	<i>Total billion soums</i>	<i>In % from January to March 2017</i>	<i>On average per capita, thousand soums</i>	<i>In % from January to March 2017</i>
Republic of Uzbekistan	36073,8	110,6	1 102,8	108,8
Republic of Karakalpakstan	1623,3	111,3	879,9	109,8
<i>Regions:</i>				
Andijan	2764,1	114,5	916,4	112,6
Bukhara	2226,4	109,6	1 189,0	108,0
Jizzakh	1069,0	108,9	805,3	106,9
Kashkadarya	2849,4	109,3	903,4	107,2
Navoi	1704,6	104,4	1 776,2	102,8
Namangan	2177,0	112,3	805,1	110,4
Samarkand	3491,5	116,6	936,8	114,4
Surkhandarya	2213,1	116,1	878,4	113,7
Syrdarya	774,4	109,1	947,8	107,4
Tashkent	3395,6	104,1	1 185,5	102,9
Ferghana	3169,6	109,1	874,2	107,5
Khorezm	1873,0	116,9	1 036,2	115,1
Tashkent city	6723,7	109,0	2 721,7	107,1

According to January-March 2018, total per capita income

The population in the Republic of Uzbekistan averaged 1.3 million soums (real growth - 8.8%). At the same time, the average per capita aggregate income of the population above the national average was observed in Tashkent (3 310.7 thousand soums), Navoi (2 111.4 thousand soums), Bukhara (1 414.3 thousand soums) and Tashkent (1403, 6 thousand soums) areas.

By redistributing concentrated money mass, the state performs its basic functions. All participants in social production to one degree or another interact with the state budget. It is very important which regulatory tools the state needs to use to reduce differentiation, because government measures can affect both the market and capital and income distribution. Income distribution is mainly influenced by tax policy. Within the framework of the theory of "guaranteed income of a citizen", programs are being developed that ensure the inalienable right of every citizen, regardless of gender, age, nationality, religion, marital status, to receive a small but guaranteed income. It uses negative income tax, social dividend.

The tax policy and the system of social payments implement the concept of the state and society, reflecting the existing system of values. Public goods are always available for consumption by individuals, even if already used by others, and consumed by the entire population, for example, clean air, street lighting, national defense, police. There is a problem of "free rider" - a free user of benefits. How much of the state budget, formed from tax deductions of citizens, will be spent on the provision of public goods, the government decides. Essential goods such as health, education, food, as well as public goods, should be consumed by the entire population, regardless of income. However, guaranteed individuals must receive certain essential goods in certain quantities. For example, all children attend school, but which of the schools to choose - public or private financed from the budget - is decided by the parents based on their income level. At the same time, the standard of living of the population who chose a regular school is improving thanks to the state, and the standard of living of those who prefer a private school is raised as a result of their own investment in human capital. The same situation arises when choosing between public and private medical institutions.

By redistributing income through taxation and the system of social payments, the state ensures social peace and prevents excessive differentiation of incomes of the richest and poorest citizens. The main argument in favor of equal income distribution is that equality is necessary to maximize marginal utility, or to satisfy consumer needs. The main objection to the equalization of incomes is that in order to achieve this goal, the state must withdraw part of the income of citizens in the form of taxes and transfer them to the more needy, thereby reducing the desire to maximize earnings for both. As a result, incentives for high productivity work are reduced. Under these conditions, the efficiency of the economy decreases and the national economy, *ceteris paribus*, can enter a period of prolonged stagnation, as, for example, in the USSR in the 70s - the first half of the 80s.

Discussions

Uzbekistan ranked 105th in the UN Human Development Index (HDI) for 2018. The HDI is a statistic of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development. A country scores higher HDI when the lifespan is higher, the education level is higher, and the GDP per capita is higher.

Uzbekistan's HDI value for 2017 is 0.710— which put the country in the high human development category—positioning it at 105 out of 189 countries and territories. Between 2000 and 2017, Uzbekistan's HDI value increased from 0.595 to 0.710, an increase of 19.3 percent. Between 1990 and 2017, Uzbekistan's life expectancy at birth increased by 4.9 years, mean years of schooling increased by 2.4 years and expected years of schooling increased by 0.7 years. Uzbekistan's GNI per capita increased by about 233.5 percent between 1990 and 2017.

Uzbekistan's 2017 HDI of 0.710 is below the average of 0.757 for countries in the high human development group and below the average of 0.771 for countries in Europe and Central Asia. From Europe and Central Asia, countries which are close to Uzbekistan in 2017 HDI rank and to some extent in population size are Kyrgyzstan and Tajikistan, which have HDIs ranked 122 and 127 respectively.⁵

One of the factors to increase household incomes is the development of small business.

Conclusion

It is small business that is the basis for the formation of the "middle class", therefore, helps to weaken the tendency towards social differentiation inherent in a market economy.

It should be noted that, according to preliminary data, in January-March 2018, of the total population income, the share of income received from small businesses amounted to 47.7%. In other words, all this indicates that small business and private entrepreneurship have become an integral and most important part of our national economy, have become a leading force in solving many economic and social issues, the development of industry and services, ensuring a prosperous life for people.

Business development and an increase in the number of entrepreneurs determine the dynamics and structure of incomes of the population. Over the past decade alone, real incomes from entrepreneurial activity in total household income have grown to more than 50% of all incomes. In a word - the development of small business and private entrepreneurship, the formation of a favorable business environment means not only strengthening the national economy, increasing its competitiveness, but also ultimately the well-being of the population.

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