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## INCOME DISTRIBUTION IN AZERBAIJAN AND ITS EFFECT ON ECONOMIC GROWTH

### ABSTRACT

The relationship between economic growth and income distribution was first explored by Kuznets in the literature. According to Kuznets' hypothesis, income inequality is lower compared to low income countries. In addition, Kuznets stated that with the economic growth and the increase in per capita national income, income inequality also increased. But in the later stages of growth, income distribution inequality will move towards a decreasing trend. According to the findings, Kuznets expressed the relationship between income distribution and income level as "inverse U-curve". Income distribution is a very important concept in terms of showing how much the individuals in the economy get from the total income. In general, it is curious that economic growth cannot see the positive effect of individuals in society, and individuals demand an increase in their share from income in parallel with growth. In this case, policymakers are required to take initiatives that correct income distribution, especially with the help of the most appropriate macroeconomic tools. All is to help them be stressed as a result of the issue.

**Keywords:** Income Distribution, Economic Growth, Azerbaijan.

## AZERBAJCANDA GELİR DAĞILIMI VE EKONOMİK BÜYÜMEYE ETKİSİ

### ÖZET

Ekonomik büyüme ile gelir dağılımı arasındaki ilişki ilk olarak literatürde Kuznets tarafından araştırılmıştır. Kuznets'in hipotezine göre, gelir eşitsizliği düşük gelirli ülkelere göre daha düşüktür. Ayrıca Kuznets, ekonomik büyüme ve kişi başı milli gelirdeki artışla birlikte gelir eşitsizliğinin de arttığını belirtti. Ancak büyümenin sonraki aşamalarında gelir dağılımı eşitsizliği düşüş eğilimine doğru ilerleyecektir. Bulgulara göre Kuznets, gelir dağılımı ile gelir düzeyi arasındaki ilişkiyi "ters U eğrisi" olarak ifade etmiştir. Gelir dağılımı, ekonomideki bireylerin toplam gelirden ne kadar elde ettiğini göstermesi açısından çok önemli bir kavramdır. Genel olarak, ekonomik büyümenin bireylerin toplumdaki olumlu etkisini görememesi ve bireylerin büyümeyle paralel olarak gelirden paylarının artmasını talep etmesi ilginçtir. Bu durumda politika yapımcıların, özellikle en uygun makroekonomik araçlar yardımıyla gelir dağılımını düzelterek girişimlerde bulunmaları gerekmektedir. Hepsi, sorunun bir sonucu olarak strese girmelerine yardımcı olmaktır.

**Anahtar Kelimeler:** Gelir Dağılımı, Ekonomik Büyüme, Azerbaycan

### 1. INTRODUCTION

Equality in income distribution is one of the most important criteria for a country's level of development. Inequality of income distribution in a country will cause social unhappiness and unrest. Therefore, the fact that all segments of society get a fair share from the national income created is of great importance in terms of social welfare.

The relationship between economic growth and income distribution was first explored by Kuznets in the literature. According to Kuznets' hypothesis, income inequality is lower compared to low income countries. In addition, Kuznets stated that with the economic growth and the increase in per capita national income, income inequality also increased. But in the later stages of growth, income distribution inequality will move towards a decreasing trend. According to the findings, Kuznets expressed the relationship between income distribution and income level as "inverse U-curve".

Kuznets used the data of England, Germany and the United States while revealing the relationship between growth and income distribution. The reason for limiting its work to these countries is that the

available data is scarce, and the resources are not reliable. With the following periods, the data available and the resources became more reliable. As a natural result of this situation, many economists who came after him examined the relationship between income distribution and growth with different methods and data sets with the help of new data sets. The studies conducted differ from the results found. Our study will be put forward considering these different results.

Income distribution is a very important concept in terms of showing how much the individuals in the economy get from the total income. In general, it is curious that economic growth cannot see the positive effect of individuals in society, and individuals demand an increase in their share from income in parallel with growth. In this case, policymakers are required to take initiatives that correct income distribution, especially with the help of the most appropriate macroeconomic tools. All is to help them be stressed as a result of the issue.

The purpose of this study income distribution for Azerbaijan and for the country to solve this problem in selecting the correct macro-economic instruments. This study examines the income distribution problem in terms of economic growth factors. The effect of income distribution on a country's economic performance will be different for a country that is open to the outside world and a country that has closed itself outside. Also, as is known from the Stolper - Samuelson Theorem, the foreign trade event itself has an impact on the income distribution in a country. For the purpose, answers to the following questions will be sought:

- How is the economic growth income distribution relationship?
- How is income distribution affected in an economically developed and underdeveloped economy?
- Does the economic structure have an impact on income distribution?

The main hypothesis of this study is that there is a long-term relationship between financial development and income distribution.

### 1.1. Literature Review

Topuz and Yıldırım (2009), examined the Effect of Income Inequality on Economic Growth. The main aim of this study is to determine whether there is an impact of income inequality on economic growth. The theoretic literature emphasizes that there are positive and negative or no significant relationship between income inequality and economic growth, thus, empirical studies have quite different results in the same direction with theoretical studies. Therefore, in this study, the impact of income inequality on economic growth is analysed for countries which have different income levels.

Peçe, Ceyhan & Akpolat, (2016) realized analysis the analysis of the effect on the economic growth of income distribution in Turkey. In this study, Turkey's period 1977-2013 was analyzed the effect on real GDP income distribution. The GINI coefficient was used as the income distribution criterion. First of all, the existence of cointegration between variables was determined by Johansen (1988) cointegration test. After the cointegration was detected, Toda-Yamamoto (1995) Granger causality test determined a Granger causality from the GINI coefficient to real GDP. After determining the direction of causality, it was revealed that there was a negative correlation between the GINI coefficient and per capita real GDP by establishing cointegration regressions with FMOLS, DOLS and CCR models. Accordingly, when the GINI coefficient decreases (that is, income distribution improves), real GDP increases. So, during the period 1977-2013 GDP of Turkey's economy, the improvement of the income distribution have reached the conclusion that the positive effects.

Uğurlu (2012) assesses the relationship with the real exchange rate and growth using quarterly data of 1989:Q1-2005:Q2 for Turkey. The author finds evidence that one cointegration vector. The results show that RER shock increases GDP in the core model for the first three periods but then decreases successor periods. Also, the sources of variance in output are the own shocks and also observed that RER's explanatory ratio on GDP does not disappear in the long run.

Thalassinos, Ugurlu and Muratoğlu (2012) aim to analyze the relationship between income inequality and inflation in 13 European countries. Using a GINI coefficient to measure the income inequality they

find that the results support the hypothesis that inflation has a positive significant effect on income inequality.

Aim to investigate the Kuznets Curve for G7 countries over the period 1980–2010. Kao and Pedroni's approaches are used to test the cointegration of the variables. The findings indicate that there is a long-run cointegrated relationship among the variables and GDP strongly Granger-causes CO2 emissions and energy consumption.

Çakmak and Tosun (2017), examined economic growth income distribution relations. In the study was examined the relationship between economic growth and income distribution with the context of Kuznets hypothesis using the data of 25 countries which have appropriate data set and covering the period between 2002-2013. the author finds that there is a 'U' shaped relationship between economic growth and income distribution. Özdemir, Emsen, Gencer & Kılıç, (2011), examined economic growth income distribution relations the case of transition economies. In the literature on economic growth, the Kuznets curve shows the relationship between growth and income distribution.

Musayeva (2011), examined income distribution in Azerbaijan. Income distribution is essentially an economic factor, but it gets affected by increases in population, the socio-cultural structure of the population, and the approaches to the notions of equality and Equality. The study of inequalities in income distribution in Azerbaijan has been so far a relatively understudied subject. Different researchers made certain calculations on the issue, but detailed studies have been rare. In this study, economic developments and the issue of income inequalities in Azerbaijan in the post-independence era are studied.

Uğurlu (2010) examines the impact of openness on economic growth for the EU-15 area in 1996–2003. The author finds that openness has had a weak but negative impact on economic growth in the EU-15 area and a decrease in government expenditure have supported economic growth. countries.

## 2. ECONOMIC GROWTH CONCEPT

It is referred to as “economic growth” that a country expands its production opportunities limit by increasing the number of scarce resources it has or improving their quality or by changing production technology and institutional framework to reach higher production levels (Üstünel, 1988:58). Economic growth can also be defined as the continuous increase in production factors to increase real national income per capital (Ünay, 1983:248).

The increase in national income is the most important indicator in terms of economic growth. “National income” refers to the sum of the income that the production factors participating in economic activities in a country's economy over a period of time, generally within a period of one year (Köklü, 1972:85). National income indicates the level of the economic well-being of a country. There are other concepts related to national income. Of these, “gross national product (GNP)” gives the sum of the monetary values of goods and services produced by a country's economy in a period (usually one year). In other words, the sum of the product prices of the products and services created by all production factors (natural resources, labor, capital and enterprise) together in the society gives GNP. Another concept is "net national product (SMH)". Capital goods used in the production of goods and services wear out and wear out over time. These parts, which are eroded, actually go into the manufactured goods. Therefore, in order to calculate the actual amount of goods and services produced, the wear shares of the equipment participating in the production, that is, the depreciation, must be subtracted from GNP. As a result, SMH is obtained. Another concept is "personal income".

Economic growth was not only a problem of the 20th century. A. Smith, R. Malthus, D. Ricardo, one of the classical economists, proposed ideas about the growth of an economy. The issue of growth was introduced by moving from static analysis to long-term macro dynamic analysis. Only short-term static analyzes have been useful steps in the transition to long-term analyzes. From the analysis of a short-term event that happened at once, growth analysis was initiated by examining the continuous macroeconomic variable flows occurring in the long term (Ünay, 1983:247).

Economic growth, classical, Keynesian, neoclassical growth theories accepted as orthodox, and Marxist, post-keynesian, institutional and structuralist approaches that are accepted as heterodox, as well as

dynamic / stagnant, stable / unstable (blade backing) according to the country's economic structure. Shows some features such as short / long term, limited, temporary, balanced / unbalanced and internal / external. These characteristics are referred to as the main and political-institutional determinants of economic growth, as described in the third part of the first part and vary depending on a number of factors that form the main purpose of our study.

The main determinants of economic growth are an investment and capital accumulation, employment (workforce) increase, innovation and technology, which are considered as the driving and driving factors in the economic growth of each country, regardless of the conditions, and the total factor productivity resulting from all of these factors. Investment and capital accumulation considered as the most important indicator of a country's ability to produce goods in a certain period; In addition to providing productivity and employment increase as a result of the learning process and positive externalities, it creates economies of scale by enabling the application of new technologies in production and helps economic growth by increasing the level of welfare in the country. TFV, which emerged as a result of the separation of the effect of capital and labor productivity on GDP growth, has recently been considered as an important growth factor in the economic growth analysis of developed countries and NGOs, and it is revealed that this productivity is due to technological development or efficiency increase.

### **2.1. Effect of Economic Growth on Income Distribution**

In addition to expressing the definition of economics, individuals' attempts to meet their infinite needs with limited resources (Robbins, 1932:11) constitute one of the main problems that have been going on for centuries. When this problem is called the distribution problem, in other words, it seeks to answer the question of how limited resources should be distributed by economic units (Bilgiç, 2015: 3).

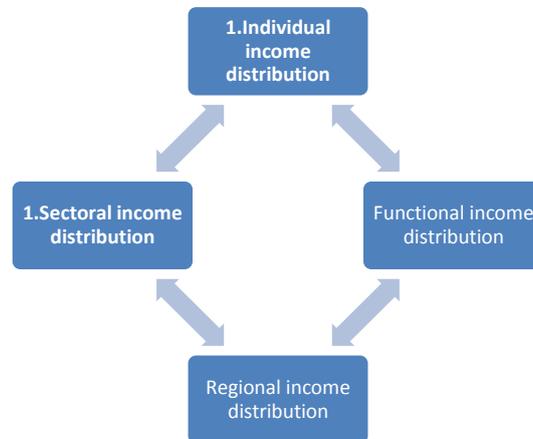
Conceptually, although income distribution and distribution mean sharing, their meaning changes economically. In a monetary economy where the tramp system<sup>1</sup> is not included, the distribution of income reflects the concept of the income distribution. Distribution, on the other hand, expresses a concept that includes the economy of the tramp opposite the income distribution and includes the income distribution (Özcan, 2016:31). While the factor that creates the distribution relations is the whole of the social relations that determine the way the income obtained in a country is distributed among individuals and various groups, the income that falls on the share of individuals or groups also expresses the income distribution (Ulutürk and Ersezer, 2005: 88-89).

Since income distribution is a sociological phenomenon, it is also an important economic problem in addition to being frequently examined in the field of social sciences. The problem of income distribution occurring in societies constitutes one of the biggest problems of all economic systems and therefore has become an issue that attracts the attention of individuals both sociologically and economically from past to present.

In the distribution of income, there are five basic principles: equality and justice, need, a minimum level of living, high level of income level, and finally working principle. According to the principle of equality and justice, it is not fair for all segments of society to earn an equal income, but absolute equality causes injustice and negatively affects economic growth. According to the need principle, it is foreseen that income should be distributed in accordance with the needs of individuals. The principle of minimum life level means to guarantee the life of individuals to a minimum. The principle of limiting the level of income at the highest-level states that the income differences between individuals should not exceed a certain limit, and finally, the working principle states that all individuals should earn as much income as they work.

Income distribution; It has four basic types: functional, personal, sectoral and regional, and these types are evaluated on the basis of singularity and plurality among themselves, within social and economic units. While personal income distribution is an indicator of singularity; functional, sectoral and regional income distributions are also indicators of plurality. The reason for this is that only the share of individuals from national income is taken into account in the distribution of personal income, whereas in other types of distribution, society, group and household are taken into consideration (Özcan, 2016: 33).

As can be seen in Figure 1, although the functional income distribution depends on the sectoral income distribution, the sectoral income distribution also constitutes the regional income distribution due to the geographical differences in the economic activities, and the personal income distribution occurs depending on the other three distribution types. It means that a change in any of these distribution types affects other distribution types as well (Uysal, 2007: 254-255).



**Figure 1.** Relationships Between Income Distribution Types, **Source:** Uysal, 2007:255.

In determining the policies for the regulation and improvement of the income distribution, the bilateral relationship between distribution types should be addressed and the multiple relationships between them should be examined, otherwise, it is not expected to reach the goal of regulating and improving the income distribution (Uysal, 2007: 255).

## 2.2. Factors Affecting Income Distribution

There are many social and economic factors that affect income distribution in a particular country. The income distribution is influenced by almost all the events of the economy and directs the consumption, spending, even the tastes and preferences of the society. Therefore, it is imperative that each factor affecting the income distribution is well analyzed. A good analysis of these factors will help improve the welfare levels of households, which will play an important role in reducing inequality. Market structure, demographic factors, education level, wealth distribution, inflation and regional development differences can be listed as factors affecting income distribution.

In an economy, in conditions of perfect competition in the goods and factor markets, more imperfect competition conditions apply. Firms operating in markets with flawless competition conditions can gain excessive profit by artificially reducing their production and raising their prices. This situation changes the income distribution in favor of the owners of monopolistic and oligopolistic firms (Metin, 2012: 94).

Population growth has become an important factor affecting income distribution in countries with migration. Another important factor affecting income distribution is whether the individual has globally valid knowledge and skills. Although education is an effective policy tool in reducing distribution imbalance, there is no policy that ensures equality of opportunity in education. Because high income is required for a good education. Considering the low level of education in rural areas, low educated individuals migrate from rural areas to the city and are employed as cheap labor due to sectoral income inequality. And sectoral income inequality negatively affects functional distribution (State Planning Organization [DPT], 2001: 63-64).

Another factor that makes a difference in income distribution is the distribution of wealth. The differences in the majority of the land in the hands of a certain part of the developing countries have made the differences clear.

Inflation is the short rise in the general level of prices in the economy. If there is high inflation in an economy, there are inequalities in income distribution. While wealthy people with high income are not affected by inflation, people with fixed income will have difficulties in using the goods and services they use the same income.

### 2.3. Income Distribution Inequality Criteria

Inequality refers to the situation of inequality in rights and opportunities in general and status and is a concept at the center of social justice theories. However, as the concept of inequality tends to mean different things to people, it can lead to errors or confusion in public debate. Although there are some differences, inequality is conceptually common globally. Many researchers often use the concepts of “income inequality”, “monetary inequality” or more generally “inequality in living conditions” to distinguish economic inequality from others.

The debate over economic inequality is mostly based on two views. The first concerns the inequality created by the results of the material dimension, which is one of the sources of happiness, and this may be the result of talent and effort, as well as conditions (ethnicity, family history, gender, etc.) out of anyone's control. This view addresses the concept of inequality with a perspective directed towards success. The second view concerns the inequality of opportunity, that is, the circumstances beyond the control of any person are focused on the conditions and outcomes of their own subjective and potential characteristics, other than their talents and efforts. According to this view, success is not a directed perspective; success is potential; it is uncertain (Balestra, Llena-Nozal, Murtin, Tosetto ve Arnaud, 2018: 24). Although these views have made explanations about the origin of inequality, inequality in the world has now gone beyond a conceptual or theoretical debate and has become a global and challenging problem.

Despite the periodic or inter-country variation and decrease of inequality, global income inequality continues and deepens; therefore, this table differs between countries. Among countries, and particularly among the richest and poorest countries, the increase in inequality continues due to the steadily increasing difference in growth rates of successful developed economies compared to other economies. The rich countries of Europe, North America and Australia, which were already rich 100 years ago through the industrial revolution, continue to grow on a per capita basis. Income inequality is also affected by the distribution of this growth and enrichment among countries and individuals.

### 3. EMPIRICAL APPLICATION

Azerbaijan is divided into 65 administrative units (including 59 regions and 6 cities) and the Nakhchivan Autonomous Republic (covering 6 regions and the cities of Nakhchivan) outside of Baku. Each administrative unit is controlled by the selected executive, legislative and administrative bureaucracies.

Azerbaijan is recognized by the world as a sovereign republic, has participated in many international organizations and cooperates with many independent states of the world in political, economic, cultural and other fields. To maintain state independence, Azerbaijan needs to ensure the country's economic independence. To achieve this, it must create a free and free economy.

According to the Asian Development Bank (ADB) 'Asian Development Outlook 2019' report, economic growth has increased by 2.5% in 2019, as a result of increased public investment and consumption in the Republic of Azerbaijan. This is an indicator of the growth and development of the Azerbaijani economy every year.

In the January-June 2018 period, residents of the Republic of Azerbaijan produced 37009.1 million manats or 1.3% more GDP than the same period of the previous year. This is equivalent to 53.3% of 2019 GDP. Nominal GDP increased by 5187.3 million manats. In this period, 7.6% in agriculture, 1.2% in industry, 2.4% in trade, 7.1% in vehicle repair, transportation and storage, 7.4% in tourism and catering. there was a 4.9% increase in information and communication and a 10.5% decrease in construction. The added value produced in the non-oil sector of the economy increased by 2.0% compared to the same period of the previous year and by 0.1% in the oil sector. The share of the non-oil sector is 55.8%.

The average annual inflation rate of 12.4% in Azerbaijan in 2016 fell to 9% in 2017, and 2018-2020 inflation continues to slow down. Annual inflation appears to be 7% in 2018 and 5% in 2019-2020. According to the report, the positive balance of Azerbaijan's foreign trade turnover is kept as 12.3% of GDP in 2017-2020, 12.7% in 2018 and 14.3 in 2019. This ratio will be equal to 14.8% in 2020. S&P states that the state budget deficit was 3.2 percent of GDP in 2017. However, in 2018, the state budget

surplus will be 1% of GDP. In 2019-2020, the surplus in the implementation of the state budget will account for 2.5% of GDP.

**Table 1.** Gross domestic product - Manat, Dollar and Euro

	Total			Per capital			1\$= Manat	1 Euro = Manat
	Million Manat	Million Dollars	Million Euros	Manat	Dollar	Euro		
1990	0,3	2443,3	-	0,1	346,3	-	0,0001	-
1991	0,5	703,1	-	0,1	98,3	-	0,0008	-
1992	4,8	1309,8	-	0,7	180,4	-	0,0037	-
1993	31,4	1326,9	-	4,3	179,9	-	0,0237	-
1994	374,7	1629,3	-	50,1	217,9	-	0,2300	-
1995	2133,8	2415,2	-	282,1	310,3	-	0,8835	-
1996	2732,6	3180,8	-	357,2	416,1	-	0,8591	-
1997	3158,3	3960,7	-	409,2	513,2	-	0,7974	-
1998	3440,6	4446,4	-	441,5	570,6	-	0,7738	-
1999	3775,1	4583,7	4299,2	480,1	582,9	546,8	0,8236	0,8781
2000	4718,1	5272,8	5687,2	593,2	662,9	715,1	0,8948	0,8296
2001	5315,6	5707,7	6373,6	661,7	710,5	793,5	0,9313	0,8340
2002	6062,5	6235,9	6603,3	747,5	768,9	814,2	0,9722	0,9181
2003	7146,5	7276,0	6431,9	872,7	888,5	785,4	0,9822	1,1111
2004	8530,2	8680,4	6980,0	1030,4	1048,5	843,2	0,9827	1,2221
2005	12522,5	13238,7	10603,3	1494,3	1579,8	1265,3	0,9459	1,1810
2006	18746,2	20983,0	16713,8	2208,2	2471,6	1968,8	0,8934	1,1216
2007	28360,5	33050,3	24126,3	3296,6	3841,7	2804,4	0,8581	1,1755
2008	40137,2	48852,5	33174,0	4603,7	5603,3	3805,1	0,8216	1,2099
2009	35601,5	44297,0	31738,9	4033,2	5018,2	3595,6	0,8037	1,1217
2010	42465,0	52909,3	39952,0	4753,0	5922,0	4471,7	0,8026	1,0629
2011	52082,0	65951,6	47377,4	5752,9	7285,0	5233,3	0,7897	1,0993
2012	54743,7	69683,9	54180,2	5966,1	7594,3	5904,7	0,7856	1,0104
2013	58182,0	74164,4	55826,1	6258,3	7977,4	6004,9	0,7845	1,0422
2014	59014,1	75234,7	56581,1	6268,0	7990,8	6009,6	0,7844	1,0430
2015	54380,0	52996,8	47785,6	5706,6	5561,5	5014,6	1,0261	1,1380
2016	60425,2	37862,8	34217,8	6269,6	3928,6	3550,4	1,5959	1,7659
2017	70337,8	40867,9	36213,7	7226,0	4198,5	3720,3	1,7211	1,9423
2018	79797,3	46939,6	39712,0	8126,2	4780,1	4044,1	1,7000	2,0094

According to the table, the gross domestic product produced by the country's residents increased by 1.4% in 2018 compared to the previous year and reached 79797.3 million manats. GDP per capita was 8126.2 manats or \$ 4780.1. The value added in the non-oil sector of the economy increased by 1.8 percent and the oil sector by 0.6 percent (ww.stat.gov.az/n)

In 2017, the country's foreign exchange reserves increased by \$ 4.4 billion, exceeding \$ 42 billion. Achieving dynamic economic growth in the country, that is, the type of budget, also requires the implementation of tax policy, achieving scientifically sound budget balances and consequently restructuring the budget system. The main purpose of the restructuring of the budget system is to prevent the possibility of an effective impact on the implementation of market reforms at the state level and to prevent inflation. It is no secret that the economic development of any country is one of the key factors in economic policy, which determines the sustainability of growth rates and the high efficiency of reforms.

Reforms implemented in the country in recent years have allowed for a radical change in the budget sector of the economy, the creation of optimal financial resources and spending at all levels of the budget system. Thus, the development of financial independence of the administrative-regional institutions, while maintaining adequate budget centralization, on the other hand, performed new tasks in the field of budget regulation of regional development.

Ensuring a decent standard of living for society is the most significant indicator of human development, as well as the main priority in the economic policy of any state. Many countries that have achieved the so-called "economic miracle" have fairly simple and obvious purposes: high and sustainable development of the national economy, low unemployment, income and consumption growth. There is no doubt that economic growth leads to an increase in the welfare of the country as a whole, an expansion of its potential in the fight against poverty, unemployment and other socio-economic difficulties. Consequently, any effective path of the economic policy of countries passes through the achievement of high economic growth. That is why a high level of economic growth is one of the main goals of economic policy in many countries of the world. In this brief overview, we look at the main models of economic growth and how certain countries have succeeded, as well as the advantages and disadvantages of these economic growth models.

#### 4. RESULT

In the study, the relationship between economic growth and income distribution between 2000 and 2018, income distribution in an economically developed and underdeveloped economy, and the effect of economic structure on income distribution are discussed. Economic recovery in Azerbaijan after 1995 started. Increasing public revenues by developing tax policies have been started. During this period, personal and functional income distribution increased, and regional and sectoral income distribution did not develop as expected. Economic activities started to be concentrated in the capital Baku and its surroundings, and sectors based on natural resources were developed. Since the 2000s, the Azerbaijani economy has begun to recover. According to a study conducted by the World Bank in 2007, it was found that the Gini Coefficient in Azerbaijan in 2001 was 36.5. This rate is at a level that can be considered positive when compared to various countries of the world. In the same study, the distribution of income in countries among population groups within the country is also examined. As of 2001, 7.1% of the Azerbaijani population is first degree poor, 11.5% is second degree poor, 15.3% is the third-degree middle, 521.2 is close to good, 44.5% lives well. According to the figures of the United Nations organization in 2008, it is reported that the Gini coefficient in Azerbaijan is 36.5. Ensuring and maintaining social peace in Azerbaijan depends largely on the fairness of income distribution and the minimum income level not falling below a certain point. In this sense, intervention by the state in the distribution of income should be seen as a requirement of the social state. Many factors can be effective in determining the policies for income distribution. It is possible to list these factors as economic, political, social and cultural factors. Economic factors such as the position of the state in the economy, the level of development, economic system, economic conjuncture and the growth strategy followed are at the top of these factors. Regional development should be supported and the budget allocated for the regions should be increased. However, with such practices, the pressure of those who migrate to the capital Baku and its surroundings for employment purposes and those who want to migrate can be reduced. Another result is that some of those who go to the capital city and its surroundings for the same purposes can return. The effectiveness of the efforts to combat poverty should be increased, new policies should be developed and implemented. Policies should be followed especially for people in the lowest income group. The minimum wage determined for employees should be increased. The wage levels of health and education sector employees should be increased. This policy can also reduce interest relations in these sectors. Not only the industrial sector but also other sectors should be developed and the country's economy should not be dependent on the oil industry, and incentives and loans should be provided to those who will invest in non-oil sectors. Agricultural and tourism sectors should be given importance. In promoting non-oil sectors, competition should be prioritized, exports should not be neglected, priority should be given to products that can compete in world markets. With these practices, a positive contribution can be made to the sectoral income distribution.

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