Analysis of current situation of formation, dynamics of incomes and regulatory mechanisms

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ABSTRACT   This article is about analysis of current situation of formation, dynamics of incomes and regulatory mechanisms. In this article it was studied influence of structural changing inclinations of income formation and other social results to improvement of distribution system, at the same time it was dealt with population incomes, GDP dynamics and changing inclination, the distribution of persons on income per capita by urban and rural areas, the distribution of households on income per capita by residential places, some compatibility between changing dynamics of poverty reduction inclinations and changing of growth, and the issues of using of regulated prices for realizing social regulation aim of state.

KEYWORDS : population incomes, income per capita, regulation of the prices

Introduction

Social burden of population incomes, its function are defined by its influence and quality in the regulatory process. Because formation of population incomes forms through distribution and mechanisms of redistribution within mutual relation and at the different economic levels and it implements both certain stationary function and perpective regulatory function at every point. Beside incomes are standard of living factors and indexes, its regulatory function defines required costs for further development [3].

Consumer factor of incomes and expression of realization of demand as potential indicator are applied for various balance and forecast reports. Because, using of incomes and costs as balance mechanism reflects in economic school led by economist N.M.Rimashevskaya and in the balance calculations and forecastings studied longterm by professor A.G.Alirzayev in regional aspect [2].

Method

In order to analyze comparatively the standard of living of the population in a market economy, differentation of the incomes and its basic distribution parameters are more common [4].

For the purpose of use as regulatory mechanism of population incomes it is used income distribution method. So, it is used individual parameters estimated distribution of the population on separate social group and income level for differentation of population incomes. Statistic and dynamic analysis of the incomes is defined by changing the factors which effect to the formation of incomes. The efficiency of labor in the formation of population incomes is defined by the volume material and spiritual blessings necessary for living in the form of fee and transfers for labour wage in order to reproduce the incomes and also business activity. If the type of labor and given fee increase repectively, it is defined by $G=f(a\varphi)$ function parametrically.

Here, φ – it is functional dependency that indicates efficiency of labor or dependence of economic growth on wage growth.

a – it is a monoton elastic parameters between changing of efficiency and changing of wages. Itself changes as dynamic process and the efficiency of other wages is accepted as multiplication effect.

The formation of incomes creates conformity of distribution and redistribution of money, material resources and free services on the basis of centralized and decided rules and norms [1,p.150].

The nature of income creates its polarisation, regulatory structure on formation sources. Labour incomes played an important role here forms labour process. The nature of labour, its productivity form inpetus mechanisms and also regional social policy and gives

methodological base to the content of regulatory mechanisms.

Analysis

Structural changing inclinations and other social results of the formation of incomes effect in the complex to the improvement of distribution system. İt is based on state incomes, incomes of enterprise and organizations, income and costs of social protection funds, as well as amount of money being main factor of monetary policy, its interest norms, interest policy. Current costs of the population gives an opportunity for forecasting and regulating of collection inclination. The growth rate and dynamics of population income corresponds to the dynamics of gross domestic product.
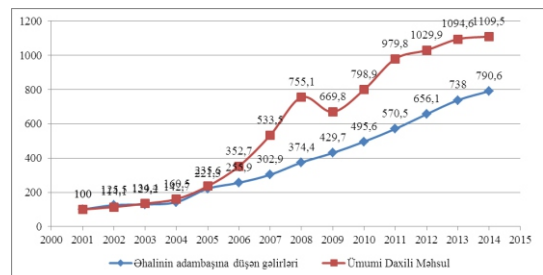

Chart..Dynamics and changing inclination of the population income and GDP.

Transfer incomes play an important role in the formation of population incomes. Social provision and social assistance being an integral part of social reforms is conducted by improvement and regulatory of social allowance systems for poor contingent of the population. Transfer incomes are transmitted to the population budget through transfer from social protection fund, State budget, special funds of direct or individual enterprise and organizations. This differentiates according to provision principle by being a part of gross domestic product. The contingent of the transfer incomes are pensioners, poor families, as well as children and material resources and services obtained collective free services. Taking into account of the service obtained free education and healthy service in family budget leads to reduction of its costs and the formation of total incomes. Therefore, total income and costs cover regulatory of supply and demand, and the strategy of formation of balance of payment.

$$MG = ANG + TRG + SG + \Delta Y \iota g \quad (1)$$

Here, *MG* Total incomes;

AHG - wages and incomes;
TRG - transfer incomes;
SG - entreprenural incomes;
$\Delta Y \iota g$ changing of collection level of the population money.

The formation of population income characterizes the methods of

forecasting market demand and supply, preparing global budget incomes and costs in the country and organizing social protection forms and rules.

The analysis suggests such conclusion that regulatory function of the population income is used to form global economic policy and polarisation level and to define its perspective directions. So, the differentation of incomes doesn't define the polarisation level in a market economy condition, it is defined through calculation and dynamics of kvantil and Gini coefficient. Functional dependency and argumental changes between the general growth rate of incomes and its differentiation are very important in compiling right expression form of these relations and regulatory mechanisms. It is observed decrease dynamically in poverty level which is defined through the levels of gross domestic product per capita and incomes in Azerbaijan economy. Distribution structure of the population incomes on households enhances to estimeta differentation in the country (Table 1).

Table 1.
Distibution of households on incomes per capita in 2014 year
(at interest)

	Total on the country	Urban	Rural
All the households	**100**	**100**	**100**
Up to 95 manats	-	-	-
95,1 – 100.0	0,0	0,1	-
100,1 - 105,0	0,2	0,2	0,1
105,1 - 110,0	0,2	0,2	0,2
110,1 - 115,0	0,7	0,6	0,7
115,1 - 120,0	1,1	1,1	1,1
120,1 - 125,0	2,0	2,1	1,8
125,1 - 130,0	2,6	2,7	2,6
130,1 - 135,0	3,3	3,2	3,4
135,1 - 140,0	3,8	3,5	4,1
140,1 - 145,0	4,4	3,9	4,9
145,1 - 150,0	4,9	4,5	5,4
150,1 - 160,0	10,2	9,1	11,6
160,1 - 170,0	9,5	8,3	10,9
170,1 - 180,0	9,1	8,3	10,2
180,1 - 190,0	7,5	7,0	8,1
190,1 - 200,0	7,2	7,1	7,3
200,1 - 225,0	11,9	12,4	11,3
225,1 - 250,0	7,6	8,7	6,1
250,1 - 300,0	7,9	9,2	6,3
300 and over 300	6,1	7,9	3,8

As seen from the table that in 2014 the highest indicator on income per capita by urban and rural areas is 12,9%, by the urban areas is 13,4% and by rural areas is 12,2 % (200,1 - 225,0 manats) and this proves the law of distribution of incomes level on households. Increase and decrease inclination of the incomes per capita happen corresponding with normal distribution law.

Table 2,
In 2014 distribution of incomes per capita by urban and rural areas. (at interest)

	Total on the country	Urban areas	Rural areas
All the households	**100**	**100**	**100**
Up to 95 manats	-	-	-
95,1 – 100.0	0,0	0,1	-
100,1 - 105,0	0,2	0,2	0,1
105,1 - 110,0	0,2	0,2	0,2
110,1 - 115,0	0,6	0,6	0,6
115,1 - 120,0	1,0	1,0	0,9
120,1 - 125,0	1,7	1,9	1,5
125,1 - 130,0	2,3	2,3	2,2
130,1 - 135,0	3,0	3,0	2,9
135,1 - 140,0	3,3	3,1	3,5
140,1 - 145,0	3,9	3,5	4,4
145,1 - 150,0	4,5	4,2	5,0
150,1 - 160,0	9,6	8,5	11,0
160,1 - 170,0	9,1	8,0	10,4
170,1 - 180,0	9,0	8,0	10,1
180,1 - 190,0	7,4	7,0	8,0
190,1 - 200,0	7,3	7,2	7,4
200,1 - 225,0	12,9	13,4	12,2
225,1 - 250,0	8,4	9,3	7,2
250,1 - 300,0	9,1	10,3	7,6
300 and over 300	6,6	8,2	4,6

This proves the laws of distribution on income level in households. Increase and decrease inclination of the incomes per capita happen corresponding with normal distribution law. Distribution dynamics of the population on income level is observed by increasing on the income level per capita and then decreasing on income level per capita. Statistically, according to normal distribution law, 50% of the population is represented in minimum standard of living and 50% is represented in high standard of living.

The level of the population income is not measured by polarisation, it is measured by kvantil and Gini coefficients. In theory, the equality of the population incomes and special weights of the population are considered right in terms of equality.

The research conducting on the households of the population incomes in 2005 indicates that although the information obtained through survey doesn't show the whole economic indexes, but there is some conception about exist polarization. So, decile ratios are 2,53 according to the calculations of author. And this means 10% of those who earn high income live 2.5 times better than 10% of those who have low income. Of course, the level of gross domestic product per capita more develop in recent years and increased from 201,1 manats in 1995 to 1435,7 manats in 2005, in 2011 increased to 2000 and this means 5,1 times growth. Of course, besides growth it is analyzed the inclinations of direct relation between differentiation of the incomes, reducing in the number of poor families, increasing in middle class families and middle class individuals.

There is certain compitability between changing dynamics of reducing inclination of poverty and changing of increase. So, in 2005 the poverty was 26% and in 2007 this figure was 16%. In 2014 this index decreased by 6%. It is forecasted to begin sturctural changes with decreasing of poverty and sustainable development strategy besides increaseing of the level of income and total consumption of the population from all class. Comparison between minimum wage and average monthly wage is estimated as a result of diferentation for labour. If we accept increasing of minimum wage up to 85 manats as calculation point, it is important that average wage level should close to 340 manats as differentation ratio. Of course, monthly average nominal wage may be criterion for all the enterprises. In the competition of the market increasing of monthly average wage is defined by efficiency in the field of service and production.

Assessment methods in terms of measurement of incomes are studied economic literatures and manuals as assessment activity [6, p.242-246].

Aprroach with taking into account of incomes enables to define exactly perspective and current rules and to comparative them by carrying much higher conception for object than entrepreneur on the basis of general market information. [6, p.245]. Increasinf of the prices increases national product and the amount of money in circulation on the whole. So, annual volume of gross domestic product is measured by value of each activity.

$$GDP(t) = MjPj \text{ (1)}$$

Here, Mj - j type of the product;

Pj -j price of the product.

The formation sources of the population incomes and costs open essence and dynamics of those incomes.

$$\sum_i \sum_j x_{ij} = \sum_i \sum_k Y_{ik} + Y\iota\breve{g}\ (2)$$

Here, *Xij* volume of j incomes i social group;
Yik volume of k costs i social group of population.

Assessment of the population incomes enables to forecast suggest of necessary goods and services in the market and collections and costs of separate families and individuals in the end.

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