

CAREC INSTITUTE RESEARCH CONFERENCE

4-5 March 2021

Session Four

Industries and Enterprises for Restart and Recovery

Speakers: Dr. Brendan Duprey, Director of SKRI at
Narxoz University, Kazakhstan

Ms Aizhan Salimzhanova, Lecturer, Kazakh-British Technical
University, Kazakhstan



COVID-19 pandemic and Small and Medium Enterprises in the CAREC region

Dr. Brendan Duprey,
Director Sustainable Kazakhstan
Research Institute

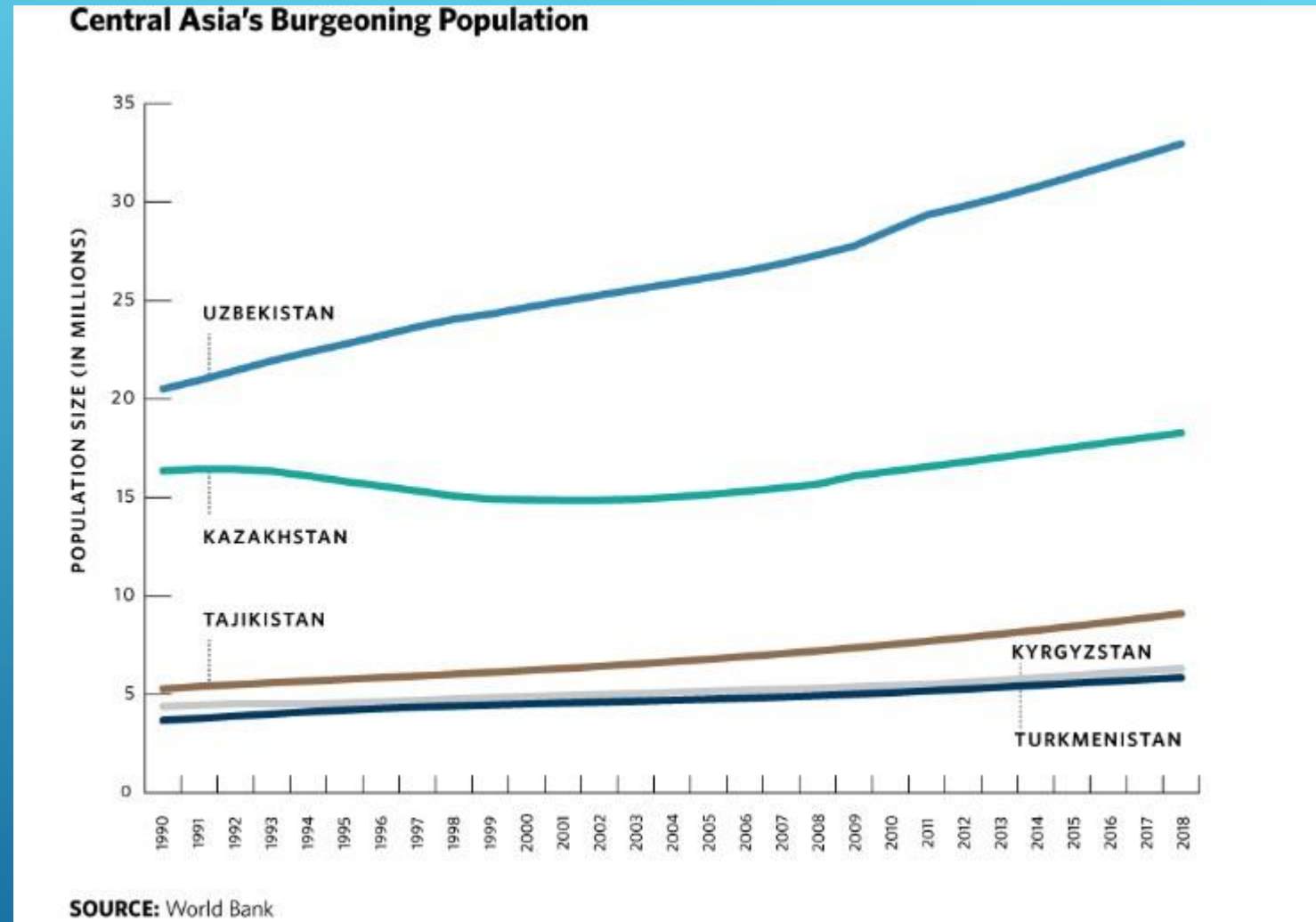
Aizhan Salimzhanova,
Associated Faculty, Sustainable
Kazakhstan Research Institute



Growing Population

In 2018, Central Asia had a population of 72 million—net increase of 16 million from 2000. Its estimated that the regional population will reach about 95 million by 2050.

1/3 population under 15 years old—median age 27.

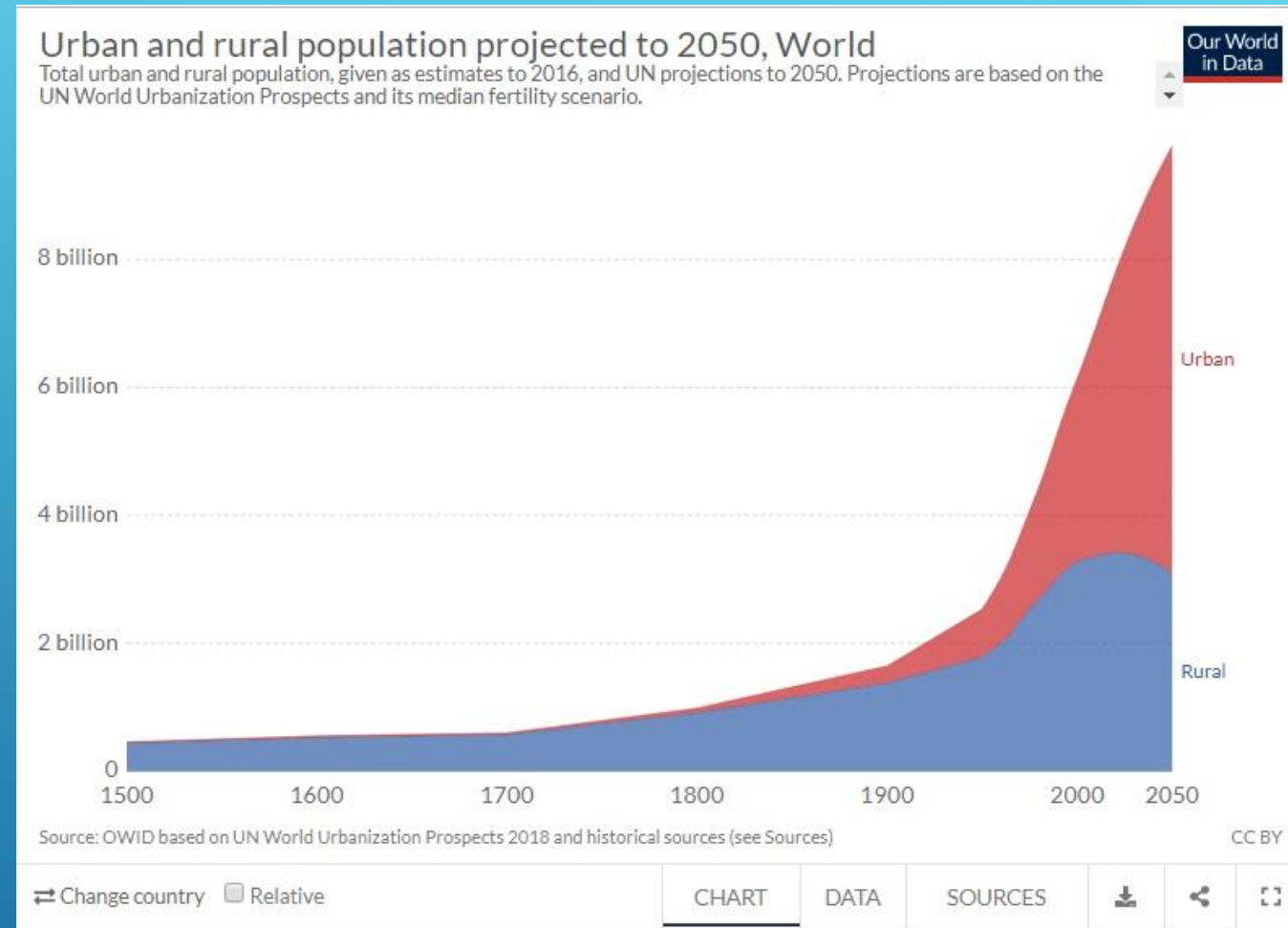


Source: <https://carnegieendowment.org/2019/10/18/societal-change-afoot-in-central-asia-pub-80086>

URBANIZATION

Central Asia is experiencing rapid urbanization for example its estimated by 70% of the population in Kazakhstan will live in urban areas by 2030.

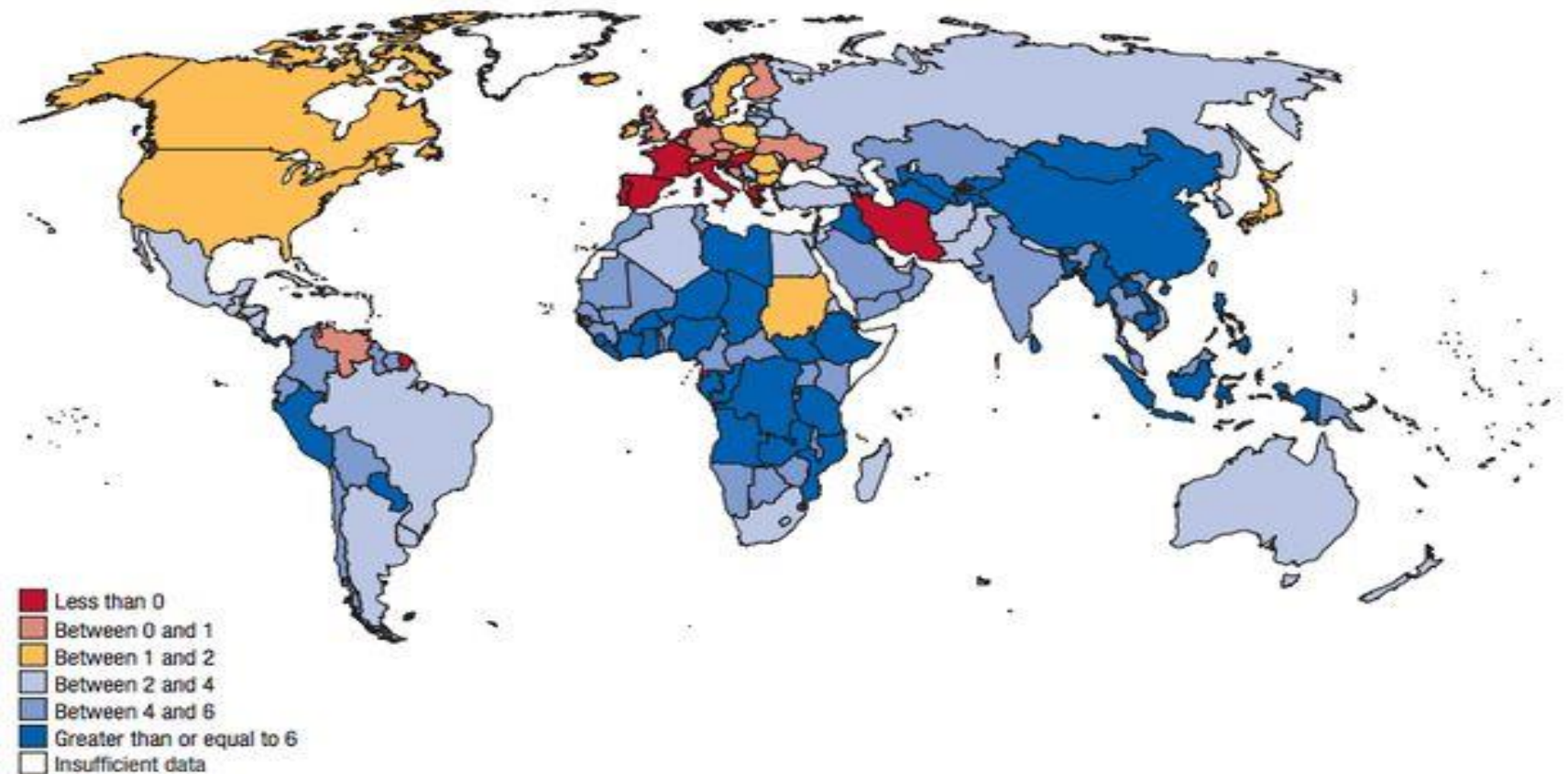
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Economic Growth in Central Asia

Figure 2.1. World: 2013 GDP Growth Forecasts
(Percent)



Source: IMF staff estimates.

Source: <http://i.bnet.com/blogs/map-gdp-growth-forecast-imf.jpg>

SME's in Central Asia

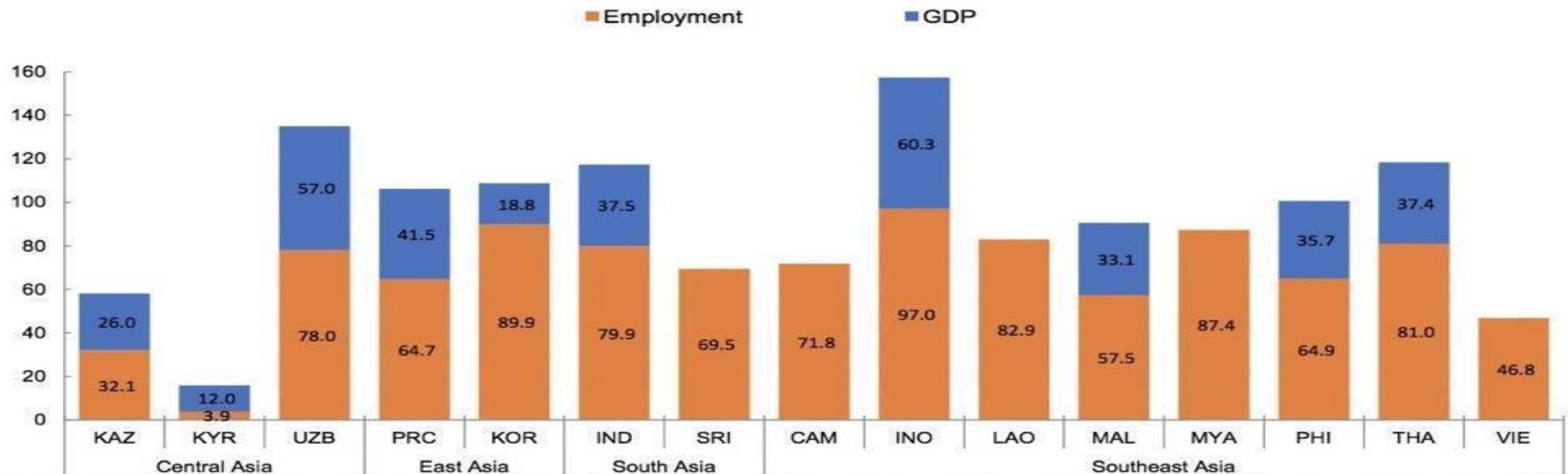
SMEs represent more than 90% of total businesses in CA, but their contribution to GDP is between 25% and 41%, except in Uzbekistan, which is closer to OECD average of around 55%. They employ 78% of the workforce in Uzbekistan, and only 38% in Kazakhstan.

SMEs are mostly concentrated in low-value added sectors, especially agriculture and trade.

Source: https://www.oecd-ilibrary.org/development/enhancing-competitiveness-in-central-asia_9789264288133-en



SME's Contribution to GDP in Asia



CAM = Cambodia, GDP = gross domestic product, IND = India, INO = Indonesia, KAZ = Kazakhstan, KOR = Republic of Korea, KYR = Kyrgyz Republic, LAO = Lao People's Democratic Republic, MAL = Malaysia, MYA = Myanmar, PHI = Philippines, PRC = People's Republic of China, SME = small and medium-sized enterprise, SRI = Sri Lanka, THA = Thailand, UZB = Uzbekistan, VIE = Viet Nam.

Sources: ADB. 2015. *Asia SME Finance Monitor 2014*. Manila; and Uzbekistan data from the State Statistics Committee (as of December 2016).

Central Asia Emerging Trends AND COVID 19

- Increasingly young population;
- Migration from rural to urban areas;
- Strong economic growth;
- Employment reliant on SMEs and the public sector;
- COVID-19 hit and shut down most SMEs for months.



Emerging Trends Present a Need for Systems Thinking

Research Question: What was the economic impact of COVID-19 on SMEs in Central Asia?



Research Methods and Limitations

- **Single case study:**

- The case of COVID-19 and its impacts on SMEs in the country of Kazakhstan;
- Single case study research gives an opportunity for researchers to provided depth to the research results as opposed to breadth (Ragin, 2000).

- **Limited Data for CA**

- The microdata on SMEs in Kazakhstan (number of operating SMEs, production level (goods and services), number of employed people) => compared the first two quarters of 2020 with data for 2019 (first two quarters);
- Authors collected data on SMEs over the last year before the COVID-19 pandemic occurred, to illustrate how the crisis of 2020 influenced indicators using the Student's t-test;



RESULTS AND DISCUSSION

- There was an **increase in the volume of production by SMEs in the first and second quarters of 2020 by 9% and 3%**, respectively, compared to the same period of the previous year (2019).
- Though in the first quarter of 2020 there was an **increase in output by 8.6%**, in comparison with the previous year, in absolute terms (increase from 6 mln in 2019 to 6.5 mln in 2020), **it is still less than the growth that took place in 2019 compared to 2018, which amounted to 24.4% in March 2019.**

Table 1. Output of products (goods and services) by SMEs in Kazakhstan, KZT

Region (Oblast)	January - March 2019 (1 quarter)	January - June 2019 (2 quarters)	January - March 2020 (1 quarter)	January - June 2020 (2 quarters)	January – March (2020 versus 2019)	January – June (2020 versus 2019)
Republic of Kazakhstan	6 011 298 068 102	12 662 688 246 151	6 528 026 969 547	13 032 536 130 015	9%	3%

Table 2. Production of output by SMEs in Kazakhstan, in percentage

Region (Oblast)	January - March 2019 (1 quarter)	January - June 2019 (2 quarters)	January - March 2020 (1 quarter)	January - June 2020 (2 quarters)	January – March (2020 versus 2019)	January – June (2020 versus 2019)
Republic of Kazakhstan	124,4	116,4	108,6	102,9	-13%	-12%

Source: According to the data from National Statistics Agency of Kazakhstan, and according to the authors' calculations.

RESULTS AND DISCUSSION (cont.)

- A **slight increase in labor force** in SMEs (increase by about 19 thousand people for the first two quarters of 2020), but in relative terms of growth (in percentage) **there was a significant decrease: (-10%) growth in the first quarter of 2020, and (-3%) growth in the second quarter of 2020.**
- There was an increase in the number of operating SMEs in 2020 (by about 26 thousand enterprises). But there was also **a decline in relative growth rates (negative percentage growth): (-8%) for the first two quarters of 2020.**

Table 3. Growth rate of the number of employees in SMEs Kazakhstan, in percentage

Region (Oblast)	January - March 2019 (1 quarter)	January - June 2019 (2 quarters)	January - March 2020 (1 quarter)	January - June 2020 (2 quarters)	January – March (2020 versus 2019)	January – June (2020 versus 2019)
Republic of Kazakhstan	113,3	103,4	102	100,6	-10%	-3%

Table 4. Growth rate of the number of SMEs Kazakhstan, in percentage

Region (Oblast)	January - March 2019 (1 quarter)	January - June 2019 (2 quarters)	January - March 2020 (1 quarter)	January - June 2020 (2 quarters)	January – March (2020 versus 2019)	January – June (2020 versus 2019)
Republic of Kazakhstan	110,4	110,3	102,1	101,9	-8%	-8%

Source: According to the data from National Statistics Agency of Kazakhstan, and according to the authors' calculations.

CONCLUSION AND POLICY RECOMMENDATIONS

- Analysis showed statistical significance, and, due to similar characteristics of CA countries, this method could be used for testing other countries in the region to verify its applicability.
- Factor like the effect of various regulatory interventions of government, as a policy response to the COVID-19, on the SMEs performance, were not examined in the current analysis and should be considered in future research.



It is recommended for other researchers to analyze information on regulatory measures (lockdowns, closing the borders, etc.) and data on COVID-19 rates (number of confirmed cases, death rates, etc.), in order to identify how they affect SMEs performance in CA region, and choose the optimal COVID regime.

Also, it is recommended to focus on the impact of COVID-19 on SMEs performance in CA region from the industry perspective. In similar studies in China and other countries, the industry analysis was done.

CONCLUSION AND POLICY RECOMMENDATIONS (cont.)

- Allowing SMEs to operate on a daily basis, even for a limited duration, during the lockdown, would be an essential support for companies.
- Other measures for optimizing the SMEs work could be:
 - **flexible staff rotation and payment options;**
 - **temporarily downsize non-essential activities;**
 - **analyze new opportunities which may arise as a result of the crisis such as online growth opportunities; and**
 - **identify the actions to protect the enterprise's assets (people, processes, profits, partnerships).**
- The current crisis can create market opportunities for existing and new businesses. SME's potentially are more flexible in decision-making, and are close to their customers, which might be very beneficial for survival through tough times.



Thank you for your attention!

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SOURCES

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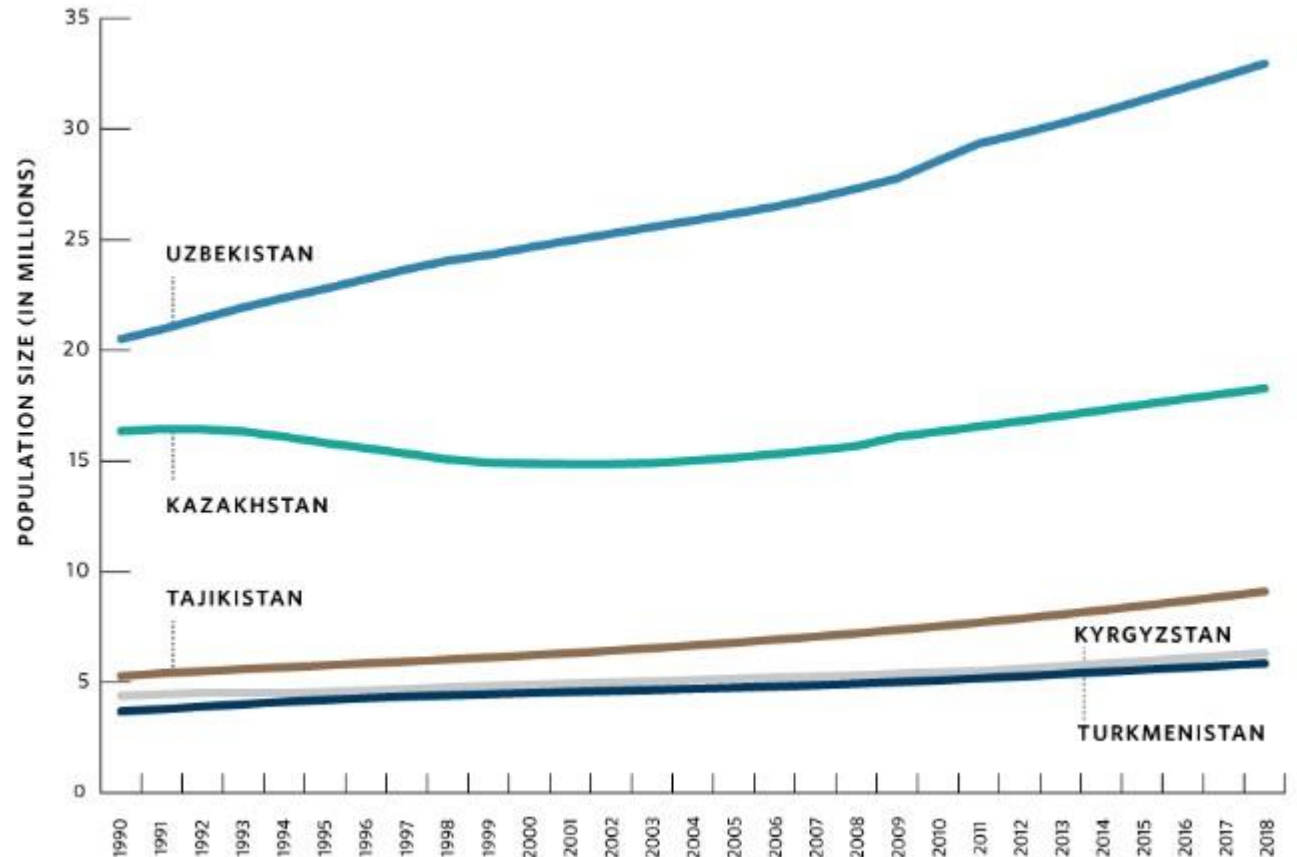


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Central Asia's Burgeoning Population



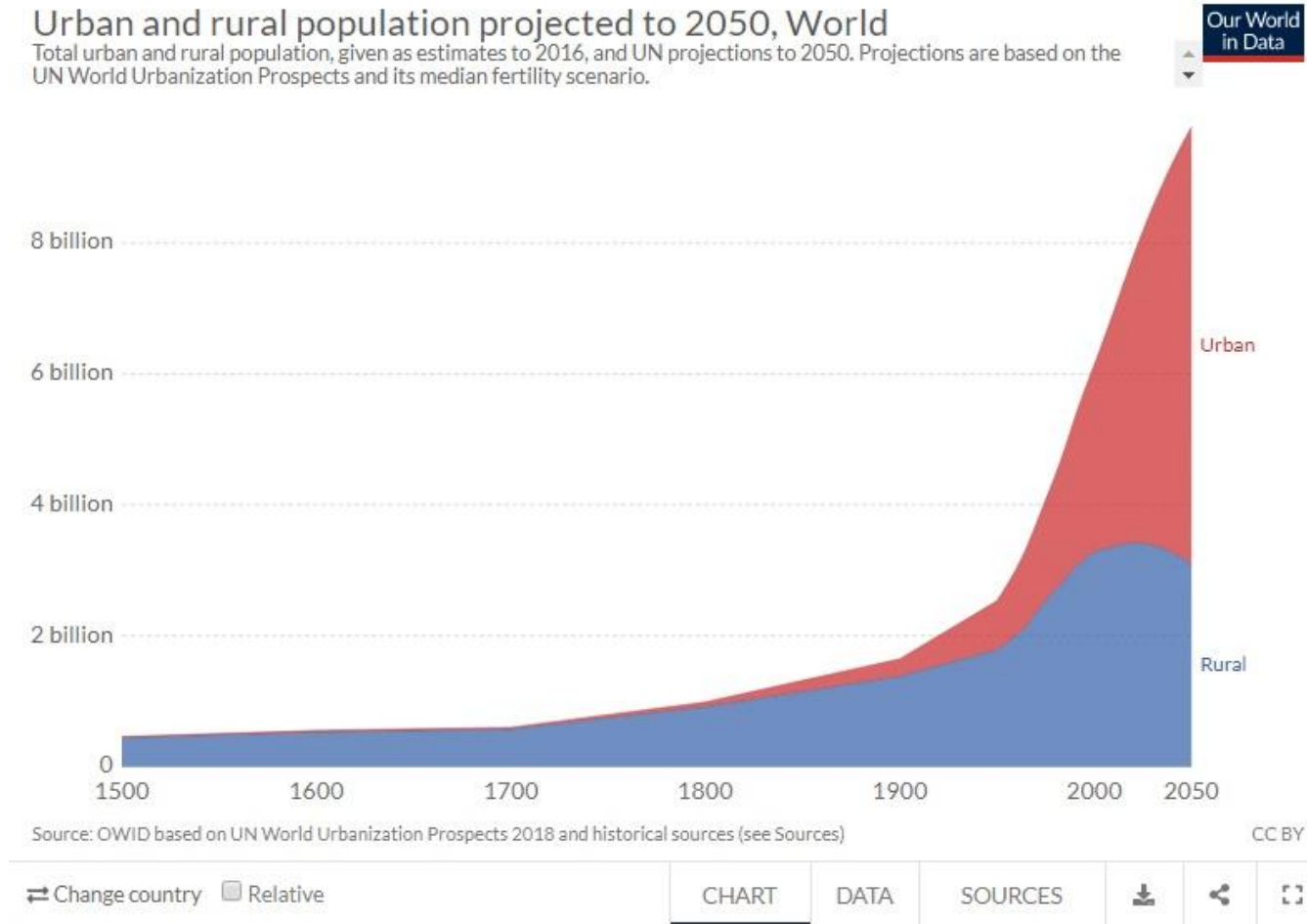
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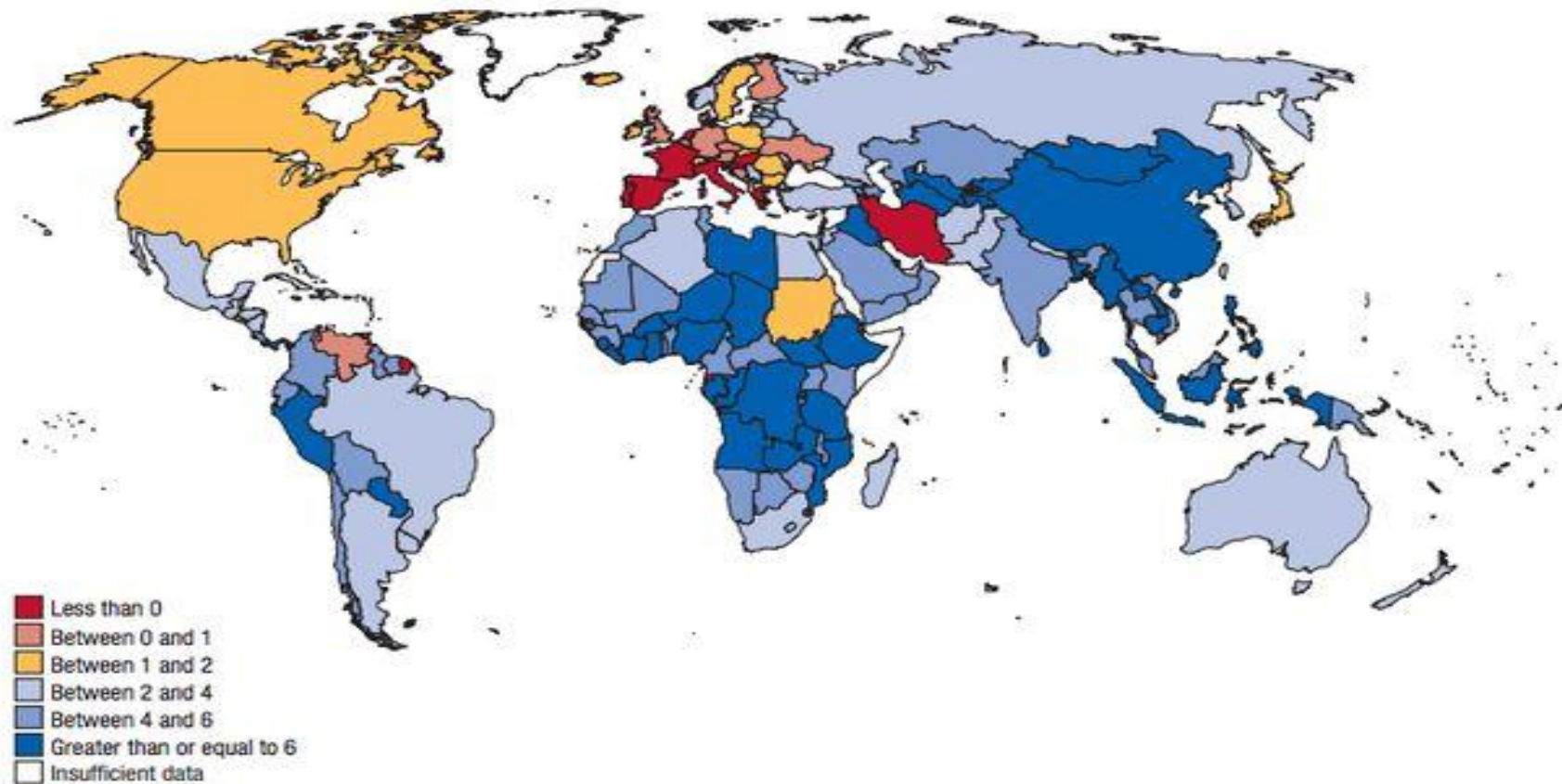
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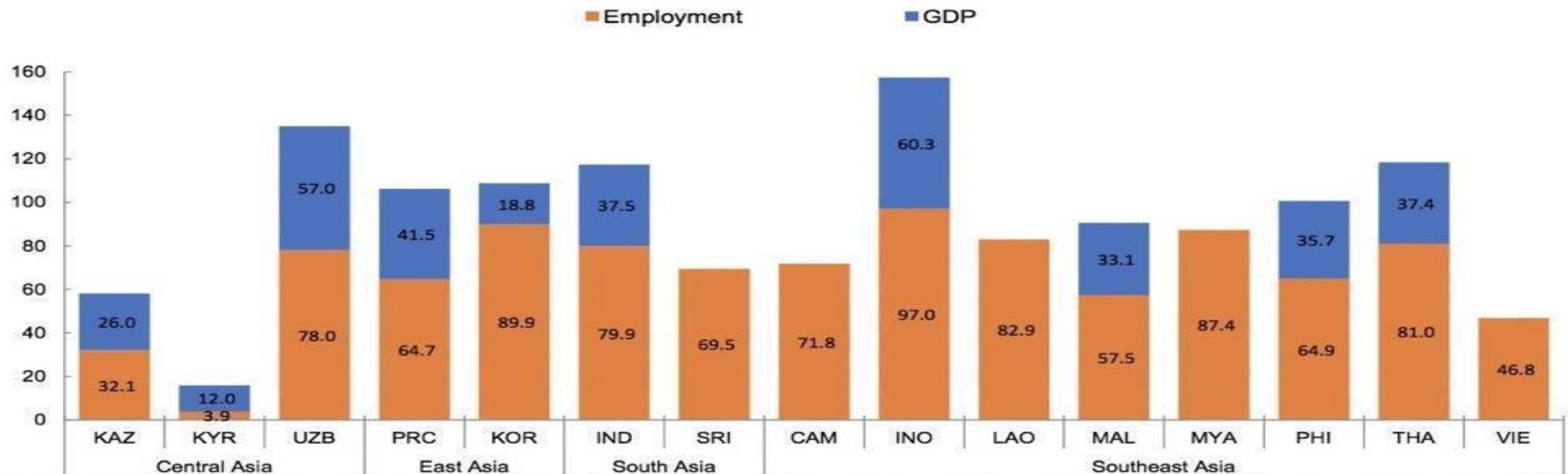
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