STRATIFICATION OF POPULATION INCOME IN CENTRAL ASIAN COUNTRIES: CAUSES AND CONSEQUENCES

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https://doi.org/10.5281/zenodo.7898473

Abstract: Central Asia is one of the most economically diverse regions in the world, comprising five countries – Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan and Uzbekistan – each with varying levels of economic growths. This arcicle aims to explore the different growth rates in income indicators, analysis of the causes and effects of this stratification in last decade.
Key words: Income, growth rate, GDP per capita, living standarts, economic stability, investments, technological progression, income inequality

Central Asia is a region that has undergone significant economic and political changes in the last decade. Comprising five countries - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan - the region has been experiencing fluctuations in economic growth rates and income levels. Given the region's unique political and economic circumstances, the income statements for each country have varied widely, with some countries seeing significant income gains, while others have struggled with stagnant economic growth, making it an interesting case study for exploring the positive and negative sides of different growth rates in people's income.

This article aims to provide an in-depth analysis of the income statements in Central Asian countries in the last decade. We will investigate each country's income level, the reasons behind its changes, and its implications for the country's future economic growth. The article will also evaluate government policies that have been employed to affect income levels and explore how social, political, and economic factors have impacted income.

Kazakhstan, the wealthiest of the five Central Asian states, has experienced significant growth in per capita income in the last decade. In 2010, per capita income stood at approximately $12,100, and it grew to $12,306 in 2023, a growth rate of about 2.4% per year. This growth rate is higher than the global average, which stood at 1.9% per annum over the same period(Table 1).

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GDP (in USD) per capita by Central Asian countries[1]

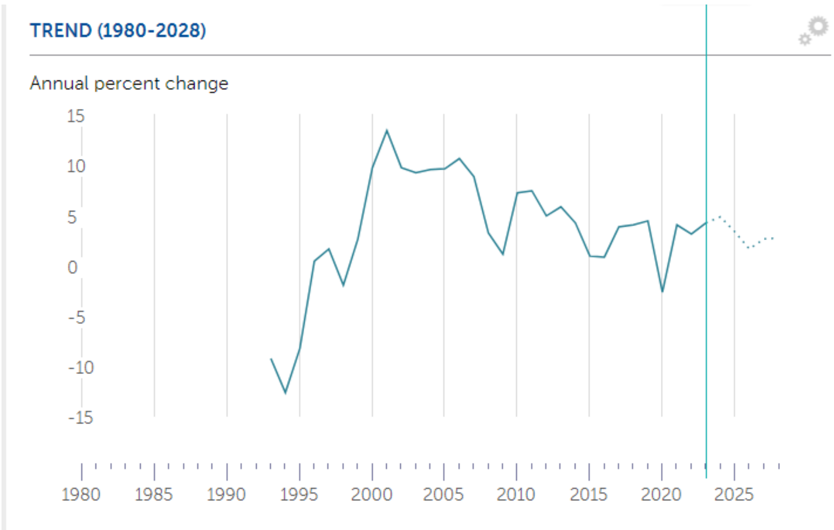
Table 1

Country/Territory	UN Region	IMF[4][5]		World Bank[6]		United Nations[7]	
		Estimate	Year	Estimate	Year	Estimate	Year
Turkmenistan	Asia	13,065	2023	7,345	2019	8,508	2021
Kazakhstan	Asia	12,306	2023	10,374	2021	10,055	2021
Uzbekistan	Asia	2,563	2023	1,983	2021	2,032	2021
Kyrgyzstan	Asia	1,736	2023	1,277	2021	1,339	2021
Tajikistan	Asia	1,277	2023	897	2021	897	2021

Kazakhstan's economic growth can be attributed to its vast mineral resources and its strategic location at the center of Eurasia. Kazakhstan has the world's largest reserves of uranium, as well as significant oil and gas reserves. The country's government has also implemented policies that prioritize diversification, entrepreneurship, and small business growth, which have helped to stimulate economic growth.

Table 2

The trendline of Kazakhstan's Real GDP per capita annual percent change in 1980-2028[2]



Kazakhstan's future economic outlook looks positive, as the country continues to invest heavily in infrastructure and sustainable development. However, the country faces significant challenges, such as corruption and political instability, which could slow down its growth rate.

Kyrgyzstan, the only parliamentary democracy in Central Asia, has struggled with weak economic growth and a low per capita income level. In 2010, per capita income stood at $1190, and it increased to $1736 in 2023, a growth rate of about 0.17% per year. This growth rate is significantly below the global average and falls short of Kyrgyzstan's target growth rate of 7%(Table 2).

Kyrgyzstan's weak economic performance can be attributed to political instability, a lack of foreign investment, and insufficient job creation. The country is also facing challenges such as high levels of corruption, an inefficient tax system, and limited access to finance.

The Kyrgyz government has attempted to address these issues by implementing structural reforms aimed at improving the business environment, increasing foreign investment, and

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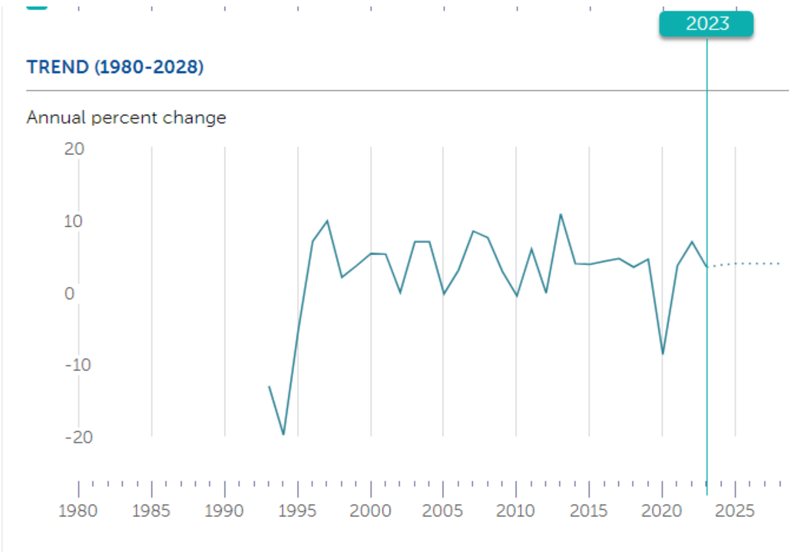
improving education. However, the impact of these reforms has been limited, and the country has continued to experience weak growth rates. These factors suggest that without significant structural changes, Kyrgyzstan may continue to struggle to improve per capita income levels.

Table 3

The trendline of Kyrgyzstan's Real GDP per capita annual percent change in 1980-2028[3]



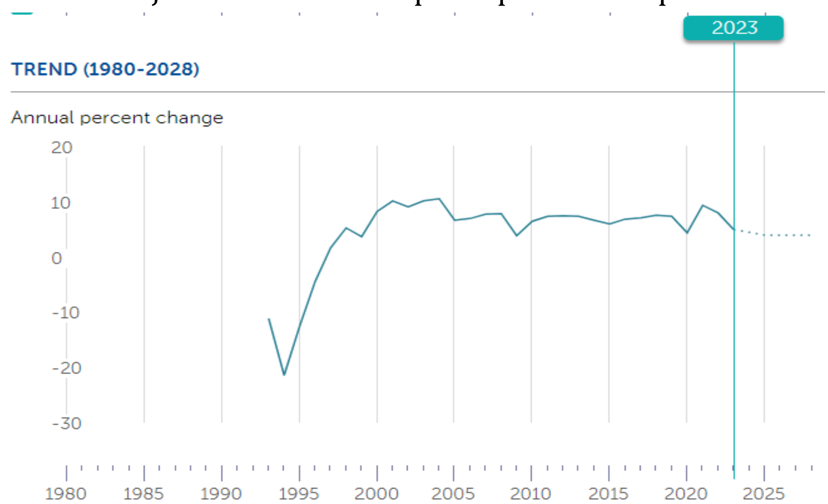
Tajikistan, the poorest country in Central Asia, has experienced modest economic growth rates in the last decade. In 2010, per capita income stood at $710, and it grew to $1277 in 2023, a growth rate of about 2.5% per year. While the growth rate is above the global average, it is insufficient to lift Tajikistan out of poverty (Table 3).

The country's economic growth is driven by agriculture, which accounts for approximately 70% of the country's employment and 23% of GDP. Tajikistan faces significant challenges, such as limited access to credit, a weak judicial system, and limited infrastructure. These factors have led to high levels of informality in the economy and limited foreign investment.

The Tajik government has attempted to stimulate economic growth by investing in infrastructure, agriculture, and hydroelectric power generation. However, these efforts have been hindered by corruption, which has limited foreign investment and hindered growth prospects.

Table 4

The trendline of Tajikistan's Real GDP per capita annual percent change



Turkmenistan, a resource-rich country, has experienced significant growth in per capita income in the last decade. In 2010, per capita income stood at approximately $6,700, and it grew to $13,065 in 2023, a growth rate of about 9.5% per year. This growth rate is significantly higher than the global average and implies a rapid accumulation of wealth (Table 4).

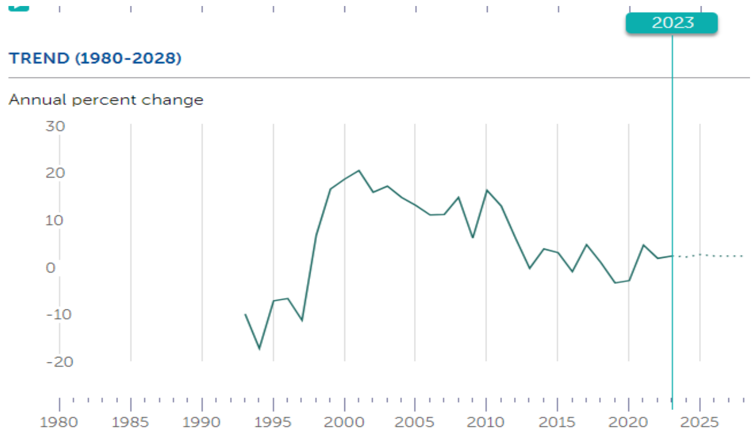
Turkmenistan's economic growth is driven by its vast natural gas reserves, which account for approximately 40% of GDP and 80% of export earnings. The country has also invested in infrastructure, transportation, and agriculture, which has helped to diversify the economy.

However, Turkmenistan is facing significant challenges, such as political instability, a weak private sector, and limited democracy. The country has also experienced high levels of corruption, and the government has been criticized for suppressing civil liberties.

Uzbekistan, Central Asia's most populous country, has experienced significant growth in per capita income in the last decade. In 2010, per capita income stood at $1330, and it increased to $2563 in 2023, a growth rate of about 3.5% per year. This growth rate is above the global average, but it is insufficient to bring Uzbekistan in line with its regional peers (Table 5).

Table 5

The trendline of Tajikistan’s Real GDP per capita annual percent change in 1980-2028[5]

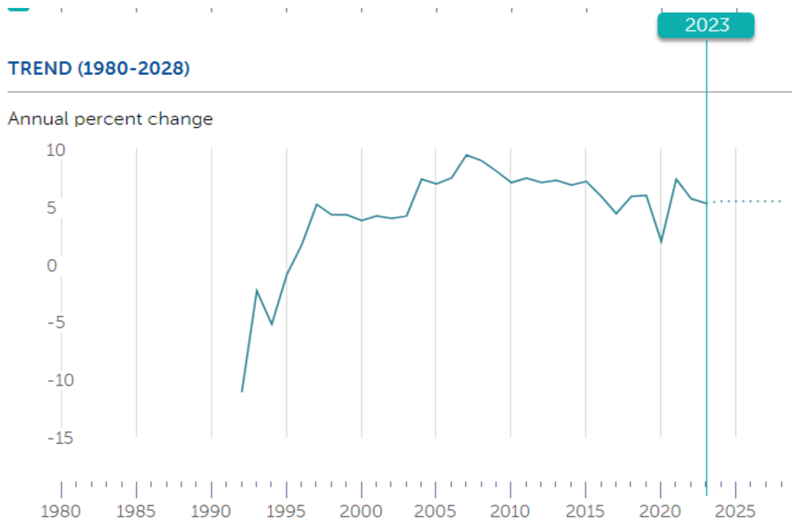


The country's economic growth is driven by agriculture, industry, and trade. Uzbekistan is also investing in infrastructure, education, and tourism to encourage sustainable growth. The Uzbek government has also implemented policy reforms aimed at attracting foreign investment and improving the business environment.

However, Uzbekistan is facing significant challenges, such as political instability, corruption, and limited investment opportunities. The country's limited democracy could also hamper its efforts to improve the business environment and attract foreign investors.

Table 6

The trendline of Uzbekistan's Real GDP per capita annual percent change in 1980-2028[6]



There are the positive and negative sides of different levels of growth rates in people's income in Central Asian countries. We will examine the benefits of high growth rates, the challenges posed by low growth rates, and the impact of income inequality on economic development in the region.

Positive sides of high growth rates:

1. Improved Living Standards: High growth rates of income have a tremendous impact on living standards. Increased income enhances people's welfare and enables them to access better healthcare, education, and other basic needs. High income levels also allow people to invest in assets such as housing and vehicles, which can further improve their quality of life.

2. Increased Economic Stability: High growth rates of income lead to increased economic stability across countries in the region. Higher-income levels translate to increased government revenue, which can be invested in infrastructure and social programs. This results in the creation of new jobs, improving access to basic services and offering new opportunities for citizens.

3. Encourages Investment: High growth rates of income attract foreign investment, increasing the availability of credit and financing for businesses. Encouraging foreign investors presents an opportunity for local businesses to partner with international companies, which may, in turn, lead to an increase in technology transfers and knowledge-sharing.

4. Promotes Technological Progression: High growth rates of income promote technological advancement by incentivizing research and development. Increased investment in R&D is expected to lead to the development of new, more efficient technology, supporting countries' economic growth and encouraging innovation.

Negative sides of high growth rates:

1. Inflation: High growth rates of income can be accompanied by inflation. A rapidly expanding economy may put a strain on the production of goods and the availability of natural resources. This can also result in higher prices, which can limit the purchasing power of consumers, slowing economic growth.

2. Environmental impact: High growth rates of income can be accompanied by a rise in pollution and natural resource depletion. These resources are often necessary for economic growth, such as mining mineral resources, but can lead to a negative impact on the environment. Environmental degradation can lead to long-term issues, such as decreased access to natural resources, soil and water pollution, and an increase in natural disasters.

3. Income inequality: High growth rates of income can exacerbate income inequality, which could result in unequal access to basic necessities such as healthcare, education, and housing. Wealth accumulation may also create societal divisions and tensions, which could hinder progress towards achieving economic stability, social cohesion, and sustainable development.

Positive sides of low growth rates:

1. Decreased inflation: Low growth rates of income may have a positive impact on inflation. A decrease in demand for goods can result in decreased prices, which can stabilize the economy and help prevent long-term inflation.

2. Environmental sustainability: Low growth rates of income may promote environmental sustainability. A more balanced economy that prioritizes sustainable development may support environmental conservation efforts and reduce natural resource depletion, resulting in a cleaner, more livable environment.

3. Social equality: Low growth rates of income can promote social equality by decreasing income inequality, increasing social cohesion, and improving access to basic necessities such as education, healthcare, and housing. Greater social equality may also enhance community trust and promote greater civic engagement, leading to improved social outcomes.

Negative sides of low growth rates:

1. Increased unemployment: Low growth rates of income can result in decreased job creation, which can lead to higher unemployment rates. A lack of job opportunities can create social and economic instability, leading to poverty and inequality.

2. Lack of investment: Low growth rates of income can discourage investment both domestically and internationally. Economic stagnation can lead to decreased foreign direct investment, reducing the availability of financing for local businesses and entrepreneurs.

3. Policy inertia: Low growth rates of income can lead to policy inertia, whereby the government may be hesitant to implement structural changes to the economy, resulting in fewer benefits for local residents in the long term. Such challenges can promote a sense of disillusionment among citizens who may feel that the current administration is unable to provide the necessary support to help reduce poverty and inequality.

In conclusion, the income statements in Central Asian countries have varied widely in the last decade. Kazakhstan has experienced significant growth in per capita income, driven by its vast mineral resources and business-friendly policies. However, the country still faces challenges related to corruption and political instability.

Kyrgyzstan and Tajikistan have struggled with weak economic growth rates and limited investment opportunities. These countries have implemented structural reforms to address these issues, but the impact of such changes has been limited.

Turkmenistan has experienced rapid growth in per capita income, driven by its vast natural gas reserves and investments in infrastructure. However, the country faces challenges related to political instability, a weak private sector, and limited democracy.

Uzbekistan has experienced modest growth in per capita income, driven by agriculture, industry, and trade. However, the country is hindered by limited investment opportunities.

High growth rates may lead to improved living standards, increased investment, technological progressions and greater economic stability, but could also come at the cost of inflation, environmental impact, and income inequality. Low growth rates, on the other hand, may encourage more sustainable economic practices, promote social equality and environmental sustainability, but can create unemployment, lack of investment, and policy inertia.

It is essential that policymakers in Central Asian countries identify and address the unique challenges posed by their respective growth rates. This approach will help governments balance economic growth with long term social and environmental objectives, promoting greater social stability and prosperity for all. Ultimately, a balanced approach to economic policy is necessary to support sustainable development and long-term economic growth.

Overall, the Central Asian region's economic outlook looks positive, and the countries' governments must continue to prioritize diversification, entrepreneurship, and small business growth to support sustainable economic growth. The governments must also address challenges related to corruption, political instability, and limited investment opportunities, which could hamper the countries' growth rates.

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