



**GRADUATE PROGRAMS INSTITUTE**

**ORGANIZATIONAL RESILIENCE AFTER THE PANDEMIC  
CONDITIONS: A COMPARATIVE STUDY ON THE SMALL  
FIRMS IN AZERBAIJAN AND GEORGIA**

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**MASTER'S THESIS**

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# **ABSTRACT**

## **ORGANIZATIONAL RESILIENCE AFTER THE PANDEMIC CONDITIONS: A COMPARATIVE STUDY ON THE SMALL FIRMS IN AZERBAIJAN AND GEORGIA**

The COVID-19 pandemic suddenly grew up and aggravated the situation of human life and the economy globally. This thesis investigates negative effects of the pandemic period on small firms in Azerbaijan and Georgia through the lenses of organizational resilience. It presents the problems small firms faced during and after the pandemic in these two countries, what measures were taken and how the enterprises protected themselves against pandemic activities. The discussion is based on secondary data gathered from official statistics of both countries and reports published by international institutions. The conditions of small firms in both countries and the impacts of different measures taken by the governments are compared. It concludes that small enterprises in Azerbaijan remained more resilient than Georgian counterparts mainly because of the effectiveness of state intervention. This thesis contributes to the studies on resilience and pandemic depending on a rich comparison of two developing countries about overall performance of small business and factors behind.

**Keywords:** Organizational resilience, Covid-19, post pandemic, small firms.

**Time:** 19.06.2023

# ÖZET

## **PANDEMİ KOŞULLARINDA KURUMSAL DAYANIKLILIK: AZERBAYCAN VE GÜRCİSTAN'DAKİ KÜÇÜK FİRMALAR ÜZERİNE KARŞILAŞTIRMALI BİR ARAŞTIRMA**

COVID-19 salgını tüm dünyada aniden gelişti ve küresel olarak insan yaşamının ve ekonominin durumunu ağırlaştırdı. Bu tez, pandemi döneminin Azerbaycan ve Gürcistan'daki küçük firmalar üzerindeki olumsuz etkilerini kurumsal dayanıklılık merceğinden incelemektedir. Bu iki ülkede pandemi sürecinde ve sonrasında küçük firmaların karşılaştığı sorunları, hangi önlemlerin alındığı ve işletmelerin pandemi önlemlerine karşı kendilerini nasıl korudukları ortaya konuluyor. Tez, her iki ülkenin resmi istatistiklerinden ve uluslararası kuruluşlar tarafından yayınlanan raporlardan toplanan ikincil verilere dayanmaktadır. Her iki ülkedeki küçük firmaların durumu ve hükümetler tarafından alınan farklı önlemlerin etkileri karşılaştırılmıştır. Azerbaycan'daki küçük işletmelerin, esas olarak devlet müdahalesinin etkinliği nedeniyle Gürcistan'daki emsallerine göre daha dirençli kaldığı sonucuna varılmıştır. Bu tez, iki gelişmekte olan ülkenin küçük işletmelerin genel performansı ve bunun ardındaki faktörler hakkında zengin bir karşılaştırmaya dayalı olarak dayanıklılık ve salgın konusundaki çalışmalara katkıda bulunmaktadır.

**Anahtar Sözcükler:** Kurumsal sürdürülebilirlik, Covid-19, pandemi sonrası, küçük firmalar.

**Tarih:** 19.06.2023

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## 1 INTRODUCTION

The "Sars-cov-2" virus, known as Covid-19, was first recorded in 2019 in the city of Wuhan, which belongs to China and then caused a global pandemic. It effectively impacted people's lives, economy, and supply chain. Coronaviruses are known as a type of virus, and it has been noted that there are many different types. Some of these causes' serious illness, and the COVID-19 coronavirus identified in 2019 is one such virus that caused a respiratory illness. To reduce the increase in COVID-19 in most countries, most states have begun to take several important measures, such as closing national borders or restricting access to tourism. Regions or cities were locked down and quarantined, curfews were imposed, restrictions on people's movements and physical distancing, events, and gatherings were banned, and all businesses were banned from operating except non-essential.

Quarantine measures related to the epidemic have triggered a new system including changes in the world's long-standing trading systems, human interactions, business practices, and high levels of economic uncertainty. The pandemic has also resulted in lower tax revenues and higher expenditures, especially in middle and low-income countries that had many restrictions in the financial. The severity of this economic situation has been exacerbated by increased spending on public health during the virus, declining revenues due to the recession, and the government's inability to raise revenues. Economic shocks are often caused by a shortage of manpower during a pandemic due to illness, death, and fear-related behaviors. In addition to labor shortages, disruptions to transport, job losses, trade, and travel restrictions, and the closure of land borders are among the reasons for the economic slowdown (Shang, Li and Zhang, 2021).

In Azerbaijan, on 28.08.2020, the health authorities reported to the public that they had registered the first patient from the noted pandemic infection. According to the World Health Organization (2021), more than three thousand people were infected with COVID-19 and about five thousand deaths were registered in Azerbaijan. Following the record of these figures, the Azerbaijani government has imposed several restrictions and very important preventive measures to prevent an increase in COVID-19 in the country.

The rise of the COVID-19 epidemic was inevitable, and small businesses suffered compared to the performance of small businesses up to this period in Azerbaijan. It should

be noted that housing and tourism, travel, manufacturing, retail, and catering services are among the key sectors affected by this pandemic. Especially in the hotel sector and retail stores, there were great difficulties. After the economic downturn in the country, small and experienced firms face serious problems with shortages of demand and raw materials (input goods or inventory that any company needs to produce its products), supply chain disruptions, cancellations of export material orders, and causing the supply of crude materials to be too late (Xu and Abbasov, 2021).

The decay in demand and supply indicators in the country increased the unemployment rate even more than the normal level. The main reason for this is that about 30 percent of those working in small businesses have lost their jobs (Akbulaev, Mammadov and Aliyev, 2020). Pointing out that there is no clear roadmap to measure the significant impact of the pandemic on the Azerbaijani economy, it was emphasized that the increase in the pandemic caused an increase in unemployment (one million unemployed), as well as reduced demand and supply (Xu and Abbasov, 2021).

In the state of Georgia, on February 26, 2020, Minister of Health Yekaterine Tikaradze confirmed the fact of the first coronavirus infection in this country. About fifty citizens of Georgia, where the virus was detected, entered the country from Iran on these dates and caused the virus to appear. The Georgian government declared a state of emergency on March 23, the year the pandemic was first recorded, and thus a number of economic activities were restricted in the country. These restrictions affected cultural institutions, namely theatres, cinemas, sporting events and most importantly sectors dependent on tourism. Activities of restaurants, catering facilities, and entertainment facilities were also restricted. These businesses have started to provide their services through online delivery. The largest mining companies, industrial enterprises, sewing factories, telecommunication companies were helped to continue their work without interruption. Economic activities related to customs warehouses, reclamation and irrigation systems and other current activities were also supported throughout the country. Many enterprises faced the crisis completely unprepared. They faced limited financial resources (Giorgi and Tamuna, 2020).

The first aim of this study is to understand the effects of the Covid-19 pandemic in small businesses in Azerbaijan and compare it with Georgia in the light of the concept of organizational resilience. In the research, three main questions will be addressed:

Question 1. How do small firms decide during the pandemic to maintain resilience under pressure?

Question 2. Which small business sectors are least affected by the COVID-19 pandemic and why?

Question 3. How could they manage to stand still in this shock?

The main purpose of the research is to investigate the negative effects of the pandemic period on small firms and to better prepare for similar problems that may arise in future crises. While investigating the negative effects of the pandemic, many topics about in Azerbaijan and Georgia are investigated. Small business enterprises have an important place among these different areas. During the research, the problems small firms faced during and after the pandemic in these two countries, what measures were taken and how the enterprises protected themselves against pandemic activities as a result of these measures are discussed. The discussion is based on a detailed search of official statistics of both countries and reports published by international institutions. The conditions of small firms in both countries and the impacts of different measures taken by the governments are compared. As a result, it is aimed to understand in which country the small businesses have greater organizational resilience and the reasons behind this result.

The study consists of six chapters. The second chapter is a literature review of research on the organizational resilience of small businesses around the world during covid-19. The great effects of the pandemic on small business facilities in different countries and regions are in the third chapter. In the fourth chapter, some basic information about two countries in the study is presented. The fifth chapter of the study, as the most extensive part of this study, covered the design of the study, ethical considerations, time horizons, and the impact of the pandemic on the Azerbaijani and Georgian SMEs. The final chapter is the conclusion which not only the comparative study shows but also its limitations are stated.

## **2 ORGANIZATIONAL RESILIENCE**

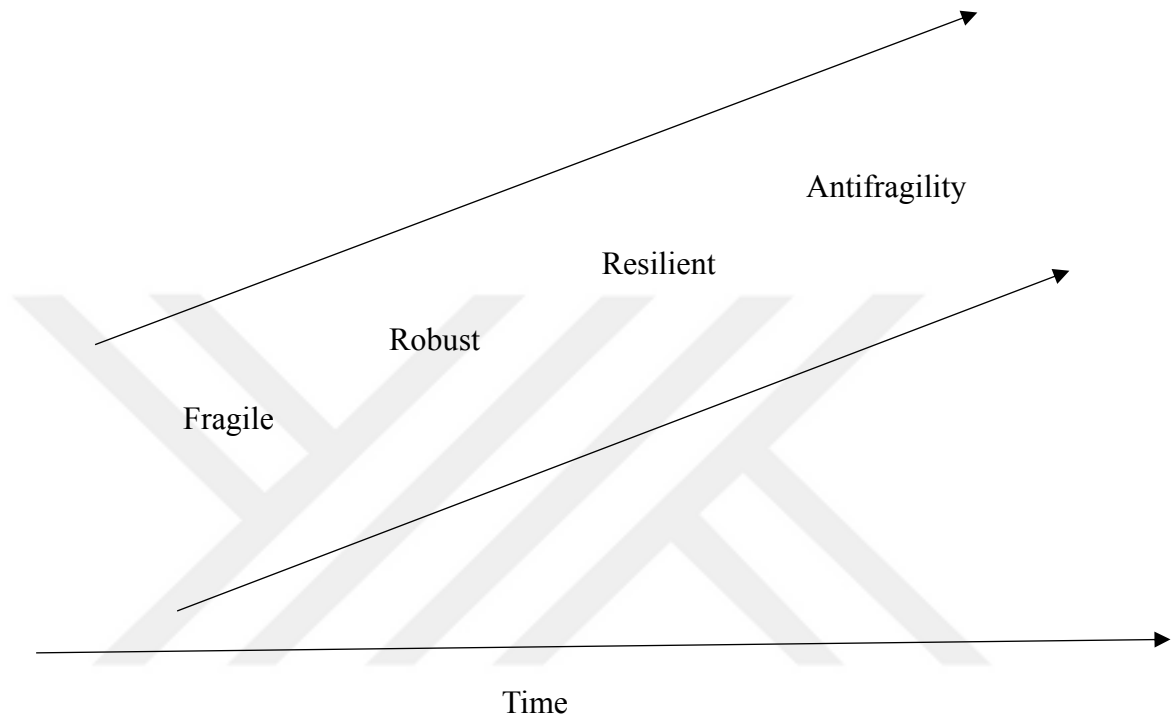
In times of instability, all organizations want to develop resilience to deal with unforeseen events, reduce the crisis, and even strive future achievement. Resilience is known as the possible flexibility associated with the characteristics of most systems that allow them to change within predefined parameters. It is the capability of an organization to stand changes in external and internal environment which it operates.

All businesses need to understand that a sustainable workforce goes hand in hand with a developed economy and focuses on well-being and resilience as the key to business success. Economic uncertainty and high unemployment rates only emphasize the need to be resilient to change and uncertain times. By responding to efforts to address the resilience of the workforce to reduce health risks, and by taking steps to ensure that organizations are proven to sustain breaks and changes in the future, they can take advantage of energetic corporate concerns for employee well-being.

According to Hillmann and Guenther (2021), organizations can develop resilience only if the concepts and variables that define resilience are clear. The relationship of dimensions to the overall structure should be discussed and analyzed by gathering more empirical evidence to shed more light on this debate. Organizational resilience is considered the capacity to overcome difficulties quickly by mobilizing the resources needed by the organization. Resilience behavior, resilience resources, and resilience capabilities of a firm ensure and define organizational resilience.

According to Ruiz-Martin, López-Paredes and Wainer (2018), it is emphasized that the concept of resilience is not registered as a static concept. This is the rate at which the organization evolves. They proposed a four-level maturity model to create and maintain organizational resilience. They place more importance on how well an organization develops the ability to survive in different environments (Figure 2.1). This organization can choose any of the levels like fragile, antifragility, robust and resilient. Over time, an organization develops from one level to the next by improving its capabilities, qualifications, or skills to combat violations. Among these models, the fragile model cannot stand environments with certain changes and is prone to disperse. Only an organization embedded in a robust model can resist some external changes. If indicators are recorded that deviate from these intended changes, the organization will face

bankruptcy. When looking at an anti-fragile organization, these companies are able to survive and blow in violent environments. The final stable model is a Resilient organization and can withstand unexpected events. A non-fragile organization can not only survive but also thrive or thrive in challenging environments.



**Figure 2.1 Maturity Model for Organizational Resilience**

The main issue that is meant by organizational resilience is the renewal of the management resources of the organization, achieving optimality in the course of processes. In addition, it is envisaged to re-improve organizational relations during the crisis, to rapidly eliminate the crisis and to expand the plans created for its development. All five dimensions of organizational resilience have been identified. These are capital resilience of relationship, strategic, relationship, cultural and relationship. Continuity of capital means that the organization can manage normally in the event of a crisis and recapitalize against risk. Every company must ensure strategic continuity in order to maintain strategic consistency and find an appropriate growth model by defining the environment. The sustainability of the relationship refers to the relationship between the company and its shareholders (Chen, Xie and Liu, 2021).

Political and legal differences, high volatility in the market, and shocks such as the global financial crisis are a few samples that can scare a firm's survival. Companies can increase resilience by developing organizational resilience, which is critical to anticipating potential threats, effectively dealing with unforeseen events, managing organizational change, and building dynamic skills. It aims to facilitate organizational change (Duchek, Raetzel and Scheuch, 2020). It is reported that one of the significant systems capabilities needed in organizations is the flexibility to adapt to the effects of failure and meet the demands of a changing environment. Ensuring this is a basic condition for a more powerful system upgrade. Mechanisms that help increase an enterprise's resilience can do so by increasing process awareness, reducing system vulnerabilities, and restoring operations after events. Resilience is not limited to the elimination of violations, but also the ability to regulate the operation of the system in expected and unforeseen situations. Thus, organizational dynamics that handle the system's ability to fit to modern environmental situation and improve other reveals performance measures the way for incremental future expansion (Burnard, Bhamra and Tsinopoulos, 2018).

Organizational resilience has often been used to appertain to an organization's capability to absorb tension and maintain performance despite challenges, the organization's ability to recover. While some scholars see organizational resilience just as the skill to emerge from surprise, hard-pressed and negative situations and continue where they left off, others see it as a cushion between structure and chaos. Organizational resilience can also be seen as a skill to accept or adapt to change, including setbacks and disruptions. At the same time, changes in demand in some processes, strategies, and coordination can be seen as the most important advanced ability to detect and adapt to unexpected changes in demand. The ability to dynamically reinvent their business models and strategies as conditions change is cited as a key reason for most companies' success (Koronis and Ponis, 2018).

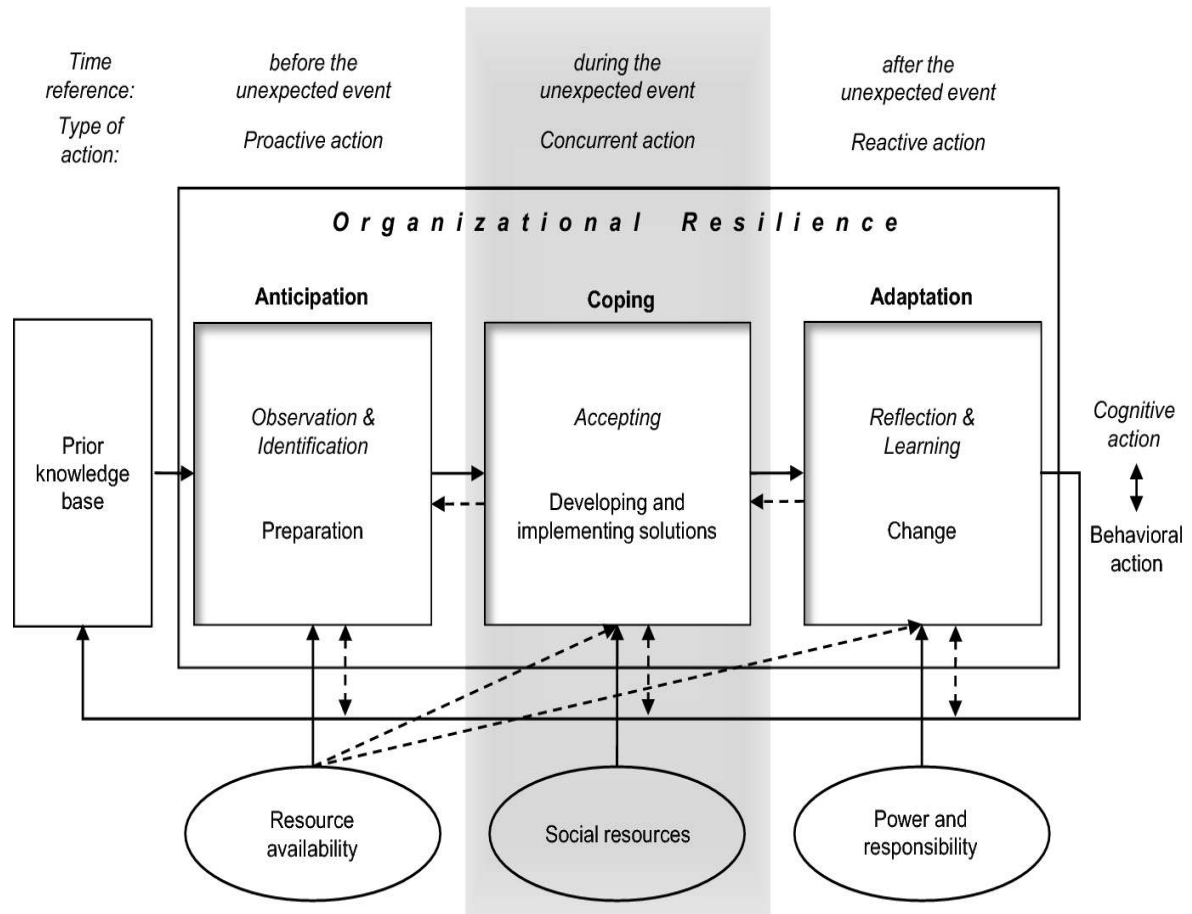
According to Barasa, Mbau and Gilson (2018), resilience means that the system works in the face of adversity and achieves its goals. There is a consensus around the idea that a combination of changes in an organization's resilience, through adaptation and transformation, can overcome the challenges it faces and keep up to prosper in the face of disaster, which differs from the initial resilience concept of shock recovery. Although resilience engineering is based on the appearance of a machine-like system and

organizational resilience conceptualized by conventional causality as an organization's absorption capacity, trying to adjust and change in the face of disaster, is based on the idea that structure is composite and adaptable. A number of factors affect the resilience of organizations. These include factors such as preparation and planning, material resources, data management (collecting, organizing, protecting and storing organizational data during decision-making analysis), management processes, assurance pathways and contingency, leadership practices, human capital, organizational culture, social networks and collaboration.

Three successive phases in the resilience process have been proposed, and they claim that an organization's resilience responds not only to past or present challenges but also to the future. The three phases of the resilience process and other relevant phases are explained in detail in Figure 2.2. To explain the three stages of resilience in more detail, it is necessary to focus on studies that understand it as an aggressive response (adaptation) to unexpected events. Aggressive response involves purposeful coping during critical situations and some form of adaptation, transformation, or learning after critical situations occur. Based on this, three stages of resilience have been identified as waiting, coping and adapting. Many researchers argue that observation and identification are closely related, considered together, and that these abilities are essential for resilience. According to researchers, organizations need to recognize early signs of a crisis in order to react quickly and prevent escalation. These individuals use different concepts to describe organizations' ability to foresee a problem. For example, some researchers suggest using the concept of hazard detection associated with the assessment of operational conditions along with environmental feedback control. These advantages have also been discussed, such as acquisition of weak signals and environmental analysis (Duchek, 2020).

In addition to observing and identifying actual changes and impending crisis, it is also important to focus on developments towards future potential. For example, practices such as scenario planning can help firms think about different futures and how to manage them. According to the researchers, observation and identification capabilities help firms to see and react to changes before they take full effect. Finally, expectancies create the potential for resilience, which can be defined as currently unclear or unrealized resilience. Anticipation capabilities in general provide the basis for effective response to critical situations as well as for implemented resilience. However, they provide only a limited

degree of control, developing coping skills by making important actions, adjustments and decisions in real time (Duchek, 2020).



**Figure 2.2 Capability-Based Conceptualization of Organizational Resilience (Source: Duchek, 2020)**

Organizational flexibility and resilience are the rank to which an organization can improve its operations and increase control over its management and have a diversity of management skill that continuously enable it to manage the organization better. It should also be noted that organizational flexibility and resilience is influenced by organizational design task or management task according to some researchers. Organizational design refers to organization's ability to respond to unexpected external variations, when necessary, which is sufficient for many organizations to be managed or managed based on creating an enabling environment that promotes resilience (Dubey et al, 2021).

In general, if organizations want effective planning, then they should consider resilience important and use an independent variable to predict organizational effectiveness. It also helps the organization to make positive changes and environmental degradation. Similar to resilience is the idea of quickness that follows resilience, and some researchers consider agility to be the resilience center, while other studies see flexibility as a rise of resilience. The key characteristics of enterprise resilience are theoretically considered to be situational awareness, vulnerability management and adaptability. Linked performance improvement processes and managing resilience are critical to the survival of firms in a changing market environment. According to the researchers, human resource management, in-depth study of organizational structure and management style, richness of technology capabilities used, and supply chain-related organizational attributes are thought to have a significant impact on a firm's organizational resilience (Dubey, et al., 2021).

It is important to note that organizations need the resilience and flexibility to implement decisions that cover a range of functions quickly. Organizational resilience and flexibility are one of the most important ways to reduce fear in the supply chain and it is believed that when organizations increase their level of organizational agility, they are better able to use big data analytics and new insights. Organizations with better organizational resilience can better cope with supply and demand uncertainties and gain a competitive advantage (factors that enable a company to produce goods or services better or cheaper than its competitors). As a result, these organizations gain a lot of potential to better leverage supply chain development and improve resilience by using decisions based on limited information or models of mechanical processing of simulated data (Dubey, Gunasekaran and Childe, 2018)

Organizational resilience helps to create linkages between different networks of organizations and to develop linkages between the performance of business strategies. A stronger entrepreneurial model strengthens the link between organizational agility and business strategy implementation. This agility is the skill to use and reuse resources and opportunities, or the ability to change the important characteristics of the organization by controlling them. It is the ability to adapt, accept, live or adapt, change, and respond to pain, time, expense, effort, or action. Sustainable firms face fewer restrictions on the use of network connections and the support of network partners for sustainable practices (Yousaf, and Majid, 2018).

The shock of the COVID-19 pandemic has made organizational resilience key concept. Researchers have noted that in order for organizations to survive unexpected events, they must develop resilience capabilities that enable organizations to effectively deal with unexpected events and recover from crises. Resilience is also emphasized as a measure of stability, which is thought of as the ability of an organization to resist a negative situation (Huang, Chen and Nguyen, 2020).

An organization focused on resilience must develop the understanding that crises can occur at any time. This understanding helps organizations develop their capabilities ahead of challenges. Empirical studies show that an organization needs to focus on different aspects to build the skills needed to successfully solve challenges. In times of crisis, the organization, as well as its members, must avoid inappropriate thinking at risk. Some researchers suggest that risk awareness, flexibility, and prioritizing cooperation among organizational members are critical to demonstrating resilience. Research has shown that an organization's ability to innovate in times of adversity is critical to resilience. A large body of data collected in the UK has found that pursuing open and closed innovation during crises enables organizations to achieve resilience. A number of researchers have demonstrated that employees' innovative ability can be a suitable strategy for coping with adversity, and have confirmed the importance of innovation in times of crisis (Vakilzadeh and Haase, 2021).

This review shows that resilience is a key organizational capability that drives organizational progress. This allows firms to withstand stress, continuously innovate, and quickly adapt to change. Sustainability can be an important source of sustainable competitive advantage and should be developed purposefully. However, more information is needed on how organizational resilience works and how it can be developed. It can be shown that only a combination of the capabilities of all three stages (anticipation, coping and adaptation) can lead to resilient organizations. Organizations must have proactive capabilities (sustainability capacity) and reactive capabilities (sustainability realization).

Finally, it should be noted that this chapter examines the importance of small businesses' response to the pandemic and possible reasons for organizational resilience during the crisis. Thus, as a result of the conducted research, the effect of a number of factors on stability is revealed. Common weaknesses of organizational resilience in small

business organizations include lack of government support, inadequacy of applied constraints, and constraints in the supply chain. It is inevitable that the investigation of these shortcomings will help to deal more effectively with similar problems that will occur in the future and will contribute to organizational resilience.

### **3 SMALL AND MIDDLE ENTERPRISES DURING COVID-19 PANDEMIC**

This chapter aims to present empirical data about small business during the pandemic in different countries. It introduces the effects of COVID-19 on small business in Continental Europa, Turkey, United Kingdom, Lithuania, Greece, Africa general, Egypt, Asia Pacific general, China, Pakistan, Malaysia, Japan, Canada, Iran.

#### **Europe:**

Small firms all over Europe have experienced the instantaneous impact of bans on their upper and lower activities. In particular, independent small firms face significant logistical challenges, and while the use of reduced capacity is one of the main challenges, the side effects of demand pose a more serious hazard. The majority of small consumer-oriented and independent firms continue to operate in high-demand industries. At a time when consumer employment is facing uncertainty and financial constraints, many small firms have experienced significant reductions in demand. On the contrary, many independent small firms serving the industrial market can take advantage of their position because they can operate with many substitutes. Therefore, customers can easily trust them. However, with the closure of production lines in Europe at the time of closure, many of these firms as well faced decrease in demand or a shortage of production capacity (Juergensen, Guimón and Narula, 2021).

#### **Turkey:**

According to Altuntas and Gok (2021), like all countries, Turkey has had to quarantine the country during pandemic periods in order to reduce the influence of epidemics. Quarantine decisions made during the pandemic directly affected the accommodation industry, and the decision was considered critical. These decisions have a direct impact on the country's economy and have had a major impact on all areas of trade, tourism and the supply chain.

In addition, the World Bank Group participated in the organization of Turkey's National Development Plan, along with financial support, technical, political advice and analytical work. The director of this bank, Auguste K., emphasized that such support was applied to Turkey to overcome the ongoing difficulties of the pandemic crisis. As a result,

he noted that jobs in the private sector are protected and kept away from risk (World Bank Group, 2023).

#### United Kingdom:

Based on many findings, we can say that the job risk in some regions is not evenly distributed. Jobs are concentrated in poorer cities and towns, and given the low starting point before the crisis, any possible economic recovery has been said to be more difficult. The British government has expressed a desire to pursue a “regulation” agenda desired for fixing long-standing monetary unevenness while taking a different local and provincial system to tackle the medical characteristics of Covid. Due to the distribution at the city and city level, potential job losses from job failure are distinct in the place class and common inside and outside UK towns. Two cities with comparable shares of at-risk corporations may have various business casualties due to significant differences in the distribution of firm size class (Brown. R and Cowling, 2021).

#### Lithuania:

Approval of the new stimulus package in the EU maintains stock market expectations and positivity, but in Lithuania, as elsewhere in Europe, as the second outbreak of the virus accelerates, the optimism of enterprises facing restrictions continues to decline and business activities are suspended and business support measures implemented (Župerkienė, Šimanskienė, Labanauskaitė, Melnikova and Davidavičienė, 2021).

#### Greece:

In Greece, small firms have historically been the cornerstone of the country's economy. However, more importantly, the majority of small firms are micro enterprises that serve regional markets and strive to remain competitive. As the virus makes the crisis harder, EU countries are pressing to support economic policies and strengthen small firms as part of a broader effort to reduce the pandemic's widespread negative impact on the manufacturing sector and job creation. The Greek government has taken several important measures to reduce the negative effects of the epidemic on small businesses. Nevertheless, when the size of these measures is evaluated by the share of this country in the GDP, it is seen that this country has the smallest indicator in Europe. But there is a paradoxical contradiction here. Although small businesses in Greece have the largest

share of total enterprises in the EU economy, they lag behind in terms of the size of the supportive policy measures they use (Meramveliotakis and Manioudis, 2021).

#### Africa:

During the state-imposed lockdown with the rise of the pandemic, many malnourished people live in African cities and used urban and agricultural, as well as shorter food chains, to obtain safer food. In Kisumu, Kenya, before COVID-19, production was severely reduced due to flooding, and with disadvantaged young men and women who were vulnerable and incapacitated due to physical distance, there were challenges to safe food processing. The main reason for this was the limited number of farmers who could be trained. However, during the curfew, farmers were allowed to continue their operations until noon and take food safety measures and deliver directly to homes in urban centers. In Kampala from the city of Uganda, residents piled wooden boxes around a central composting room. With it, they were able to grow cabbage and used old plastic water bottles to do drip irrigation (Blay-Palmer et al., 2021).

There are several factors associated with COVID-19 that could affect the African economy. Thus, imports of Chinese goods in Africa will fall to a significant level, which will further affect small traders in emerging markets and recover the cost of domestic goods. Reduced oil use as a result of the closure of borders by states, the introduction of travel bans and social isolation measures, closures could also reduce oil demand. The budgets of some oil producing countries in Africa (for example: Algeria, Ghana and others) were severely affected by the epidemic and their GDPs fell. Travel restrictions, closures, and port closures have reduced demand. About 420,000 people work indoors in the mining industry in South Africa alone, indicating that the mining environment is more susceptible to pandemics and that there may be a conducive environment for the growth of the virus. Thus, the mining industry in Africa was inevitably hit by the ongoing the pandemic (Lone and Ahmad, 2020).

#### Egypt:

In Egypt, many companies operating for the fresh fruit production in domestic market as well as in export markets in the country show that the country is at less risk after the COVID-19 epidemic. Looking at agricultural firms in Egypt, companies that have small farms and more control over the supply chain can be created. These features have the effect of strengthening their supply chain and allowing them to control

production costs, and therefore profits in any way they want. Agri-food firms in this country have higher market flexibility compared to other sectors and can easily handle product and market changes in the face of unexpected market shocks. In addition, it should be noted that these enterprises can easily change their export line movements. That is, as the conditions in the market of enterprises change, they direct their exports to the domestic market. But, most Egyptian rural food small firms have had difficulty or have become very difficult in managing the market transformation process (Abu Hatab, Lagerkvist and Esmat, 2021).

#### Asia Pacific:

When micro-business leaders face the main problems like the Covid-19 pandemic, these organizations are able to continue operating without layoffs, and there is an urgent need for several support services to prevent many small firms from losing their jobs by the end of 2020. Direct financial support, a form of a cash grant, seems to be the most desirable, and other types of post-pandemic support may be considered. Recent Asia-Pacific research has highlighted some other types of support available in the area (incentives and remote support for purchases from small, local businesses, and e-commerce platforms) (Hoorens, Hocking and Fays, 2020).

#### China:

The financial loss was inevitable as businesses in China had been completely shut down for more than two months. The main reason for this is that schools in Shandong province were still closed in May, some teaching school owners believed there would be no income throughout the year. Due to closure, entrepreneurs have suffered huge losses due to closure, including rotten or outdated food losses, still having to pay high rents and employee wages, and wages or losses from previous product orders. But at the same time, despite the drastic decline in their income, they still had to pay off their loans and other personal expenses, resulting in increased financial losses (Lin and Zhang, 2020).

#### Pakistan:

Pakistan is another country worse affected by the global pandemic. Therefore, small firms operating in Pakistan need a comprehensive study of the impact of this epidemic. In addition, small companies are also greatly affected by the monetary economy, which is negatively affected by the global pandemic. They are severely hampered in the ongoing

pandemic crisis. Many small and medium enterprises in Pakistan are facing major challenges. For example, the textile and clothing industries were adversely affected by the introduction of the quarantine regime. Exports of Pakistan's manufacturing sectors are beverages, food, tobacco sub-sectors and textiles. Due to the crisis, the decrease in export demand for these sectors resulted in a negative impact in the mentioned country. Likewise, the agricultural sector belongs to these sectors. In Sindh and southern Punjab, wheat harvest usually starts from late March to mid-June. Due to the lack of manpower and transport, this sector also experienced a number of problems. Similarly, many drivers in the transport industry, who work in the local transport system, including buses and taxis, have been suspended and sent home. Business closures and disruptions to national supply chains have had a significant impact on retail and wholesale, transportation, warehousing and communications services (Shafi, Liu and Ren, 2020). Occasionally, some of the factors that have a major impact on these enterprises are labor shortages, production slowdowns, raw material shortages, and transportation constraints.

#### Malaysia:

The global pandemic of 2019 has shut down large businesses and enterprises around the world, and small businesses are facing a dark future due to the pandemic. In Malaysia, small and medium-sized firms in various sectors, including fisheries, make up about 100 percent of total businesses. Aquaculture is known as an important production area of products. For this reason, businesses allowed to operate in this sector and in this country during difficult times with the aim of ensuring food security as well as economic growth. In addition, government of Malaysia along with other agencies is eligible to receive the proposed incentive packages for small aquaculture firms to soften the negative impact of Covid-19 (Waiho et al., 2020).

#### Japan:

Japan, one of the largest economies in the world, has also been affected by the covid pandemic in the rest of the world. One of the economic sectors seriously affected by the Covid 19 pandemic in Japan is Small and Medium Enterprises. In Japan, SMEs played an important role in the development of the country's economy after the Second World War and influenced the acceleration of the country's economic development until the economic miracles were achieved in Japan. However, the ongoing pandemic has had a significant impact on SMEs in Japan. Small business facilities are considered the

backbone of the economy. Transport and border restrictions, social isolation and disruption of supply chains have reduced market demand and cash flow in Japan. Small businesses were unable to pay store rents, salaries of employees, vendors and creditors, and had a spiraling effect on households and the economy. Small businesses are highly vulnerable to external shocks from the rise of Covid-19. Various Japanese government and half-government officials and financial institutions have launched a series of direct and indirect financial support and other temporary relief measures to ensure business continuity for companies in Japan that need significant financial support. For the return plan, policymakers should make some suggestions that should be considered not only in Japan, but around the world (Abdullah, Seng, Huda and Musa, 2021).

#### Canada:

In Canada, one of the other major economies in the world, the main reason for the biggest interruptions in business is the economic constraints and measures for social isolation taken against the COVID-19 pandemic. Businesses such as small firms, transportation, arts, restaurants, housing and entertainment are concentrated in the travel and tourism sectors hit hardest by COVID-19. The sectors expected to be affected the most by these disruptions were small firms (Gu, 2020).

#### Iran:

Issues such as the significant decrease in capital inflows, less systematic market, higher investment risks, and after the Covid 19 pandemic, dependence on exports and tourism has made many countries more vulnerable than developed countries. Issues like this have resulted in less attention paid to startups and SMEs in countries like Iran. Also, Iranian politicians are trying to help medium and large firms being alive to maintain the national rate of employment. Therefore, small firms suffered more from these contextual stimulus of the heavily sanctioned in the economy. 38% of Iranian companies have been inactive for at least two months in the last six months. In addition, the data show that there is a significant decrease in the liquidity, human resources, and production performance of the enterprises as a whole. In the first months of the epidemic, many small firms were shocked and some made cautious cuts, some froze and some stopped their operations (Salamzadeh and Dana, 2021).

### 3.1 GLOBAL OVERLOOK OF SMALL BUSINESS IN DIFFERENT COUNTRIES DURING COVID-19

The COVID-19 virus is regarded as a turning point, and the assembling of capital along with social reproduction is noted to be a serious trigger. Structural functions in the global economy, changes in the process of internationalization of capital, financing process, globalization of supply chain and logistics accelerate negative situations. At the same time, this situation increases the negative consequences of the pandemic. Thus, the coronavirus pandemic has resulted in unusual economic causes, and that's no surprise. These changes challenge social disruption, environmental, social, economic resilience and GDP worldwide (figure 3.1). The next paragraph shows the extent of these difficulties in some countries with some statistics.

One of the countries with the fastest growing economy in 2020 was China with 2.3%. However, International Monetary Fund (2020) forecasted global rise of 5.2% in 2021, which was expected to be driven mainly by countries such as India (8.8%) and China (8.2%). Recovery was expected to be slow in service-dependent economies as the Italy and United Kingdom, which have been hit hard by the pandemic (Jones, Palumbo and Brown. D, 2021).



Figure 3.1 Majority of Countries in Recession Around the World (Source: BBC, 2021)

In Germany, small businesses have lost an average of 50% of their profits, according to a recent survey in Europe. In addition, small businesses of the Netherlands are experiencing financial difficulties due to the pandemic, and 40% of Belgian companies say their profits have fallen by 75% or more. In Portugal, some enterprises reported a decline in production of more than 50% during the pandemic. This Covid-19 issue has significantly weakened the situation in the economies of some countries, which are faced with various governments opening up small businesses for revenue collection. In the UK, the Covid-19 pandemic primarily affects economic sectors such as construction, transport, agriculture, and logistics. The impact of the COVID-19 crisis on SMEs of UK is huge. Based on the conducted research, it was noted that 80 percent of SMEs had stable or increasing income for the year before the start of the pandemic, but after the pandemic, 80 percent of SMEs' income decreased. The research also found a number of associated effects. These include problems related to non-payment of loans, difficulty in keeping employees at work, the emergence of risks to the ability to continue supply chains and the postponement of many projects due to the pandemic are examples. Small and medium-sized businesses lost 90% of their income due to declining sales in these sectors. In addition, small businesses in the financial sector, arts, education and insurance sectors were mentioned as gradually less affected areas (Albonico, Mladenov and Sharma, 2020).

According to some scholars like Zuperkienė, et al. (2021), some questionnaires were received in the Republic of Lithuania, which was used for the analysis. Packages are one of the most popular measures taken by people in all countries, including Lithuania, to avoid the effects of the pandemic. 20.5% of respondents used such measures. Many identified the three most important events carried out by companies to minimize the result of the pandemic on the processes taking place in the economy. These include the transfer of employees to other companies (only 2.7% of respondents said), 5.5% of people supported the opening of an online store to reduce the negative impact of Covid-19 on the company's operations. 6.8% of people noted that the opening of an online store led to a change in the terms of credit agreements (Župerkienė, et al., 2021).

Small businesses make up a large part of the overall business sector in Greece, and their high contribution to job creation plays an important role in the country's economy. Small businesses account for the majority of total employment, approximately 65 percent.

This indicator means that they are more responsible for employment than medium or large firms as well as the public sector. The economy of this country was growing steadily before the pandemic began and the average annual growth rate for just over three years was very low. This figure was only 2%. The recovery of the economy is closely linked to the development of tourism, because one of the leading areas in terms of profitability of the Greek economy is tourism and it is the main pillar of the country, which affects the economic development. In 2016-2019, tourism revenues increased by 37.6 percent, that is, somewhere from 13 billion euros to 18 billion euros, highlighting the important role of tourism in Greece's economic income, but the pandemic hit the Greek tourism industry hard, followed by economic hardship. According to the Central Bank of Greece, in 2020, tourism earnings are predicted to fall from 18 billion euros to 4.3 billion euros (76.2%) compared to a year ago. The epidemic gave an unprecedented external shock to small firms, and causes a significant decrease in income and profit. For example, the research in May 2020 indicated that 41 percentage of small firms in the UK have ceased operations and 35% fear they will not be able to reopen. Based on estimates, Number of Spanish small firms operating has decreased by only 43%. Additionally, the proportion of small firms with negative equity is set to increase by six percent between 2020 and 2021, and while this is low in the Asia region, it is estimated to be high in Southern Europe (Meramveliotakis and Manioudis, 2021).

According to an online survey (implemented by RAND Europe), in the Turkey, North and Middle East Africa countries, between 4 May and 21 May 2020, 79% of respondents said that the pandemic hurt their overall business activities in these regions. Additionally, most people have noted that the pandemic has negatively affected many areas of business, including the supply and demand chain. Added to this are negative effects on financial and distribution channels. However, 61% of people say that if this continues, it will be difficult for their business to continue for more than 4 months (Hoorens et al., 2020).

Turkey received some financial support to overcome these difficulties. To this support, the provision of half a billion dollars of financial assistance to the Turkey Emergency Firm Support Project to ensure access to finance for small and medium-sized enterprises exposed to the economic effects of the pandemic was indicated. This organization provided financial assistance through two state banks. To give to small businesses (such as leasing companies, commercial banks, factoring companies), a total

of 500 million dollars' worth of loans were transferred to Vakıf Bank and the Turkish Development and Investment Bank, with 250 million dollars separately (WBG, 2023).

When the Covid-19 pandemic first spread, it is emphasized that it was of an epidemiological nature. However, later this pandemic began to show itself with serious effects on the global economy on developing countries, especially Africa. Economists forecast 3.9% economic growth in Africa by 2020. Experts also note that with the risk of the first recession in 25 years, in Sub-Saharan Africa, growth may fall to 2% compared to 2019 (2.4%) (Lone and Ahmad, 2020).

The impact of the epidemic on the activities of small firms in Abuja, the capital of Nigeria, and tips on how to revitalize a small business. It has also been widely studied to work effectively in a declining economy and to be more effective in the face of serious pandemic obstacles. The 10 small businesses with 100 members in the Abuja Municipal District Council were selected for a study to gain insight into the influence of the pandemic on businesses. According to the analysis, the pandemic has had many negative effects, such as low incomes, loss of skilled workers due to wage cuts, lack of protection and lack of government frankness. To reduce the spread of the epidemic, small businesses often face problems such as difficulties in not being able to pay employees, defaulting on loan payments and not being able to pay house rents. Most of the participants believe that the country officials need to achieve some well-managed care programs, poverty reduction initiatives, credit easing, lowering interest rates and deferring tax payments in order to successfully overcome this situation (Enesi and Ibrahim, 2021).

The pandemic has created various problems for rural and food small firms, and the decline in sales has been the most notable. About 27% of businesses in Egypt indicate that the pandemic has caused important spilling in their upstream and downstream chains, making it difficult for them to meet their contractual obligations. The percentage distribution of the answers to the questions about the cost value of the products used in the manufacturing process and the total income of enterprises are shown by comparing the indicators of April 2020 with the indicators of a year ago. In April 2020, about 60% of enterprises decreased all their revenues by less than 10% compared to April 2019. In contrast, most people say that 10 percent of small firms increase their gross income by less than one-tenth, or roughly equal to one-tenth. 15% of people believe that it will

remain the same, while another 16% say that their total income has increased by more than 10% (Abu Hatab, 2021).

Looking at the same date last year, Chinese exports fell by 21% in 2020. In total, 86% of companies experienced varying degrees of decline in export orders during the virus period. In particular, the export orders of 21 percent of the companies decreased by half. In addition, 74 percent of companies had to cancel some orders, and 12 percent had to cancel more than half of their orders. Companies that export grain and some oil products in the country, such as medicinal plants, had higher export values with an increase of 52% and 17% compared to the indicators of the same period last year. The export value of enterprises producing eatable mushrooms and garden-related products decreased 34 percentages and 50 percentages, respectively (Lin and Zhang, 2020).

As in other countries, the situation of small businesses in Canada is no different. Based on research conducted by the research and market intelligence which is a department of the Business Development Bank of Canada (BDC, 2020), entrepreneurs across the country have identified the consequences of Covid-19. Almost one hundred percent of the participants noted that this was a negative effect. While 3 percent of this indicator said that the pandemic had a positive effect, the remaining 6 percent were not affected (BDC, 2020). At the beginning of 2020, the growth of hidden labor productivity in the labor sector amounted to 3.8 percent, which is well above the average annual growth of 1.1 percent in the previous four years. The drop-in hours worked at the beginning of 2020 tend to be greater for enterprises with relatively low productivity in the last years (Gu, 2020).

With the business in Pakistan, he has chosen different strategies to contain the business crisis. 31% of businesses in this country closed their operations completely, 19% partially closed and 18% of businesses made plans for credit application. Overall, 12 percent of enterprises continue to manage, but many businesses in Pakistan have been ordered to cease operations to take measures in advance to prevent the disease from growing due to the outbreak of COVID-19. Many participating companies had to offer a higher closure rate. Also, only 4% of businesses said they plan to change the operating system to solve the epidemic problem (Shafi et al., 2020).

The expansion of the pandemic has made Iran's economy uncertain. As discussed earlier, Iran began to suffer more after the pandemic along with commerce and financial

bans enforced by the US government, which has led to a 15% drop in GDP and a 50% rise in Iran's workforce. In particular, this problem has led to the lowest income of 40% of the population, the widening of inequality and the unemployment of 2 million people. It is also predicted that the unemployment rate will increase in 2018 and the year after, and this rate will increase to 16.3-16.7 percent in 2020-2021, respectively. These figures are expected to increase further due to the epidemic and the closure of industrial enterprises. Due to economic problems and people's reduced purchasing power due to COVID-19 in recent years, the closing of many jobs in service sectors and especially manufacturing sectors as well as SMEs may lead to increased unemployment (Zamani, 2020).

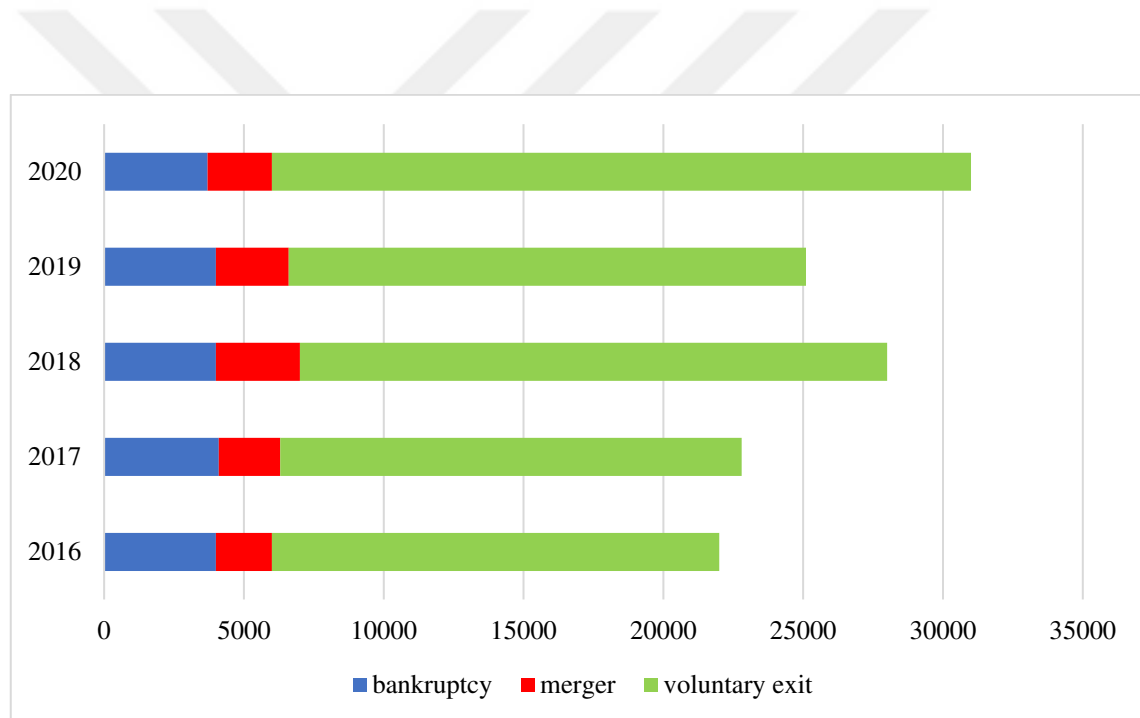
It is important to ensure economic growth and to adopt various stimulus packages in the economy to overcome difficulties such as the financial crisis. As part of the First Economic Stimulus Package 2020, \$460 million has been allocated as a Special Assistance Facility (SRF) to assist small firms was directly affected by the global pandemic in Malaysia. This is particularly beneficial for small aquaculture because they can get more than 230 thousand US dollars with a long maturity of more than five years and one year's interest rate of not more than 3 percent. In addition, they also extended the first six months of payment. Agrofood Facilities were introduced in Malaysia with the aim of increasing food manufacture for inner consumption and export by allocating 230 million dollars. As a result of this program, small fishing firms can receive government loans of up to 1.15 million dollars. This loan was granted for 8 years with low interest (more than 3 percent). Small fishing enterprises that want to incorporate digitization operations into their production processes along with operations such as automation can profit from the Automation and Digitization Facility for loans. This loan provides more than 690,000 US dollars with the possibility of payment during 10 years (Waiho et al., 2020).

It is expected that the sales of small firms in Japan in April 2020 will be recorded below the sales in April 2019, and their monthly sales will be at least one month lower compared to the same period. While this pessimistic view has little impact on companies that are experiencing small declines in monthly sales, it is more accurate to say that enterprises are predicted to lose about one month of sales by the end of 2020. Many companies, which registered between 50 and 60 percent for sales in April, expect their sales to fall by more than half (i.e., sales to fall further). According to these results, the

profit expected by the firms from the sale was always the same. Therefore, it was noted that the increase in the last sale will go down and will have a negative effect on the sales in the future (Miyakawa, Oikawa and Ueda, 2021).

The total number of people leaving the white paper company during the epidemic increased by sixteen percent when compared with the corresponding period of the previous year. It is estimated that more than 30,000 Japanese companies left the market between January and May last year; this is approximately 16% more than the entire number of firms operating in the same period of 2019 (Chart 3.2) (Abdullah et al., 2021).

**Chart 3.2 An Example of Companies That Existed Before and After the Pandemic**



The pandemic problem has been reported to affect businesses in the small business category all over the world. Since its onset, the disease has continued to affect various aspects of the economy, including labor markets, as well as capital markets and foreign trade, agriculture, manufacturing companies, and the consumer sector. Many people have lost their jobs due to the coronavirus. As a reason for this, companies have laid off workers in order to avoid paying salaries in order to reduce costs. In general, this pandemic has hit many economies hard and caused a decrease in imports and exports. Also, this critical situation increased the importance of state support to producers.

The problems that arise in these countries are mainly related to the inadequacy of measures related to the pandemic. The problems caused by the pandemic can be clearly seen with the mentioned statistical changes. Almost no country has benefited from the Covid-19 pandemic or successfully passed through this period without some negative impact. As a result of this research, companies may not be negatively affected by similar problems in the future.



## 4 ECONOMIC, SOCIAL AND POLITICAL OUTLOOK OF AZERBAIJAN AND GEORGIA

In this chapter basic information about the states of Azerbaijan and Georgia will be presented. It gives geographical position, social and political situation and GDP of both countries (Table 4.1). In addition, these countries closely with information such as population numbers, age and gender distribution, education level, employment, export-import.

**Table 4.1 GDP Growth Rate, 2020 (% per year)**

| Countries       | Percentage |
|-----------------|------------|
| Tajikistan      | 4.5%       |
| Uzbekistan      | 1.9%       |
| Kazakhstan      | -2.5%      |
| Azerbaijan      | -4.3%      |
| Georgia         | -6.8%      |
| Armenia         | -7.2%      |
| Kyrgyz Republic | -8.4%      |

### 4.1 AZERBAIJAN

The capital of the Republic of Azerbaijan is the city of Baku with the largest population and is located at the 40° parallel. The territory of the country is 86.600 square kilometers; 12 percent of the territory is surrounded by forests. 4.6 percent of the lands are flooded, and 55.2 percent are suitable for agriculture. 28 percent of it is pastures, and 28.2 percent is land for other purposes. The geographical location of the country is as follows: east longitude 44° and 52°, north latitude 38° and 42°. The distance from the capital to the coordination where it is located is 5550 km from the North Pole, and 4440 km from the equator. The sea to which Azerbaijan has access is the world's largest lake, the Caspian Sea. While the size of this sea is 400,000 square kilometers, its deepest point is 1025 m deep. The length of the country's border with this sea is 456 km. The land border of the state border with neighboring countries is 765 km with Iran in the south, 15

km with Turkey, 390 km with Russia in the north, 480 km with Georgia in the northwest, and the state border with Armenia from the west is 1007 km (Country Reports, 2023).

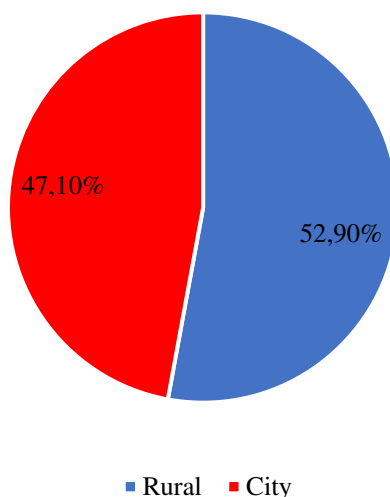
The political system of Azerbaijan is known for reflecting the national conditions and special historical situation of this country. As a result of the formation of the political system of the country, the political culture of the population of Azerbaijan has developed. The effective structural formation of Azerbaijan's political system resulted in the adoption of the new Constitution drawn up on 12 November 1995. According to the constitution, Azerbaijan is a democratic country and it is noted that it is a constitutional, secular, unitary republic. The people are considered the biggest source of state power in this country, and the free and independent decision of the fate of Azerbaijan, the determining the form of government by the people of the country is considered a fundamental right of the people. The process of implementation of state management by the political leadership of Azerbaijan fits to the parameters of the country, which is part of the presidential administration (Supreme Court of Azerbaijan [SCA], 2022).

In the Republic of Azerbaijan, according to the policy of separation of powers, three branches of government operate independently. These include the president, who exercises executive power, the Milli Majlis, who exercises legislative power, and the judiciary. In addition, it should be noted that the judicial power in the country is carried out by specialized courts: constitutional court, supreme court, appellate courts, general and other specialized courts. This country has the specificity of the unitary system defined by the Constitution of the Republic of Azerbaijan. The main reason for this is that the Nakhchivan Autonomous Republic has the status of state power within the country. Thus, according to the constitution, the Nakhchivan Republic is the only autonomous state within the Azerbaijan. Finally, regarding management, it should be noted that in the political system of Azerbaijan, municipalities, which are local self-governing bodies, also occupy a significant place, and this system has a great perspective despite its recent emergence in the country. As in other modern political systems in the world, Azerbaijan's political system is multi-party and pluralistic (SCA, 2022).

The population of the Republic of Azerbaijan is 10,156,400 thousand people at the beginning of 2022 (01.01.2022). Of this population, 5,368,500 people live in cities, and 4,787,900 people live in rural areas and the percentage distribution is given in the chart

4.1 (The State Statistics Committee of the Republic of Azerbaijan [SSCRA], 2022a).

**Chart 4.1 Population in The Republic of Azerbaijan by The Beginning of 2022 (in percent)**



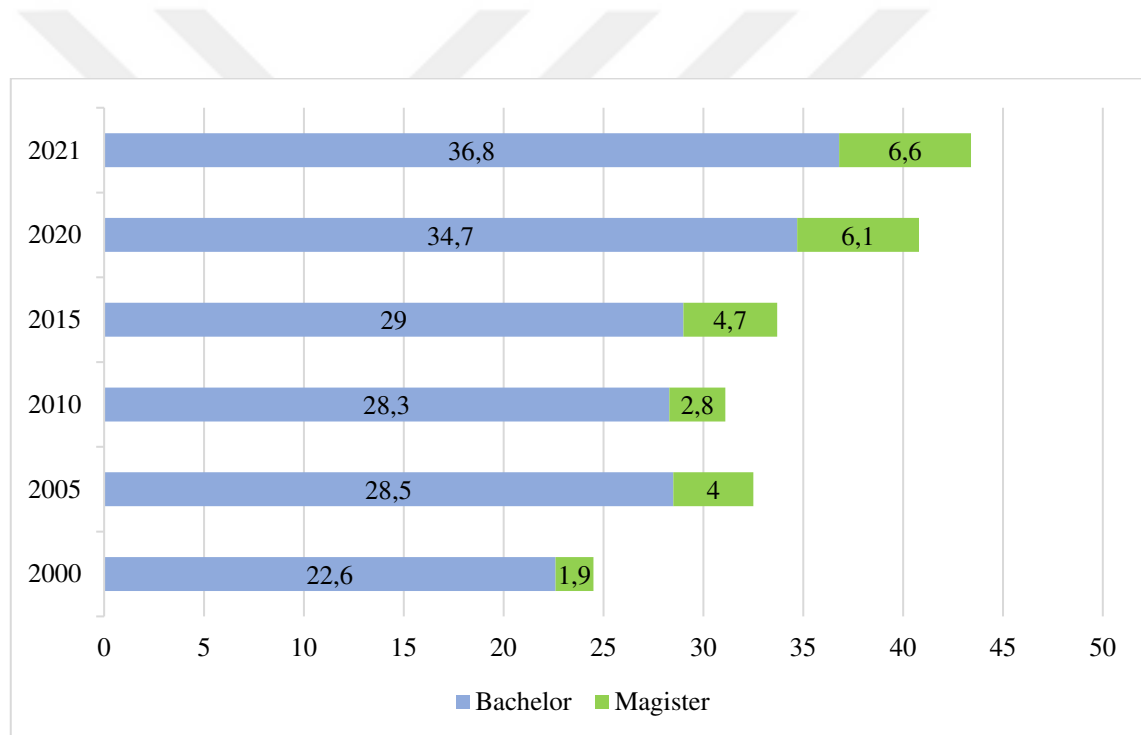
5,074,500 (50.0 percent) of the country's population are men and 5,081,900 (50.0 percent) are women. The distribution of the general age index of the population of Azerbaijan by percentages is given in the table 4.2. Based on the statistics of the last 5 years, it can be noted that an average of 133,000 people, approximately 363 babies per day, were born in the country. In 2021, the birth rate was 11.2 per 1000 people (SSCRA, 2022a).

**Table 4.2 General Age Percentage of The Population of Azerbaijan (01.01.2022)**

| Age                                    | Percentage |
|----------------------------------------|------------|
| 0-14                                   | 22.1 %     |
| 15-64                                  | 70.0 %     |
| 65 (and older)                         | 7.9 %      |
| 14-29 (young people of all population) | 22 %       |

Regarding the education system in Azerbaijan, some improvements were noted. As an example, in the chart 4.2, the number of Azerbaijani students who graduated from higher education institutions in different years was recorded. (2000-2021). According to chart 4.2, in 2021, 36,800 students have a bachelor's degree, and 6,600 students have a master's degree, which is more than in previous years (SSCRA, 2022b).

**Chart 4.2 Number of Students Who Received Diplomas from Higher Education Institutions  
(Bachelor, Magister) (Thsd. Persons)**



In addition, according to the information provided by the State Statistics Committee of the Republic of Azerbaijan (SSCRA, 2022b), in 2022, 974 people out of every thousand people over 15 years of age had higher and secondary education. In Table 4.3, it is stated that this rate is higher than other years.

**Table 4.3 Education Level of The Population (Per 1000 People Over the Age Of 15; As of The Beginning of The Year)**

| <b>Educational gains</b> | <b>Population aged 15 (and over) with higher and secondary education (coplated and general)</b> | <b>Higher education</b> | <b>Secondary education</b> | <b>Coplated secondary education</b> | <b>General secondary education</b> |
|--------------------------|-------------------------------------------------------------------------------------------------|-------------------------|----------------------------|-------------------------------------|------------------------------------|
| 2022                     | 974                                                                                             | 140                     | 86                         | 625                                 | 123                                |
| 2021                     | 974                                                                                             | 137                     | 85                         | 627                                 | 125                                |
| 2016                     | 972                                                                                             | 127                     | 85                         | 630                                 | 130                                |
| 2011                     | 968                                                                                             | 124                     | 85                         | 628                                 | 131                                |
| 2006                     | 946                                                                                             | 118                     | 93                         | 601                                 | 134                                |
| 2001                     | 939                                                                                             | 108                     | 114                        | 572                                 | 145                                |

According to the World Bank Group, expanding the development of primary and secondary education in the country has greatly increased its importance in the education system. Thus, the opportunities for children and young people to study have started to increase. This, in turn, affected the income from education. So, income from schools, we see that it is the highest sector with 8 percent. After that comes services with 5 percent, agriculture and other sectors with 3 percent. State financing of education in this country is relatively low. In 2018, the financial resources spent by the state on education made up only 3 percent of Azerbaijan's GDP (WBG, 2023).

In Table 4.4, many macro-economic indicators such as import and export, mainly the country's GDP (gross domestic product), have been mentioned in order to create a certain impression about Azerbaijan. It should be noted that this statistical study covers the years 2022-2020 and, in addition, it was prepared with considering the data on the statistically evaluated value of exported crude oil and gas reserves noted in customs authorities, but not fully formalized during the reporting period (The State Statistics Committee of the Republic of Azerbaijan [SSCRA], 2023a).

**Table 4.4 Social Development and Macroeconomic Indicators of The Country**

| Indicators                                            | 2022 January-August, actual, actual | 2022 January-August compared to 2021 January-August, percent | 2021 January-August compared to 2020 January-August, percent |
|-------------------------------------------------------|-------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Gross domestic product (million manats)               | 84 880,4                            | 105,8                                                        | 103,6                                                        |
| Including non-oil and gas GDP                         | 43 303,5                            | 110,3                                                        | 105,7                                                        |
| GDP per capita (manat)                                | 8 440,1                             | 105,3                                                        | 103,1                                                        |
| Industrial products (million manat)                   | 56 103,2                            | 99,9                                                         | 102,6                                                        |
| Investments directed to fixed capital (million manat) | 9 117,0                             | 106,9                                                        | 89,9                                                         |
| Agricultural products (million manat)                 | 7 428,8                             | 103,2                                                        | 105                                                          |
| The average monthly salary, manat                     | 831,3                               | 114,1                                                        | 101,8                                                        |
| Consumer price index                                  | x                                   | 113,2                                                        | 104,8                                                        |
| Number of population, thsd.                           | 10 191,6                            | 100,5                                                        | 100,4                                                        |
| Foreign trade turnover with million USA dollars       |                                     |                                                              |                                                              |
| actual prices                                         | 30 653,2                            | 171,7                                                        | 129,7                                                        |
| comparative prices                                    | x                                   | 107,2                                                        | 95,9                                                         |
| including: export                                     |                                     |                                                              |                                                              |
| actual prices                                         | 23 159,4                            | 200,5                                                        | 146,9                                                        |
| comparative prices                                    | x                                   | 112,3                                                        | 102,1                                                        |
| non-oil gas exports                                   |                                     |                                                              |                                                              |
| actual prices                                         | 1 682,0                             | 124,2                                                        | 130,5                                                        |
| comparative prices                                    | x                                   | 111,4                                                        | 117,5                                                        |
| Import                                                |                                     |                                                              |                                                              |
| actual prices                                         | 7 493,8                             | 119,0                                                        | 106,7                                                        |
| comparative prices                                    | x                                   | 97,7                                                         | 87,6                                                         |

Finally, development of the labor market and rational use of the labor force have been identified as one of the main sides of the series of socio-economic policies carried out in Azerbaijan in recent years. To see this more clearly, it is necessary to look at the number of economically active population in the country in 2021, and its distribution by

age and gender. In 2021, this indicator increased by 716.5 thousand people compared to 2010 and reached 5,303,9 thousand people. Of them, 4,988,2 thousand people are employed in the economy, and 315,7 thousand people are unemployed. The share of unemployed youth in the age range of 15-19 years is 42.7 percent for women and 47.8 percent for men. Of these, 25.2 percent of men and 34.3 percent of women are unemployed (Table 4.5) (SSCRA, 2023b).

**Table 4.5 Distribution of The Unemployed Population Aged 15-29 By Gender and Age Groups in Azerbaijan (2021)**

| Age groups                                     | Total           |         | Men             |         | Women           |         | Final ratio, in percent |       |       |
|------------------------------------------------|-----------------|---------|-----------------|---------|-----------------|---------|-------------------------|-------|-------|
|                                                | thousand people | percent | thousand people | percent | thousand people | percent | Total                   | men   | women |
| <b>Total number of unemployed population</b>   | 315,7           | 100,0   | 133,6           | 42,3    | 182,1           | 57,7    | 100,0                   | 100,0 | 100,0 |
| <b>Total number of young people aged 15-29</b> | 141,7           | 100,0   | 63,9            | 45,1    | 77,8            | 54,9    | 44,9                    | 47,8  | 42,7  |
| <b>15-19 age</b>                               | 15,3            | 100,0   | 7,3             | 47,7    | 8,0             | 52,3    | 4,9                     | 5,5   | 4,4   |
| <b>20-24 age</b>                               | 73,3            | 100,0   | 33,7            | 46,0    | 39,6            | 54,0    | 23,2                    | 25,2  | 21,7  |
| <b>25-29 age</b>                               | 53,1            | 100,0   | 22,9            | 43,1    | 30,2            | 56,9    | 16,8                    | 17,1  | 16,6  |

## 4.2 GEORGIA

Georgia is an independent state located in Eurasia, in the Caucasus, on the eastern coast of the Black Sea, with a republican governance system. Tbilisi is the capital of the state of Georgia, the official language of which is Georgian. The state is governed by the president. The person elected president has the right to hold office for 5 years. The supreme legislative body of the country is a unicameral parliament<sup>1</sup> elected every four years. The executive power is managed by the Prime Minister of the country. The state of Georgia geographically covers the center and western part of South Caucasus, also known as Transcaucasia. Looking at the geographical coordinates of Georgia, its 43°07'-43°35° north latitude and 40°01-48°44° east longitude circles, 41°23'31° souths - north

<sup>1</sup> a type of government body that consists of a single house, legislates and votes.

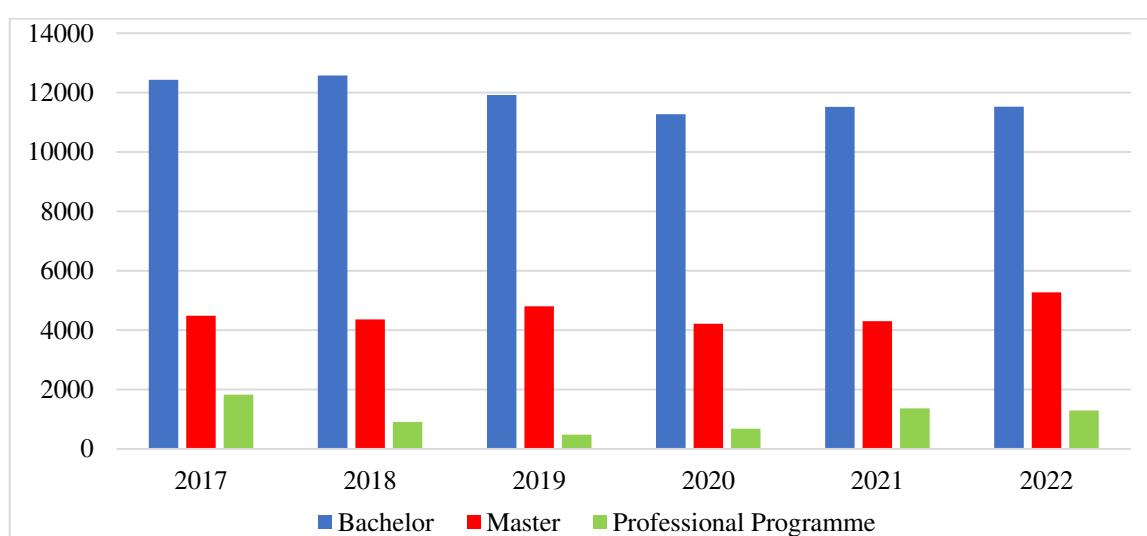
longitude and 40°00 30° east longitudes, 41 ° 17° north latitudes and 46° 44° 31° east longitudes are seen. The length of the borders of this country is 1916 km in total. While 308 km of the total length of the state border is covered by the sea, 1608 km is the land border. Also, the state of Georgia is surrounded by the Greater Caucasus mountains from the north and the Lesser Caucasus mountains from the south. The western part of the country is bordered by the Black Sea, the eastern part by Russia and Azerbaijan, the south and southwest by the Armenia and Turkey. As mentioned above, Georgia is a mountainous country located in the middle of the Caucasus Mountains. About 53 percent of the entire territory of the country consists of mountains, 33 percent on slopes, and 13 percent on plains. As these physical-geographical features spread both horizontally and vertically, they create different character in different parts of the country, and create physical-geographical areas consisting of several micro districts (National Library of the Parliament of Georgia, 2023).

Regarding the political and social structure of the Georgian state, it is emphasized that it is a country that adheres to democratic values and principles. In this state, the administration of power is limited by laws and governed by democratic bodies such as legislature, executive and judiciary. The state of Georgia defends pluralism, the legality and the rights of peoples who are few in number, and operates in the direction of strengthening the civil society and other democratic structures in the country. In general, the state of Georgia is independent and is not a state with any division within its borders adopted by the Constitution of the state of Georgia. At the same time, Georgia respects the independence, sovereignty and borders of other states. This country, like Azerbaijan, withstands those who oppose its sovereignty, including those who try to change its foreign policy by force, and those who try to intervene in their internal affairs. Georgia protects the law and liberties of all citizens living in the territory of this country, including various groups. At the same time, the Georgian government recognizes people's right to free choice and provides legal guarantees for freedom of thought, speech, religion, conscience, and belief. In addition, these forces support and create an enabling environment for each of its citizens to discover their potential. It is noted that economic comfort is the first requirement for the exercise of all other laws and freedoms in Georgia. It is accepted that the pursuit of welfare in Georgia is possible only in a free environment and this is a basic human right. Georgia, one of the small states, is known for its responsible macroeconomic policy, appropriate taxes and social measures designed to ensure maximum welfare for

citizens. This state strives to create a free economic environment and to ensure that the state is sustainable (Ministry of Foreign Affairs of Georgia, 2023).

The general education of Georgia is regulated by these laws, and examples of this are "On General Education", "On Improving the Quality of Education", "National Curriculum" and other legal laws. The duration of education in this country is 12 years and it is applied at primary, basic and secondary levels. The first 6 years are called primary education, the next 3 years (covering grades 7-9) are called secondary education, and the last 3 years (covering grades 9-12) are called secondary education. General educational institutions are divided into two, public or private, and the teaching applied in all general educational institutions in the country is based on the special curriculum developed by the National Center for Educational Quality Enhancement (NCEQE, 2020).

Statistical data of students graduating from bachelor's, master's, and other professional programs in Georgia's public universities in 2022 and the six years before that will help inform the reader about the level of education in this country. Chart 4.3 shows a certain decrease in public universities since 2017. Although more than 12,000 undergraduate students graduated in 2017, by 2020 this indicator decreased to less than 12,000 (11,529 students). However, there was an increase in the number of master's graduates in those years. This increase is approximately 17.5 percent (National Statistics Office of Georgia [NSOG], 2023a).



**Chart 4.3 Graduates of Public Institutions, Persons**

Table 4.6 shows the statistical information of students in Georgia in different years and age categories. During the 2018-2019 academic year, there were 147,714 students in this country, and in the 2022-2023 academic year, this indicator increased by approximately 9.19%. Of the 161,292 students studying between 2022 and 2023, approximately 16.4 percent or 26,574 are in the 19-age category. The numerical advantage of 19-year-old students in this country continued during the 2018-2019 academic year. In general, during 2018-2023, students aged 19 and 20 maintained their numerical advantage over students of other ages (NSOG, 2023a). The main reason for this is that in Georgia, as mentioned above, secondary education covers 12 years and students are in this age category when they finish school.

**Table 4.6 Number of Students in Institutions by Age, Sex and Citizenship (At the Beginning of The Pandemic Year, Persons)**

| Age/Year     | 2018-2019      | 2019-2020      | 2020-2021      | 2021-2022      | 2022-2023      |
|--------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total</b> | <b>147,714</b> | <b>148,803</b> | <b>157,294</b> | <b>159,842</b> | <b>161,292</b> |
| 0-17         | 1,549          | 1,768          | 1,363          | 1,318          | 3,026          |
| 18           | 20,138         | 15,613         | 17,598         | 17,600         | 22,163         |
| 19           | 24,754         | 23,557         | 24,119         | 25,619         | 26,574         |
| 20           | 24,670         | 24,362         | 25,656         | 25,814         | 25,612         |
| 21           | 22,915         | 23,675         | 23,456         | 24,053         | 23,412         |
| 22           | 17,898         | 18,779         | 20,226         | 18,503         | 17,879         |
| 23           | 12,519         | 13,163         | 14,644         | 14,210         | 13,024         |
| 24           | 8,566          | 9,789          | 11,122         | 10,847         | 9,771          |
| 25-29        | 11,606         | 14,146         | 14,562         | 16,297         | 14,085         |
| 30-34        | 1,862          | 2,372          | 2,952          | 3,541          | 3,579          |
| 35+          | 1,237          | 1,579          | 1,596          | 2,040          | 2,167          |

As shown in the statistical indicators related to Georgia's education (Table 4.7), there are increases in some areas, such as number of pupils of the state in general. However, stagnation is experienced in other fields of education in the years before 2021. For example, between 2017 and 2020, number of pupils were changing from 1.95% to

1.45%. In 2021, 2.73% increase in the total number of students was recorded, and this indicator was the highest in the last six years (NSOG, 2023a). Despite the decrease in the population during the mentioned dates, the increase in the number of students, the fact that students who could not go to school as a result of the pandemic, started school one or two years late may be the main reason for the increase in the number of students in 2021 and 2022.

**Table 4.7 Number of Pupils**

| <b>Time</b> | <b>Number of pupils (thsd.)</b> | <b>Increase in the number of pupils compared to the previous year</b> |
|-------------|---------------------------------|-----------------------------------------------------------------------|
| 2017        | 564,7                           | 1.95%                                                                 |
| 2018        | 575,2                           | 1.85%                                                                 |
| 2019        | 584,4                           | 1.59%                                                                 |
| 2020        | 592,9                           | 1.45%                                                                 |
| 2021        | 609,1                           | 2.73%                                                                 |
| 2022        | 624,5                           | 2.52%                                                                 |

According to the official data of the statistical agency, the population of Georgia is slightly more than 3.6 million in 2022. This statistical indicator is slightly less compared to previous years. According to the official data of the Statistical Agency, in 2022, the population of Georgia was slightly more than 3.6 million people. This statistic is slightly less than in previous years. So, from 2016 to 2022, while the population of Georgia was more than 3.7 million people, in 2022 this indicator decreased by 0.9% to 3 million 688.6 thousand people. The largest density in the territory of the country falls on Tbilisi, which is the capital city. Despite the fact that the population of Georgia as a whole will decrease significantly before 2022, the population of the capital city has increased by about 7.7% during these years, as in many large cities (Table 4.8) (NSOG, 2023b).

**Table 4.8 Number of Populations of Georgia and Distribution by Regions (Thsd.)**

| <b>Regions, self-governing units and percentage of increase over previous year</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Georgia                                                                            | 3.728,60    | 3.726,40    | 3.729,60    | 3.723,50    | 3.716,90    | 3.728,60    | 3.688,60    |
|                                                                                    | 0,18%       | -0,06%      | 0,09%       | -0,16%      | -0,18%      | 0,31%       | -1,07%      |
| C. Tbilisi Municipality                                                            | 1.132,00    | 1.145,50    | 1.158,70    | 1.171,10    | 1.184,80    | 1.202,70    | 1.201,80    |
|                                                                                    | 1,46%       | 1,19%       | 1,15%       | 1,07%       | 1,17%       | 1,51%       | -0,07%      |
| Adjara A.R.                                                                        | 340,2       | 343         | 346,3       | 349         | 351,9       | 354,9       | 355,5       |
|                                                                                    | 1,07%       | 0,82%       | 0,96%       | 0,78%       | 0,83%       | 0,85%       | 0,17%       |
| Guria                                                                              | 112,4       | 111,5       | 110,5       | 109,4       | 108,1       | 107,1       | 105,3       |
|                                                                                    | -0,79%      | -0,80%      | -0,90%      | -1,00%      | -1,19%      | -0,93%      | -1,68%      |
| Imereti                                                                            | 523,7       | 514,4       | 507         | 497,4       | 487         | 481,5       | 466,6       |
|                                                                                    | -1,37%      | -1,78%      | -1,44%      | -1,89%      | -2,09%      | -1,13%      | -3,09%      |
| Kakheti                                                                            | 317,8       | 315,9       | 314,7       | 312,5       | 310,1       | 309,6       | 304,9       |
|                                                                                    | -0,31%      | -0,60%      | -0,38%      | -0,70%      | -0,77%      | -0,16%      | -1,52%      |
| Mtskheta-Mtianeti                                                                  | 94,1        | 93,9        | 93,9        | 93,6        | 93,3        | 93,4        | 92,4        |
|                                                                                    | 0,00%       | -0,21%      | 0,00%       | -0,32%      | -0,32%      | 0,11%       | -1,07%      |
| Racha-Lechkhumi and Kvemo Svaneti                                                  | 31,5        | 30,8        | 30,2        | 29,7        | 29,1        | 28,5        | 27,6        |
|                                                                                    | -2,17%      | -2,22%      | -1,95%      | -1,66%      | -2,02%      | -2,06%      | -3,16%      |
| Samegrelo-Zemo Svaneti                                                             | 328,4       | 324,2       | 320,8       | 316,2       | 311,1       | 308,4       | 301,2       |
|                                                                                    | -1,02%      | -1,28%      | -1,05%      | -1,43%      | -1,61%      | -0,87%      | -2,33%      |
| Samtskhe-Javakheti                                                                 | 158,7       | 157,2       | 155,9       | 154,1       | 152,1       | 151,1       | 148,3       |
|                                                                                    | -1,00%      | -0,95%      | -0,83%      | -1,15%      | -1,30%      | -0,66%      | -1,85%      |
| Kvemo Kartli                                                                       | 428         | 429,7       | 432,3       | 433,2       | 434,2       | 437,3       | 434,5       |
|                                                                                    | 0,66%       | 0,40%       | 0,61%       | 0,21%       | 0,23%       | 0,71%       | -0,64%      |
| Shida Kartli                                                                       | 261,9       | 260,4       | 259,3       | 257,3       | 255,1       | 254,1       | 250,5       |
|                                                                                    | -0,38%      | -0,57%      | -0,42%      | -0,77%      | -0,86%      | -0,39%      | -1,42%      |

The gender gap in Georgia by province is 52% female and 48% male. Table below shows the distribution of men and women at different ages (table 4.9). The gender gap in Georgia by province is 52% female and 48% male. The table below shows the distribution of males and females at different ages. According to the table below, the combined number of Georgian boys and girls in the 5- and 9-year-old age category is 7.4%. The population over 85 (1%) and under 1 (1.3%) has the lowest number in the country (NSOG, 2023b).

**Table 4.9 Age and Gender Distribution of The Population in Georgia (Thsd.)**

| Age groups | 2022       |      |          |          |
|------------|------------|------|----------|----------|
|            | Both Sexes |      | Males    | Females  |
| Total      | 3.688,60   | 100% | 1.770,00 | 1.918,70 |
|            |            |      | 48,0%    | 52,0%    |
| <1         | 45,8       | 1.3% | 23,8     | 22       |
|            |            |      | 52,0%    | 48,0%    |
| 1-4        | 198        | 5.3% | 102,8    | 95,3     |
|            |            |      | 51,9%    | 48,1%    |
| 5-9        | 273,6      | 7.4% | 141,7    | 131,9    |
|            |            |      | 51,8%    | 48,2%    |
| 10-14      | 249,6      | 6.7% | 130,5    | 119      |
|            |            |      | 52,3%    | 47,7%    |
| 15-19      | 204,8      | 5.5% | 108,4    | 96,4     |
|            |            |      | 52,9%    | 47,1%    |
| 20-24      | 209,5      | 5.6% | 109,8    | 99,7     |
|            |            |      | 52,4%    | 47,6%    |
| 25-29      | 219,8      | 5.9% | 112,4    | 107,4    |
|            |            |      | 51,1%    | 48,9%    |
| 30-34      | 268,8      | 7.2% | 133,7    | 135,1    |
|            |            |      | 49,7%    | 50,3%    |
| 35-39      | 263        | 7.1% | 130,7    | 132,3    |
|            |            |      | 49,7%    | 50,3%    |
| 40-44      | 240        | 6.5% | 118,5    | 121,5    |
|            |            |      | 49,4%    | 50,6%    |
| 45-49      | 232,4      | 6.3% | 114,5    | 117,9    |
|            |            |      | 49,3%    | 50,7%    |

|       |       |      |       |       |
|-------|-------|------|-------|-------|
| 50-54 | 226,8 | 6.1% | 109,1 | 117,7 |
|       |       |      | 48,1% | 51,9% |
| 55-59 | 241,9 | 6.5% | 112,2 | 129,7 |
|       |       |      | 46,4% | 53,6% |
| 60-64 | 244,3 | 6.6% | 108,2 | 136,2 |
|       |       |      | 44,3% | 55,8% |
| 65-69 | 202,3 | 5.4% | 84,2  | 118   |
|       |       |      | 41,6% | 58,3% |
| 70-74 | 157,6 | 4.2% | 61    | 96,7  |
|       |       |      | 38,7% | 61,4% |
| 75-79 | 79,5  | 2.1% | 28,1  | 51,3  |
|       |       |      | 35,3% | 64,5% |
| 80-84 | 88,4  | 2.3% | 28    | 60,4  |
|       |       |      | 31,7% | 68,3% |
| 85+   | 42,5  | 1%   | 12,3  | 30,2  |
|       |       |      | 28,9% | 71,1% |

Georgia is one of the countries that has achieved successful development in recent years with prudent economy management. Between 2011 and 2021, the growth averaged 4 percent annually, and the country's poverty level measured by the upper-middle income line took its place in the international arena. The international position of the country can be clearly seen by paying attention to the volume of the gross domestic product between 2018 and 2021. Table 4.10 below provides various statistical data between 2021 and 2018. In these statistics, the GDP of the country increased by 34% from 44.6 million GEL to 60 million GEL. The increase in other indicators related to GDP in the mentioned statistical table over the years is an indicator of the rise of the country's income, although the country's economy has suffered from problems such as pandemics in certain years (WBG, 2023).

**Table 4.10 Gross Domestic Product of Georgia**

|                                          | 2018     | 2019     | 2020     | 2021     |
|------------------------------------------|----------|----------|----------|----------|
| GDP at current prices, billion GEL       | 44.6     | 49.3     | 49.3     | 60.0     |
| GDP at constant 2015 prices, billion GEL | 38.4     | 40.3     | 37.6     | 41.5     |
| GDP per capita (at current prices), GEL  | 11 968.0 | 13 239.4 | 13 234.1 | 16 179.5 |

|                                         |         |         |         |         |
|-----------------------------------------|---------|---------|---------|---------|
| GDP per capita (at current prices), USD | 4 722.0 | 4 696.2 | 4 255.7 | 5 023.2 |
| GDP at current prices, billion USD      | 17      | 17      | 15      | 18      |

Based on the statistics of 2020, we can note that Georgia has the 119th economic stage in the world according to the GDP statistics and has the 60th most complex economy. While this country ranks 124th according to the export indicator, it is 106th in the import indicator. Looking at the list of the country's most exported products, it is seen that these are copper ore, cars, ferroalloys (an alloy of iron with one or more other metals used in the manufacture of steel), wine, gold and the total value of these products is more than 1.8 billion. Most of the products exported are to countries such as China, Russia, Azerbaijan, Bulgaria and Turkey, and the value of the products exported to these countries is more than 1.7 billion (The Observatory of Economic Complexity [OEC], 2020).

In 2023, these indicators have increased somewhat. According to the latest statistical data, the values of exported products and the distribution of companies by three categories are shown in table 4.11 below. In the mentioned table, exports of more than 1 million dollars were realized in January and February. Large business organizations had the greatest impact on the formation of this amount, while small business objects had the least impact (NSOG, 2023d).

**Table 4.11 Exports of Georgia by Size Classes of Traders (Thsd. USD)**

| <b>2023</b>   | <b>January and February</b> | <b>January</b> | <b>February</b> | <b>Growth between two months</b> |
|---------------|-----------------------------|----------------|-----------------|----------------------------------|
| Total Imports | 914.829,1                   | 458.975,3      | 455.853,9       | -0.6%                            |
| Large         | 369.550,8                   | 204.791,4      | 164.759,4       | -19.5%                           |
| Medium        | 256.552,2                   | 118.815,0      | 137.737,2       | 15.9%                            |
| Small         | 134.912,7                   | 66.885,1       | 68.027,6        | 1.7%                             |
| Unknown       | 153.813,5                   | 68.483,7       | 85.329,7        | 24.6%                            |

In 2020, the most imported goods of the state of Georgia are cars, refined oil, oil and gas, packaged medicines and copper ore. The value of the mentioned imported

products exceeds 2.1 billion dollars. Turkey, Russia, China, the United States and Azerbaijan maintain their leadership among importing countries. The value of products imported from these countries is more than 4.5 billion dollars (OEC, 2020).

According to the latest statistics, table 4.12 shows the values of imported products and the distribution of companies by three categories. In the mentioned table, imports of about 2 million dollars were realized in January and February. Large business organizations had the greatest impact on the formation of this quantity, while the least impact was made by business objects of unknown category (NSOG, 2023e).

**Table 4.12 Imports of Georgia by Size Classes of Traders (Thsd. USD)**

| <b>2023</b>   | <b>January and February</b> | <b>January</b> | <b>February</b> | <b>Growth between two months</b> |
|---------------|-----------------------------|----------------|-----------------|----------------------------------|
| Total Imports | 1.983.392,3                 | 1.019.684,2    | 963.708,0       | -5.4%                            |
| Large         | 894.006,1                   | 461.871,5      | 432.134,6       | -5.4%                            |
| Medium        | 482.516,8                   | 256.769,8      | 225.747,0       | -12%                             |
| Small         | 456.844,1                   | 232.220,7      | 224.623,4       | -3.2%                            |
| Unknown       | 150.025,3                   | 68.822,2       | 81.203,1        | 17.9%                            |

Some scholars have analyzed the current situation of employment and unemployment in Georgia. Based on the analysis, the negative effects of the problems in this country on the economy were revealed. So, in order to reduce this effect, urgent measures to control unemployment were determined according to the latest situation regarding the coronavirus epidemic. Nevertheless, as a result of the critical situation of the pandemic in the country, unemployment in Georgia was noted as one of the most important and difficult to solve problems (NSOG, 2023f).

Paying attention to the employment level of Georgia (Table 4.13), it is possible to get an opinion about this country with many things. In the table below, we can get

acquainted with the statistical information about the employment, unemployment and labor force of the country for the four years after 2019. Thus, the highest unemployment rate in the country for four years was recorded in 2021, and the highest employment rate was recorded in 2019, before the pandemic (NSOG, 2023f).

**Table 4.13 Statistics on Employment, Unemployment and Labor Force of Georgia**

| Thousand persons | 2019   | 2020   | Increase between 2019 and 2020 (In percent) | 2021   | 2022   | Increase between 2021 and 2022 (In percent) |
|------------------|--------|--------|---------------------------------------------|--------|--------|---------------------------------------------|
| Labour force     | 1572.8 | 1523.7 | -2                                          | 1533.6 | 1551.6 | 0.6                                         |
| Employed         | 1295.9 | 1241.8 | -0.07                                       | 1217.4 | 1283.7 | -1.9                                        |
| Unemployed       | 276.9  | 281.9  | -10.6                                       | 316.2  | 267.9  | 12.4                                        |

Table 4.14 shows the number of unemployed people in Georgia in 2021. This table also shows the distribution of this indicator by the age range of 15-29 years. Based on this distribution, it can be noted that in 2021, 17.8 percent of men and 22.7 percent of boys were unemployed. If we compare these indicators with the indicators of youth unemployment in Azerbaijan, we can see that the number of unemployed young people in Georgia is significantly higher (NSOG, 2023f).

**Table 4.14 Distribution of The Unemployed Population Aged 15-29 by Gender and Age Groups in Georgia (2021)**

| 2021                                  | Employment and Unemployment by Age (Thousand persons) |       |       |        | Labour Force Indicators by gender |        |
|---------------------------------------|-------------------------------------------------------|-------|-------|--------|-----------------------------------|--------|
|                                       |                                                       |       |       |        | Men                               | Women  |
|                                       | 15-19                                                 | 20-24 | 25-29 | Total  |                                   |        |
| Total population over 15 years of age | 199,5                                                 | 201,7 | 227,8 | 3010,3 | 1400,9                            | 1609,3 |
| Unemployed                            | 11,2                                                  | 44,4  | 42,4  | 316,2  | 200,2                             | 116    |

|                                                    |      |       |       |        |       |       |
|----------------------------------------------------|------|-------|-------|--------|-------|-------|
| <b>Labour force</b>                                | 21,5 | 108,2 | 152,6 | 1533,6 | 881,2 | 652,4 |
| <b>Employed</b>                                    | 10,3 | 63,8  | 110,3 | 1217,4 | 681,0 | 536,4 |
| <b>Unemployment rate, percentage</b>               | 52,2 | 41,0  | 27,8  | 20,6   | 17,8  | 22,7  |
| <b>Labour force participation rate, percentage</b> | 10,8 | 53,7  | 67,0  | 50,9   | 40,5  | 62,9  |
| <b>Employment rate, percentage</b>                 | 5,2  | 31,6  | 48,4  | 40,4   | 33,3  | 48,6  |

In conclusion, this chapter has explored important general information for both countries. Apparently, the fact that both countries are located in the same geographical position, have similar socio-demographic structures, and have a number of similar characteristics such as having the largest trade turnover with the same countries, shows that the results obtained during the comparison are more accurate. These indicators allow to have information about the region where the countries are located.

In addition, it is necessary to pay attention again to some important economic similarities of these countries in the region. Thus, the fact that Russia and Turkey are the main trading countries of Azerbaijan and Georgia, and their location in the South Caucasus region, i.e., on the Silk Road, are the most important of these similarities. When comparing indicators such as unemployment, education, age composition, import-export and GDP, it can be seen that both countries are statistically closer to each other than other countries of the region or neighboring countries. These mentioned similarities have an important role in a more accurate analysis of the damage caused by the pandemic. As a result, the importance and/or effects of the pandemic measures on small business can be evaluated through comparison between these two countries.

## **5 SMES' SITUATIONS IN AZERBAIJAN AND GEORGIA DURING COVID-19 PANDEMIC**

### **5.1 RESEARCH DESIGN**

The thesis is depending on quantitative and the study used Commercial Data obtained from external data sources. This method will help us learn about the resilience and flexibility of small firms in Azerbaijan after the pandemic and answer the research questions. Below statistical comparisons between Azerbaijan and a country with similar economic and political similarities, such as Georgia, are done. These statistical comparisons help us to get exact information about small businesses in these two countries. Different commercial sources from websites were used. The main reason these databases were chosen is because there is a large amount of government and non-state research on their website.

The main databases of the research are the State Statistic Committee of the Republic of Azerbaijan and National Statistics Office of Georgia for comparison. Since these are official bodies of two countries for keeping and announcing statistics, this study uses them as the most credible and reliable sources of information. In addition, more secondary data were used from journal and company websites, annual reports from government and industry reports.

According to Panchenko and Samovilova (2020), any information collected for other purposes and then re-analyzed can be considered secondary information. They also note that the analysis of secondary data is one of the main additions to traditional teaching methods for the re-analysis of machine-readable data, as well as research methodology and statistical research. Commercial sources data analysis is considered to be a research methodology that has the potential to have a major impact on educational research. Primary data sources including interviews, surveys and questionnaires were not used in this research. Secondary data sources were collected from internet usage and available literature.

During the commercial sources data, the quality of the existing dataset and whether the secondary dataset has the potential to answer secondary research questions should be evaluated first. The evaluation process should develop the potential for data collection to

provide appropriate depth and detail. Secondary information is very important information collected by individuals or organizations for purposes other than the purposes of our specific research. For example, if a government agency is conducting research on a family's food expenditures over some time, the food producer can use this information to assess the overall potential market for their organization's new product. Similarly, agricultural product statistics prepared by a ministry can be useful for many individuals and organizations, including those who market agricultural products (Kalu, Unachukwu and Ibiam, 2019).

Commercial data sources are effective tool for data analysis when it is difficult to gather information about a complex sample, especially when it comes to sensitive issues, small populations, and rare events. In this study, research questions are specifically developed to explore the research problem in detail. Therefore, the inductive approach was used in the dissertation, and this approach is more suitable for research.

## **5.2 ETHICAL CONSIDERATIONS**

When conducting research, it is important for researchers to know the ethical rules and consider them in their work. According to university regulations, the first principle of respect for property rights is followed and academic plagiarism is out of the question. In this study, a secondary research method is chosen instead of the primary data collection method, and appropriate statistical sources are used for this in accordance with ethical rules. Therefore, there are no participants in this study and most of the data used is collected from open official sources.

## **5.3 TIME HORIZONS**

Researchers can use longitudinal and cross-sectional time horizon models to conduct research. The main feature of longitudinal studies is that they are carried out over a long period of time. In contrast, cross-sectional studies differ from longitudinal studies in that they are conducted over a shorter period of time. This thesis depends on official statistics before, during and after pandemic conditions. Thus, it depends on time-series data and annual changes are computed to see the temporal trends.

## **5.4 DATA ANALYSIS**

The following tables are divided according to whether the companies are micro, small or medium enterprises, and these tables contain statistical information about amount of micro, small and medium enterprises operating in regions of Azerbaijan in 2019 and 2020. At the same time, the percentage indicators of micro, small and medium businesses are shown in the table below. These business entities are defined in accordance with the micro, small and medium criteria approved by the decision of the Cabinet of Ministers of the Republic of Azerbaijan No. 556 dated December 21, 2018. Entrepreneurs with an average number of employees up to 10 people and an annual income of up to 200,000 manats are micro-entrepreneurs. Entrepreneurs with an average number of employees between 11 and 50 people and an annual income ranging from 200 thousand to 3 million manats are small entrepreneurs. Entrepreneurs with an average number of employees from 51 to 250 people, and an annual income from 3 million to 30 million manats are known as medium entrepreneurs (SSCRA, 2022c).

In some graphs used in the data collection phase, the official exchange rate of Azerbaijan (manat) was used. On 14 May 2023, 1 US dollar is equal to 1.70 Azerbaijani manat (Central Bank of the Republic of Azerbaijan [CBRA], 2023).

## **5.5 IMPACT OF THE COVID-19 PANDEMIC ON SMALL BUSINESS ENTERPRISES OF AZERBAIJAN**

In the graphs below, the main reason for mentioning micro and medium-sized enterprises in addition to the small business entities covered by our research is to get a richer picture of the small business entity. Table 5.1 show the total number of business facilities in Azerbaijan in 2019 and 2020 and their distribution by region. Although the number of small business entities decreased from 5956 in 2019 to 5,943 in 2020. This 0.5% percent decrease is not very big for the economy of Azerbaijan, but it shows the negative impact of the pandemic.

As seen below, after the pandemic period, the number of business areas increased by about 16.6 percent from 271,304 in 2019 to 316,370 in 2020. The main reason for this increase is connected to the growth in the micro business sector. As it can be seen from here, the global problem mostly affected small and medium enterprises. In my opinion, this growth in micro-business in Azerbaijan is due to the fact that the main expenses in those businesses are not so high, that is, the economy has little influence on the expenses in this area.

The fact that Baku is the capital city and the concentration of industry here is reflected in statistical figures. In 2019, the number of small businesses in this city is 3.1% of the total business groups in the city. This indicator decreased to 2.7% per year. The reason for this is the increase in the number of small business objects.

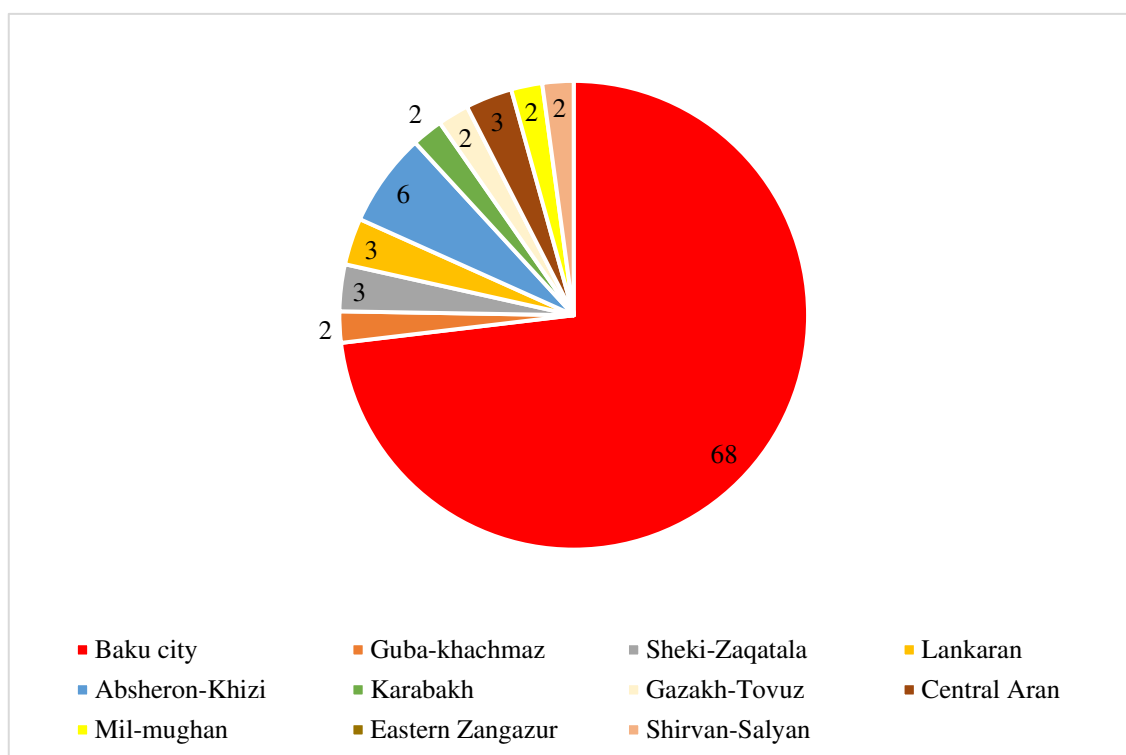
**Table 5.1 Distribution of Micro, Small and Medium Business Entities by Economic and Administrative Regions in 2019 and 2020**

| Economic and administrative regions | 2019     |        |       |        | 2020     |        |       |        |
|-------------------------------------|----------|--------|-------|--------|----------|--------|-------|--------|
|                                     | of which |        |       |        | of which |        |       |        |
|                                     | Total    | Micro  | Small | Medium | Total    | Micro  | Small | Medium |
| Total by country                    | 271304   | 262622 | 5956  | 2726   | 316370   | 307717 | 5943  | 2710   |
|                                     | 100%     | 96.7%  | 2.30% | 1%     | 100%     | 97.20% | 1.80% | 0.80%  |
| Baku city-total                     | 129989   | 124317 | 4026  | 1646   | 150560,0 | 144730 | 4130  | 1700   |
|                                     | 100%     | 95,6%  | 3,1%  | 1,3%   | 100%     | 96,1%  | 2,7%  | 1,1%   |
| Absheron-Khizi                      | 22786    | 22236  | 365   | 185    | 28521,0  | 27944  | 394   | 183    |
|                                     | 100%     | 97,6%  | 1,6%  | 0,8%   | 100%     | 98,0%  | 1,4%  | 0,6%   |
| Ganja-Dashkesen                     | 12637    | 12394  | 157   | 86     | 15044    | 14822  | 130   | 92     |
|                                     | 100%     | 98,1%  | 1,2%  | 0,7%   | 100%     | 98,5%  | 0,9%  | 0,6%   |
| Sheki-Zaqatala                      | 13327    | 13055  | 164   | 108    | 15783    | 15541  | 147   | 95     |
|                                     | 100%     | 98,0%  | 1,2%  | 0,8%   | 100%     | 98,5%  | 0,9%  | 0,6%   |
| Lankaran                            | 13653    | 13421  | 151   | 81     | 17074    | 16861  | 141   | 72     |
|                                     | 100%     | 98,3%  | 1,1%  | 0,6%   | 100%     | 98,8%  | 0,8%  | 0,4%   |
| Guba-Khachmaz                       | 11270    | 11047  | 140   | 83     | 11615    | 11418  | 124   | 73     |
|                                     | 100%     | 98,0%  | 1,2%  | 0,7%   | 100%     | 98,3%  | 1,1%  | 0,6%   |
| Karabakh                            | 10328    | 10139  | 133   | 56     | 12857    | 12692  | 114   | 51     |
|                                     | 100%     | 98,2%  | 1,3%  | 0,5%   | 100%     | 98,7%  | 0,9%  | 0,4%   |
| Gazakh-Tovuz                        | 12188    | 11980  | 133   | 75     | 13372    | 13175  | 133   | 64     |
|                                     | 100%     | 98,3%  | 1,1%  | 0,6%   | 100%     | 98,5%  | 1,0%  | 0,5%   |

|                                |       |       |      |      |        |       |      |      |
|--------------------------------|-------|-------|------|------|--------|-------|------|------|
| Central Aran                   | 12710 | 12443 | 174  | 93   | 15139  | 14902 | 158  | 79   |
|                                | 100%  | 97,9% | 1,4% | 0,7% | 100%   | 98,4% | 1,0% | 0,5% |
| Mil-Mughan                     | 8725  | 8543  | 115  | 67   | 9737   | 9573  | 101  | 63   |
|                                | 100%  | 97,9% | 1,3% | 0,8% | 100%   | 98,3% | 1,0% | 0,6% |
| Eastern Zangazur               | 537   | 496   | 31   | 10   | 1156   | 1113  | 28   | 15   |
|                                | 100%  | 92,4% | 5,8% | 1,9% | 100%   | 96,3% | 2,4% | 1,3% |
| Shirvan-Salyan                 | 9771  | 9571  | 124  | 76   | 9941   | 9761  | 111  | 69   |
|                                | 100%  | 98,0% | 1,3% | 0,8% | 100%   | 98,2% | 1,1% | 0,7% |
| Daghlig-Shirvan                | 5937  | 5822  | 75   | 40   | 6956,0 | 6855  | 65   | 36   |
|                                | 100%  | 98,1% | 1,3% | 0,7% | 100%   | 98,5% | 0,9% | 0,5% |
| Nakhchivan Autonomous Republic | 7446  | 7158  | 168  | 120  | 8615,0 | 8330  | 167  | 118  |
|                                | 100%  | 96,1% | 2,3% | 1,6% | 100%   | 96,7% | 1,9% | 1,4% |

Chart 1 and Chart 2 shows the distribution of percentages of small firms by region during the year. In 2019, the percentage of this distribution in Baku was 68 percent, while in 2020, this indicator reached 70 percent. In my opinion, during this division, the significant reduction of entrepreneurial objects in the regions and the high number of small business enterprises in large cities are due to the serious negative impact of a dangerous pandemic like Covid-19 on the regions. The source of this negative effect is the location of small business facilities in Baku and Absheron-Khizida region, where the total population is more than 3 million (DSQIDK, 2022a). The high number of the population leads to an increase in the level of profitability, these enterprises are more stable in the mentioned regions, and their numbers remain stable and even increase during problems such as a pandemic. In other regions of Azerbaijan, the small population leads to low total income and thus to negative effects in global crises such as Covid-19.

**Chart 5.1 Distribution of Micro, Small and Medium Business Entities by Economic and Administrative Regions in 2019 (Percentage)**



Additionally, Absheron-Khizi is the region with the highest number of small business facilities in both charts. In 2020, the SME in this region was 7%, while in 2019 it was 6%. The main reason for Absheron-Khizi's second place in the distribution is its proximity to the capital, Baku.

**Chart 5.2 Distribution of Micro, Small and Medium Business Entities by Economic and Administrative Regions in 2020 (Percentage)**

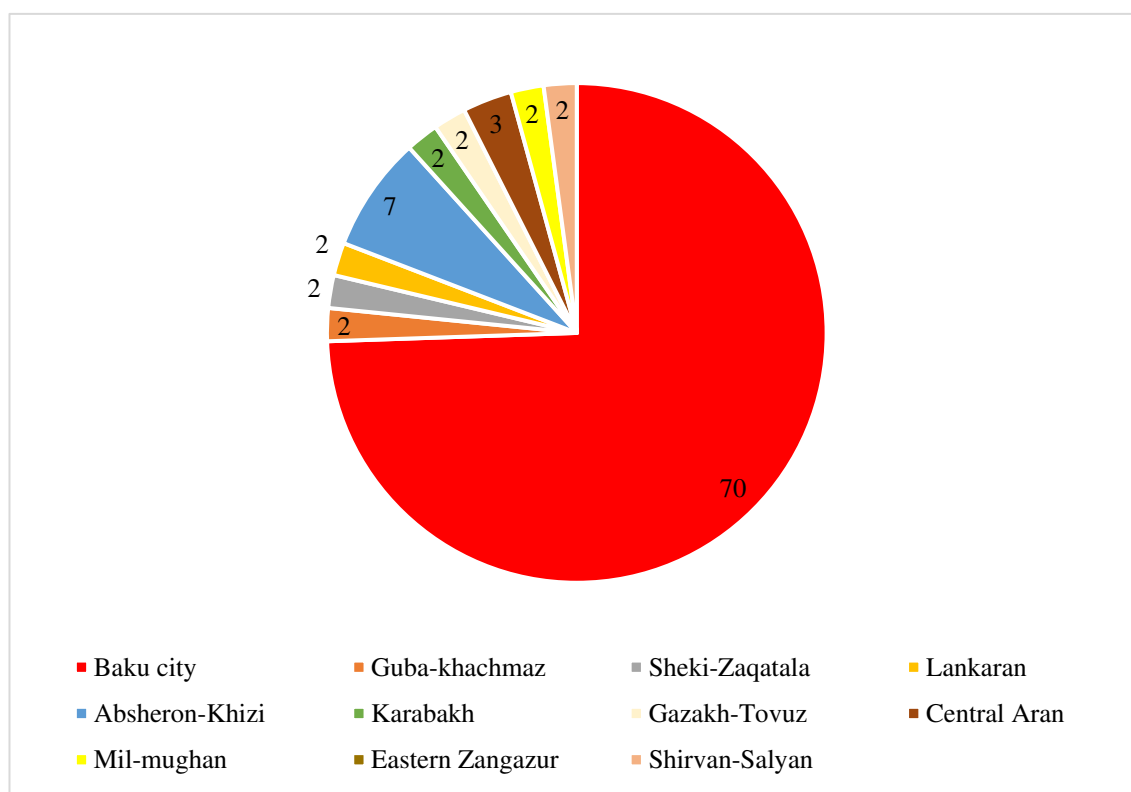


Table 5.3 and Table 5.4 show the value of the loaded by micro, small and medium business entities, the value of the works performed and the services provided by economic activity and types of ownership. The value added of goods is defined as the amount actually paid or payable for the product, cost of goods as the total amount paid by your business as an expense directly related to the sale of products and product releases as the total production volume. With the aggregate values of these criteria and the share of small business sectors in 2019 and 2020, we can think on resilience of small business organizations.

According to the following statistics, in 2019, the value of economic activity was only 19,579,413.6 thousand manats, while in 2020, this figure increased by 0.7% to 19,725,676.1 thousand manats. In addition, in 2019, the indicator of small business enterprises increased from 2,553,783.6 thousand manats to 2,918,187.0 thousand manats the following year. As an example, attention can be paid to the information published by the State Statistics Committee. According to the information published by this organization, the consumer price indicator for July 2019 increased by 0.9% compared to

the indicator one month ago and by 6 percent compared to July 2020. Since the increase in consumer prices directly affects the price of the services offered, it is the main reason for the increases mentioned in tables 4 and 5 above (SSC, 2021).

**Table 5.3 Cost of Loaded Goods, Works Executed, Services Rendered by Micro, Small and Medium Enterprises by Economic Activity and Ownership Types, Thsd. Manats (2019)**

| Economic activity and ownership types       | Total         | 2019         |              |              |
|---------------------------------------------|---------------|--------------|--------------|--------------|
|                                             |               | Micro        | Small        | Medium       |
| Total for types of economic activity        | 19.579.413,60 | 7.716.503,40 | 2.553.783,60 | 9.309.126,60 |
|                                             | 100%          | 39,5%        | 13%          | 47,5%        |
| Agriculture, forestry and fishing           | 577.611,60    | 89.155,00    | 126.174,70   | 362.281,90   |
|                                             | 100%          | 15,4%        | 21,8%        | 62,7%        |
| Industry total                              | 3.843.953,40  | 312.149,00   | 480.062,90   | 3.051.741,50 |
|                                             | 100%          | 8,1%         | 12,5%        | 79,4%        |
| Mining industry                             | 382.308,90    | 15.627,10    | 48.569,80    | 318.112,00   |
|                                             | 100%          | 4,1%         | 12,7%        | 83,2%        |
| Manufacturing industry                      | 2.510.900,40  | 278.731,00   | 371.346,80   | 1.860.822,60 |
|                                             | 100%          | 11,1%        | 14,8%        | 74,1%        |
| Electricity, gas and steam production       | 699.910,80    | 10.748,20    | 34.220,20    | 654.942,40   |
|                                             | 100%          | 1,5%         | 4,9%         | 93,6%        |
| Water supply, waste processing and disposal | 250.833,30    | 7.042,70     | 25.926,10    | 217.864,50   |
|                                             | 100%          | 2,8%         | 10,3%        | 86,9%        |
| Construction                                | 3.011.759,20  | 497.529,60   | 477.862,70   | 2.036.366,90 |
|                                             | 100%          | 16,5%        | 15,9%        | 67,6%        |
| Trade; repair of transport means            | 4.092.029,30  | 3.006.024,50 | 279.500,00   | 806.504,80   |
|                                             | 100%          | 73,5%        | 6,8%         | 19,7%        |
| Transportation and storage                  | 1.544.817,90  | 734.739,10   | 148.881,30   | 661.197,50   |
|                                             | 100%          | 47,6%        | 9,6%         | 42,8%        |
| Accommodation and food service activities   | 1.511.231,00  | 1.219.726,70 | 74.947,60    | 216.556,70   |
|                                             | 100%          | 80,7%        | 5,0%         | 14,3%        |
| Information and communication               | 818.063,50    | 228.641,50   | 131.961,70   | 457.460,30   |
|                                             | 100%          | 27,9%        | 16,1%        | 55,9%        |
| Real estate activities                      | 410.989,90    | 52.304,80    | 98.403,70    | 260.281,40   |

|                              |              |            |            |              |
|------------------------------|--------------|------------|------------|--------------|
|                              | 100%         | 12,7%      | 23,9%      | 63,3%        |
| Education                    | 733.751,80   | 636.550,90 | 20.812,50  | 76.388,40    |
|                              | 100%         | 86,8%      | 2,8%       | 10,4%        |
| Human health and social work | 588.615,70   | 394.543,90 | 36.234,20  | 157.837,60   |
|                              | 100%         | 67,0%      | 6,2%       | 26,8%        |
| Other branches               | 2.446.590,30 | 545.138,40 | 678.942,30 | 1.222.509,60 |
|                              | 100%         | 22,3%      | 27,8%      | 50,0%        |

**Table 5.4 Cost of Loaded Goods, Performed Works, Services Rendered by Micro, Small and Medium Enterprises by Economic Activity and Ownership Types, Thsd. Manats (2022)**

| Economic activity and ownership types       | Total         | 2020         |              |              |                                           |
|---------------------------------------------|---------------|--------------|--------------|--------------|-------------------------------------------|
|                                             |               | Micro        | Small        | Medium       | Differences compared to 2019 (in percent) |
| Total for types of economic activity        | 19.725.676,10 | 7.216.169,00 | 2.918.187,00 | 9.591.320,10 | 0,7                                       |
|                                             | 100%          | 36,6%        | 14,8%        | 48,6%        |                                           |
| Agriculture, forestry and fishing           | 749.753,60    | 163.371,40   | 179.786,00   | 406.596,20   | 23,0                                      |
|                                             | 100%          | 21,8%        | 24,0%        | 54,2%        |                                           |
| Industry total                              | 4.007.466,00  | 442.540,90   | 501.980,00   | 3.062.945,10 | 4,1                                       |
|                                             | 100%          | 11,0%        | 12,5%        | 76,4%        |                                           |
| Mining industry                             | 437.343,20    | 28.242,90    | 68.992,50    | 340.107,80   | 12,6                                      |
|                                             | 100%          | 6,5%         | 15,8%        | 77,8%        |                                           |
| Manufacturing industry                      | 2.334.092,90  | 391.664,00   | 371.204,40   | 1.571.224,50 | 7,0                                       |
|                                             | 100%          | 16,8%        | 15,9%        | 67,3%        |                                           |
| Electricity, gas and steam production       | 966.396,80    | 13.815,90    | 32.450,90    | 920.130,00   | 27,6                                      |
|                                             | 100%          | 1,4%         | 3,4%         | 95,2%        |                                           |
| Water supply, waste processing and disposal | 269.633,10    | 8.818,10     | 29.332,20    | 231.482,80   | 7,0                                       |
|                                             | 100%          | 3,3%         | 10,9%        | 85,9%        |                                           |
| Construction                                | 3.664.131,80  | 639.758,10   | 621.715,40   | 2.402.658,30 | 17,8                                      |
|                                             | 100%          | 17,5%        | 17,0%        | 65,6%        |                                           |
| Trade; repair of transport means            | 4.993.035,50  | 3.572.206,10 | 454.694,20   | 966.135,20   | 18,0                                      |
|                                             | 100%          | 71,5%        | 9,1%         | 19,3%        |                                           |

|                                           |              |            |            |            |      |
|-------------------------------------------|--------------|------------|------------|------------|------|
| Transportation and storage                | 1.200.977,70 | 473.359,30 | 165.736,00 | 561.882,40 | 22,3 |
|                                           | 100%         | 39,4%      | 13,8%      | 46,8%      |      |
| Accommodation and food service activities | 652.592,00   | 472.255,50 | 44.944,70  | 135.391,80 | 56,8 |
|                                           | 100%         | 72,4%      | 6,9%       | 20,7%      |      |
| Information and communication             | 705.285,10   | 106.366,70 | 165.593,20 | 433.325,20 | 13,8 |
|                                           | 100%         | 15,1%      | 23,5%      | 61,4%      |      |
| Real estate activities                    | 367.381,70   | 45.923,50  | 81.231,60  | 240.226,60 | 10,6 |
|                                           | 100%         | 12,5%      | 22,1%      | 65,4%      |      |
| Human health and social work              | 358.849,40   | 186.011,60 | 46.134,20  | 126.703,60 | 18,1 |
|                                           | 100%         | 51,8%      | 12,9%      | 35,3%      |      |
| Education                                 | 600.761,80   | 488.914,90 | 26.609,60  | 85.237,30  | 39,0 |
|                                           | 100%         | 81,4%      | 4,4%       | 14,2%      |      |

In 2019 and 2020, the value of output of economic regions, administrative territorial units and cost of product release, especially small business objects, showed an increase. So, in 2019, the value of the output of small business objects, which was 1.901.295,2 thousand manats, increased to 2,918,187 manats in 2020 (table 5.5 and table 5.6).

It seems that the worldwide spread of this pandemic has caused a global problem. The main example of this can be seen in the following tables in the increase in the cost of production as a result of the increase in the price of the main raw material of the product. The decrease of small business areas in Baku from 15 percent to 14.8 percent in 2019, and the increase of small business areas less affected by the pandemic is the effect of the pandemic (Gasimova, 2022).

**Table 5.5 Product Release of Micro, Small and Medium Enterprises by Economic Regions, Administrative Territorial Units and Economic Activity, Thsd. Manats**

| <b>Total by country (2019)</b> | <b>Total</b>  | <b>Micro</b> | <b>Small</b> | <b>Medium</b> |
|--------------------------------|---------------|--------------|--------------|---------------|
| Baku city-total                | 12.658.134,80 | 4.358.078,90 | 1.901.295,20 | 6.398.760,70  |
|                                | 100%          | 34,4%        | 15,0%        | 50,6%         |

|                                      |              |            |            |            |
|--------------------------------------|--------------|------------|------------|------------|
| Nakhchivan Autonomous Republic-total | 1.002.613,20 | 754.452,90 | 46.070,70  | 202.089,60 |
|                                      | 100%         | 75,2%      | 4,6%       | 20,2%      |
| Absheron-Khizi                       | 1.152.236,50 | 347.964,40 | 149.914,70 | 654.357,40 |
|                                      | 100%         | 30,2%      | 13,0%      | 56,8%      |
| Daghligh-Shirvan                     | 229.878,00   | 129.964,90 | 29.743,10  | 70.170,00  |
|                                      | 100%         | 56,5%      | 12,9%      | 30,5%      |
| Ganja-Dashkesen                      | 545.732,60   | 332.831,10 | 44.940,40  | 167.961,10 |
|                                      | 100%         | 61,0%      | 8,2%       | 30,8%      |
| Gazakh-Tovuz                         | 523.295,00   | 223.864,80 | 39.702,50  | 259.727,70 |
|                                      | 100%         | 42,8%      | 7,6%       | 49,6%      |
| Guba-Khachmaz                        | 512.512,70   | 200.852,90 | 48.835,00  | 262.824,80 |
|                                      | 100%         | 39,2%      | 9,5%       | 51,3%      |
| Lankaran-Astara                      | 446.399,30   | 273.775,70 | 26.586,30  | 146.037,30 |
|                                      | 100%         | 61,3%      | 6,0%       | 32,7%      |
| Central Aran                         | 600.706,40   | 290.330,80 | 65.410,60  | 244.965,00 |
|                                      | 100%         | 48,3%      | 10,9%      | 40,8%      |
| Mil-Mughan                           | 406.562,00   | 192.817,50 | 31.371,90  | 182.372,60 |
|                                      | 100%         | 47,4%      | 7,7%       | 44,9%      |
| Sheki-Zaqatala                       | 591.496,40   | 219.719,00 | 58.975,50  | 312.801,90 |
|                                      | 100%         | 37,1%      | 10,0%      | 52,9%      |
| Eastern Zangazur                     | 46.181,20    | 2.037,00   | 12.703,60  | 31.440,60  |
|                                      | 100%         | 4,4%       | 27,5%      | 68,1%      |
| Shirvan-Salyan                       | 444.836,70   | 190.853,60 | 55.594,70  | 198.388,40 |
|                                      | 100%         | 42,9%      | 12,5%      | 44,6%      |
| Provision of services in other areas | 3.344,10     | 1.900,20   | 1.443,90   | -          |
|                                      | 100%         | 56,8%      | 43,2%      | -          |

Table 5.7 and Table 5.8 show the added value created by the following three types of entrepreneurship by types of economic activity. It can be clearly seen from these graphs that in 2019 the total indicator dropped from 11,071.7 million manats to 10,941.2 million manats in 2020. The first reason for this is that the stagnation recorded in the world economy during the Global Quarantine is also observed in the country. Based on official statistics by sector, these downward trends were observed throughout the country, both in the oil sector and non-oil sectors. According to the official information of the Accounting Chamber of Azerbaijan (2022), in January-June 2020, 33803.9 mln. added value of AZN was produced, which is 2.7% less in real terms compared to the corresponding period of last year.

**Table 5.6 Product Release of Micro, Small and Medium Enterprises by Economic Regions,  
Administrative Territorial Units and Economic Activity, Thsd. Manats**

| <b>Total by<br/>country (2020)</b>         | <b>Total</b>  | <b>Micro</b> | <b>Small</b> | <b>Medium</b> | <b>Differences<br/>compared to<br/>2019 (in<br/>percent)</b> |
|--------------------------------------------|---------------|--------------|--------------|---------------|--------------------------------------------------------------|
| Baku city-total                            | 19.725.676,10 | 7.216.169,00 | 2.918.187,00 | 9.591.320,10  | 35,83                                                        |
|                                            | 100%          | 36,60%       | 14,80%       | 48,60%        |                                                              |
| Nakhchivan<br>Autonomous<br>Republic-total | 12.616.310,70 | 3.761.194,10 | 2.230.811,20 | 6.624.305,40  | 92,05                                                        |
|                                            | 100%          | 29,80%       | 17,70%       | 52,50%        |                                                              |
| Absheron-<br>Khizi                         | 1.004.734,90  | 767.513,70   | 49.845,40    | 187.375,80    | 12,80                                                        |
|                                            | 100%          | 76,40%       | 5,00%        | 18,60%        |                                                              |
| Daghlig-<br>Shirvan                        | 1.323.620,60  | 436.679,70   | 150.337,70   | 736.603,20    | 82,63                                                        |
|                                            | 100%          | 33,00%       | 11,40%       | 55,70%        |                                                              |
| Ganja-<br>Dashkesen                        | 234.914,90    | 117.991,00   | 27.044,50    | 89.879,40     | 56,95                                                        |
|                                            | 100%          | 50,20%       | 11,50%       | 38,30%        |                                                              |
| Gazakh-Tovuz                               | 597.226,40    | 299.526,10   | 49.612,70    | 248.087,60    | 12,38                                                        |
|                                            | 100%          | 50,20%       | 8,30%        | 41,50%        |                                                              |
| Guba-<br>Khachmaz                          | 489.702,30    | 214.171,00   | 55.128,40    | 220.402,90    | 4,45                                                         |
|                                            | 100%          | 43,70%       | 11,30%       | 45,00%        |                                                              |
| Lankaran-<br>Astara                        | 536.249,00    | 229.805,60   | 40.289,30    | 266.154,10    | 16,76                                                        |
|                                            | 100%          | 42,90%       | 7,50%        | 49,60%        |                                                              |
| Central Aran                               | 491.472,20    | 262.177,20   | 41.935,60    | 187.359,40    | 18,18                                                        |
|                                            | 100%          | 53,30%       | 8,50%        | 38,10%        |                                                              |
| Mil-Mughan                                 | 557.465,20    | 301.532,90   | 61.035,10    | 194.897,20    | 27,07                                                        |
|                                            | 100%          | 54,10%       | 10,90%       | 35,00%        |                                                              |
| Sheki-Zaqatala                             | 453.683,70    | 217.670,90   | 43.953,20    | 192.059,60    | 23,30                                                        |
|                                            | 100%          | 48,00%       | 9,70%        | 42,30%        |                                                              |
| Eastern<br>Zangazur                        | 541.832,50    | 210.880,70   | 58.475,80    | 272.476,00    | 91,48                                                        |
|                                            | 100%          | 38,90%       | 10,80%       | 50,30%        |                                                              |
| Shirvan-Salyan                             | 54.865,20     | 19.442,30    | 14.314,90    | 21.108,00     | 87,67                                                        |
|                                            | 100%          | 35,40%       | 26,10%       | 38,50%        |                                                              |
| Provision of<br>services in<br>other areas | 458.500,50    | 196.442,30   | 47.503,40    | 214.554,80    | 99,27                                                        |
|                                            | 100%          | 42,80%       | 10,40%       | 46,80%        |                                                              |

Looking at the small business sector in these tables, the situation seems to be different. So, if in 2019, the added value was 1423.2 million manats, a year later this

indicator increased to 1617.9 million manats. In my opinion, although there is a decrease in the number of small business areas (table 5.7 and table 5.8), the main reason for the raise in added value in small business is the high product prices (selling prices) in the country (SSCRA, 2022c).

**Table 5.7 Added Value Created by Micro, Small and Medium Enterprises According to The Types of Economic Activity, Mln. Manats (2019)**

| <b>2019</b>                                  |              |              |              |               |
|----------------------------------------------|--------------|--------------|--------------|---------------|
| <b>Economic activity and ownership types</b> | <b>Total</b> | <b>Micro</b> | <b>Small</b> | <b>Medium</b> |
| The sum of types of economic activity        | 11.071,70    | 4.900,80     | 1.423,20     | 4.747,70      |
|                                              | 100%         | 44,3%        | 12,9%        | 42,9%         |
| Agriculture, fishing and forestry            | 313,6        | 48,4         | 68,5         | 196,7         |
|                                              | 100%         | 15,4%        | 21,8%        | 62,7%         |
| Industry                                     | 1.359,60     | 109,4        | 169,2        | 1.081,00      |
|                                              | 100%         | 8,0%         | 12,4%        | 79,5%         |
| Construction                                 | 1.352,30     | 223,4        | 214,6        | 914,3         |
|                                              | 100%         | 16,5%        | 15,9%        | 67,6%         |
| Trade                                        | 2.643,50     | 1.941,90     | 180,6        | 521           |
|                                              | 100%         | 73,5%        | 6,8%         | 19,7%         |
| Transportation and storage                   | 1.004,20     | 477,6        | 96,8         | 429,8         |
|                                              | 100%         | 47,6%        | 9,6%         | 42,8%         |
| Food service activities and accommodation    | 979,3        | 790,4        | 48,6         | 140,3         |
|                                              | 100%         | 80,7%        | 5,0%         | 14,3%         |
| Information and communication                | 542          | 151,4        | 87,4         | 303,2         |
|                                              | 100%         | 27,9%        | 16,1%        | 55,9%         |
| Real estate activities                       | 323,4        | 41,2         | 77,4         | 204,8         |
|                                              | 100%         | 12,7%        | 23,9%        | 63,3%         |
| Education                                    | 580,4        | 503,5        | 16,5         | 60,4          |
|                                              | 100%         | 86,8%        | 2,8%         | 10,4%         |
| Human health and social action               | 389,7        | 261,2        | 24           | 104,5         |
|                                              | 100%         | 67,0%        | 6,2%         | 26,8%         |
| Services provided in other areas             | 1.583,70     | 352,4        | 439,6        | 791,7         |
|                                              | 100%         | 22,3%        | 27,8%        | 50,0%         |

**Table 5.8 Added Value Created by Micro, Small and Medium Enterprises According to The Types of Economic Activity, Mln. Manats (2020)**

| <b>2020</b>                                  |              |              |              |               |                                                  |
|----------------------------------------------|--------------|--------------|--------------|---------------|--------------------------------------------------|
| <b>Economic activity and ownership types</b> | <b>Total</b> | <b>Micro</b> | <b>Small</b> | <b>Medium</b> | <b>Differences compared to 2019 (in percent)</b> |
| The sum of types of economic activity        | 10.941,20    | 4.455,20     | 1.617,90     | 4.868,10      | 1,2                                              |
|                                              | 100%         | 40,7%        | 14,8%        | 44,5%         |                                                  |
| Agriculture, fishing and forestry            | 406,3        | 88,5         | 97,4         | 220,4         | 22,8                                             |
|                                              | 100%         | 21,8%        | 24,0%        | 54,2%         |                                                  |
| Industry                                     | 1.481,90     | 149,5        | 187,5        | 1.144,90      | 8,3                                              |
|                                              | 100%         | 10,1%        | 12,7%        | 77,3%         |                                                  |
| Construction                                 | 1.590,30     | 277,7        | 269,8        | 1.042,80      | 15,0                                             |
|                                              | 100%         | 17,5%        | 17,0%        | 65,6%         |                                                  |
| Trade                                        | 3.220,60     | 2.304,10     | 293,3        | 623,2         | 17,9                                             |
|                                              | 100%         | 71,5%        | 9,1%         | 19,4%         |                                                  |
| Transportation and storage                   | 772,3        | 304,4        | 106,6        | 361,3         | 23,1                                             |
|                                              | 100%         | 39,4%        | 13,8%        | 46,8%         |                                                  |
| Food service activities and accommodation    | 424,2        | 307          | 29,2         | 88            | 56,7                                             |
|                                              | 100%         | 72,4%        | 6,9%         | 20,7%         |                                                  |
| Information and communication                | 466,9        | 70,4         | 109,6        | 286,9         | 13,9                                             |
|                                              | 100%         | 15,1%        | 23,5%        | 61,4%         |                                                  |
| Real estate activities                       | 288,7        | 36,1         | 63,8         | 188,8         | 10,7                                             |
|                                              | 100%         | 12,5%        | 22,1%        | 65,4%         |                                                  |
| Education                                    | 475,8        | 387,2        | 21,1         | 67,5          | 18,0                                             |
|                                              | 100%         | 81,4%        | 4,4%         | 14,2%         |                                                  |
| Human health and social action               | 10.941,20    | 4.455,20     | 1.617,90     | 4.868,10      | 96,4                                             |
|                                              | 100%         | 40,7%        | 14,8%        | 44,5%         |                                                  |
| Services provided in other areas             | 406,3        | 88,5         | 97,4         | 220,4         | 74,3                                             |
|                                              | 100%         | 21,8%        | 24,0%        | 54,2%         |                                                  |

These statistical indicators cover the changes in the fields covering the important sectors of the economy of Azerbaijan during and after the pandemic. In general, the above statistical data covered topics such as added value, product output, value of loaded goods and distribution of micro, small and medium business entities and their quantity in the country.

These data are taken from the official data of the Ministry of Statistics, the most important statistical institution of the country. Therefore, it can be noted that business facilities in Azerbaijan, especially small business facilities, have been resistant to the pandemic. There was very small decline during this period, especially when looking at the number of small business establishments. However, on the contrary, a significant increase was recorded, especially in micro-businesses. Despite everything, small businesses have managed to maintain their position during this pandemic and are expected to operate successfully in the modern era. The main reason for this reliability can be explained by several examples. These examples can be providing financial support to entrepreneurs by the state, increasing the profitability of small businesses during the pandemic, and allowing the operation of some businesses, such as restaurants and markets.

## **5.6 IMPACT OF THE COVID-19 PANDEMIC ON SMALL BUSINESS ENTERPRISES OF GEORGIA**

This part shows the extent to which small business enterprises in the state of Georgia are affected by the Covid-19 pandemic. The main purpose of this is to compare the data used in this phase with similar studies conducted above. For comparison, the main purpose of choosing Georgia, which is one of the three South Caucasus states, is to have economic similarity with Azerbaijan according to the most important economic indicators, as noted from the figure below (Asian Development Bank [ADB], 2022).

As in many countries, the Covid-19 pandemic has significantly disrupted the development trajectory in Georgia. Additionally, this pandemic has threatened both the country's economic growth and progress in reduction of poverty. Despite a good start to 2020 in this country, economic activity collapsed after March shortly after the pandemic, as outcome of government officials' containment and measures of social distance related to the pandemic. Although the impact of this collapse was widely felt in every sector, tourism, transport and construction sectors were the most affected. The above-mentioned measures of the government officials regarding the pandemic have also caused the deterioration of the country's foreign position as the resulting crisis has affected product exports, tourism and money transfers. However, this critical situation, together with the relaxation of measures during the summer period, led to a second important increase in

the situation towards the end of that year. After this increase, when considering the number of infections per million populations in Georgia, it turned out to be one of the 20 most affected countries in the world. After these increases, the authorities in the country decided to introduce a new strict quarantine regime from the end of November to the beginning of February of the next year. As a result, Georgia's economy fell into decline, and in 2020 the economy shrank by more than six percent. This contraction was supported by some economic recovery after the gradual reopening from February 2021. The significant acceleration of the vaccination process after mid-March this year was a crucial step in the country's recovery and renewed restrictions. The Georgian economy was projected to recover 4% in 2021 under the basic scenario where there would be no further significant increase in COVID-19 virus requiring new lockdowns (Baba, 2021).

The global problems occurring in the world have not left an impact on the economy of Georgia, as they have affected the economy of Azerbaijan. Based on the preliminary statistical data we see in Table 5.9, we can say that the total number of business enterprises in this country was 133,496 in 2019, while this indicator decreased by 10.3 percent to 117,550.

When we look at the distribution of small, mikro and medium business enterprises, we see that there is a decrease in two other areas besides medium business areas. As can be seen in this graph, the largest decrease in two years was 0.8 percent of small business enterprises.

**Table 5.9 Distribution of Firms in Georgia, 2020**

| <b>By firm size, annual growth rate</b> |             |             |                |
|-----------------------------------------|-------------|-------------|----------------|
| <b>Size</b>                             | <b>2019</b> | <b>2020</b> | <b>Percent</b> |
| Medium                                  | 415         | 438         | 5.5            |
| Small                                   | 1 812       | 1 797       | -0.8           |
| Mikro                                   | 131 269     | 117 550     | -10.5          |
| Total                                   | 133 496     | 119 785     | -10.3          |

Table 5.10 shows the description of small, medium and large business facilities in Georgia. In addition, the distribution of those business objects in this country according

to the income level is also shown (International Labour Organization [ILO], 2021). Georgian GEL to Azerbaijani manat in the table is as follows: 1 lari (GEL) is equal to 0.6576 manat (AZN) (CBRA, 2023).

**Table 5.10 Distribution of Firms in Georgia, 2020**

| <b>Category of enterprise</b> | <b>Annual turnover</b> | <b>Annual number of employees</b> |
|-------------------------------|------------------------|-----------------------------------|
| Mikro                         | < 6 million GEL        | <10                               |
| Small                         | <12 million GEL        | <50                               |
| Medium                        | < 60 million GEL       | <250                              |

For comparison, it is necessary to look at the statistics of the annual growth rate of Azerbaijani and Georgian companies together. According to the above Table 5.9, the annual growth rate of companies in Azerbaijan is shown in Table 5.1 and compared with Table 5.2.

Although the number of total small business facilities in Azerbaijan is less than the number of small business facilities in Georgia, if the difference between the two years is compared (Table 5.10), it can be seen that the decrease in small business areas in Azerbaijan is less than in Georgia. Thus, while there was a 0.8 percent decrease in the number of small business enterprises in Georgia over two years, this indicator is 0.2 percent in Azerbaijan. Finally, when looking at the changes in micro-business facilities, it can be seen that the number of micro-business facilities registered in Azerbaijan has increased within a year. In Azerbaijan, this increase was slightly more than 17 percent, while in Georgia, the same indicator decreased by 10.5 percent.

Table 5.11 shows that the difference is increasing in the general indicator (27.1%). The source of this difference in the graph is that, since the research is focused on small businesses, table 5.11 does not show the statistical indicators on the micro subjects of Azerbaijan. However, when indicating the total area of firms, all firms in Azerbaijan and Georgia were taken into account.

**Table 5.11 Distribution of Firms in Georgia and Azerbaijan Between 2019-2020**

| Size  | 2019    | 2020    | Georgia | 2019   | 2020   | Azerbaijan |
|-------|---------|---------|---------|--------|--------|------------|
| Micro | 131 269 | 117 550 | -10.5   | 262622 | 307717 | 17.1       |
| Small | 1 812   | 1 797   | -0.8    | 5956   | 5943   | -0,2       |
| Total | 133 496 | 119 785 | -10.3   | 268578 | 313660 | 16,8       |

In general, when the above indicators are examined, although we see that Azerbaijan suffered a lot from the Covid-19 epidemic, it is clearly seen how much less it was affected compared to Georgia. The main reason for this is that, although they have many similar economic indicators, the economies of both countries are based on different sectors.

Looking at some of the indicators provided by the World Bank Group, it is possible to clearly analyze this. The three most important indicators in Table 5.12 and Table 5.13 are GDP indicators of agriculture, industry and service sectors. When we look at the 2019 and 2020 GDP growth rates of Azerbaijan and Georgia, it seems that the industry and service sector of Azerbaijan is higher than the indicators of the country we are comparing. However, it should be noted that these three areas are the ones most affected by the pandemic (WBG, 2023). According to the Pak et al. (2020), the consequences of mandatory disease mitigation measures in many countries include significant declines in incomes, increased unemployment and transportation problems, as well as disruptions in the services and manufacturing sectors in 2020.

**Table 5.12 Some Economic Indicators of The Azerbaijani Economy**

|                                      | 2019 | 2020  | 2021 | 2022 | 2023 |
|--------------------------------------|------|-------|------|------|------|
| GDP growth at constant market prices | 2.5  | -4.3  | 5.6  | 4.2  | 2.8  |
| Private Consumption                  | 4.2  | -5.1  | 7    | 4.5  | 4    |
| Consumption of the state             | 7.9  | 4.8   | 3.8  | 7.4  | 4.2  |
| Total Fixed Capital Investments      | -2.4 | -7.1  | -6   | 3    | 3.2  |
| Export, Good and Service             | 1.5  | -8.1  | 5.6  | 3.2  | 1.7  |
| Imports, Good and Service            | 2.2  | -10.5 | 2.5  | 3.2  | 2.7  |

|                                      |     |      |     |     |     |
|--------------------------------------|-----|------|-----|-----|-----|
| GDP growth at constant factor prices | 2.5 | -4.4 | 5.6 | 4.2 | 2.8 |
| Farming                              | 7.3 | 1.9  | 3.3 | 1.1 | 2   |
| Industry                             | 0.4 | -5.2 | 4.1 | 2.7 | 1.5 |
| Services                             | 5.1 | -4.4 | 8.6 | 7.3 | 5   |

**Table 5.13 Some Economic Indicators of The Georgia Economy**

|                                      | 2019 | 2020  | 2021 | 2022 | 2023 |
|--------------------------------------|------|-------|------|------|------|
| GDP growth at constant market prices | 5    | -6.8  | 10.4 | 8.8  | 4.2  |
| Private Consumption                  | 7.2  | 8.8   | 8.7  | 6.6  | 2.2  |
| Consumption of the state             | 5.7  | 7.1   | 7.7  | -4.8 | 4.8  |
| Total Fixed Capital Investments      | -0.1 | -16.5 | -7.6 | 8.4  | 0.1  |
| Export, Good and Service             | 9.8  | -37.6 | 30.5 | 20   | 12   |
| Imports, Good and Service            | 6.6  | -16.6 | 12.8 | 13   | 6    |
| GDP growth at constant factor prices | 5.1  | -6.6  | 10.3 | 8.8  | 4.2  |
| Farming                              | 0.7  | 8.1   | 0.1  | 3    | 5    |
| Industry                             | 2.7  | -6.8  | 5.9  | 6    | 5    |
| Services                             | 6.3  | -8.1  | 12.9 | 10.2 | 3.9  |

In addition to the above information, Ayya (2023) states that in the period from June 2020 to January 2023, Azerbaijan provided 41.4 million manat (\$24.3 million) one-time assistance to all entrepreneurs affected by the pandemic across the country. As always, the oil and gas sector, which brings the most revenue to the state budget of Azerbaijan, has been very important in providing this financial support.

In other statistical data, it was mentioned that this support to the economy of Azerbaijan was repeated in 2021. So, in addition to these two areas covering approximately 40% of the country's GDP, oil and gas production accounted for more than 80% of export revenues (International Trade Administration [ITA], 2022).

**Figure 5.1 Azerbaijan's Export Index in 2022**

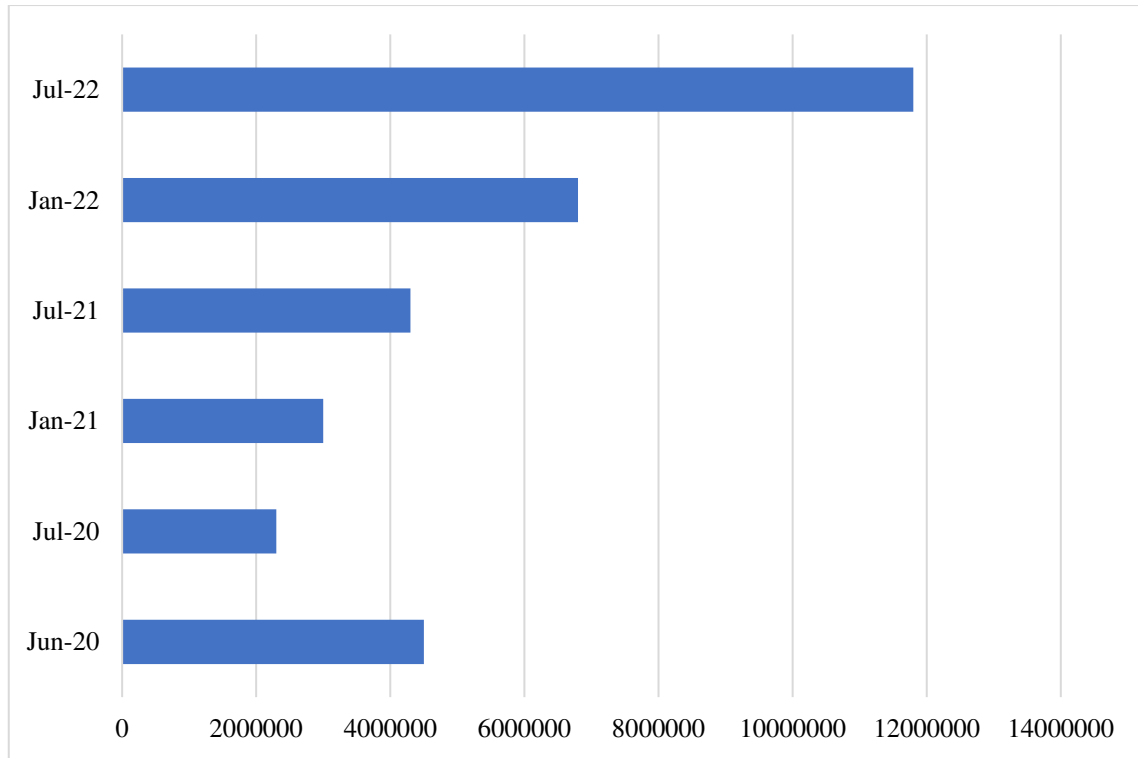


Figure 5.1 shows the growth of total export revenues in Azerbaijan. Based on these statistics, exports in Azerbaijan increased from \$10,777,524 in the second quarter of 2022 to \$11,810,775 in the third quarter of the same year (Trading Economics, [TE] 2022). It should be taken into account that 40% of this the growth falls only on the share of the oil and gas sector. In general, with these indicators mentioned above, as mentioned in table 11, Azerbaijan has contributed to the region's resilience against the pandemic.

## **5.7 OVERVIEW OF THE SMALL BUSINESSES' CONDITION IN GEORGIA AND AZERBAIJAN AFTER COVID-19**

Some of the statistical indicators of both countries in 2023 below show more clearly the sustainability and resilience of the companies in the post-pandemic years. According

to the forecasts of the World Bank Group (WBG, 2023), economic growth in Azerbaijan will be 2.8% in 2023. This growth is 1.1 percent higher than the forecast for the global economy, and 2.7 percent higher than the forecast for Europe and Central Asia. In addition, Azerbaijan achieved significant increases in GDP growth rate in 2023. Thus, it is considered one of the four countries according to the development rate of the mentioned indicator in the Europe and Central Asia region.

In the publications of the Asian Development Bank (ADB), the growth of GDP at the level of 2.8% was noted. Unlike the WB and ADB, the International Monetary Fund (IMF, 2023) and the European Bank for Reconstruction and Development (EBRD, 2023) predicted a 3% and 2.5% GDP growth rate respectively in Azerbaijan in 2023.

The government of Azerbaijan predicts GDP growth at 2.7% in 2023 and 4.1% in 2024. While the country's GDP increased by 4.6% last year, a 1.5% decrease was observed in January 2023. This is mainly due to the 4.6% decrease in oil and gas production. Thus, a 1.7% increase was observed in the non-oil-gas sector. Azerbaijan is a developing economy with a large oil and gas sector, which accounts for approximately 50% of GDP and 90% of the country's exports. Therefore, the decrease in production in this sector affects the growth of the total GDP (RNA, 2023).

Summarizing the recent situation in Azerbaijan, it should be noted that this country, like other countries in the world, is trying to adapt to the post-pandemic era. However, in many countries, including Azerbaijan, sharp price increases are observed, and stability in SME sectors continues to weaken. The decrease in the number of SMEs in the conducted research and the decrease in income in the general period can be an example of this. In addition to, The Russian-Ukrainian war, which caused the shortage of many goods, damaged the country's economy and caused global inflation, has recently been evaluated as a negative effect (RNA, 2023).

Although there are no exact statistical data on Georgia's SMEs in 2023, many of the statistics below provide information on the country's economy, including small business sectors. According to an April 2023 Asian Development Bank (ADB, 2023) report, Georgia's gross domestic product (GDP) is projected to grow by 4.5% in 2023. Growth is expected to accelerate to 5% in 2024 thanks to continued gains in the services sector. Inflation, which was 12% in 2022, is expected to fall to 6% in 2023 and 4% in 2024, approaching the central bank's 3% target. This is mainly a result of tight monetary policy,

weak domestic demand and improved supply chains. Business investment to grow by 5.5% in 2023 and 3.5% in 2024 and budget deficit to 2.7% of GDP in 2023 and 2.5% in 2024 is predicted to decrease.

## **5.8 RESULTS AND DISCUSSION**

The previous parts show several important indicators about Azerbaijan and Georgia with a focus on small enterprises. Based on the above official statistics, the post pandemic period of Azerbaijan's small businesses was analyzed, and based on these data, it was shown how the country's business sector was formed. It can be said that the Republic of Azerbaijan was gradually less affected by the covid-19 pandemic among the countries in the region. Even if there is a critical situation in the country in terms of exports and imports, a change in the number of enterprises (Table 5.10), a decrease in GDP (Table 5.11 and table 5.12), and a decrease in indicators, the sustainability and resilience of the process was able to maintain itself. The main reasons for this were that the country's economy was predominantly supported by the state and the stability of the Azerbaijani manat (CBRA,2023) was maintained in this period.

The fact that many small business sectors in this country are located in the capital Baku, and their income levels and therefore their financial resources are high, gave them an advantage in the fight against the pandemic. As evidence of these advantages of small business in the country, the statistical data obtained about similar fields in the compared country (Georgia state) were mentioned (CBRA,2023).

According to Gasimova (2022), when assessing the result of the pandemic on the economy of Azerbaijan, it is noted that many restrictive measures implemented by this government have damaged medium enterprises as well as large industrial facilities. According to the researcher, the closure of enterprises caused negative consequences, the supply and demand decreased. This played an important role in increasing the level of unemployment. In order to mitigate the negative consequences of the pandemic, Azerbaijan, unlike some countries, allocated the largest share of GDP to the pandemic. Certain measures and aid packages have been designed to support SMEs. Nevertheless,

it was necessary to give additional incentives to stabilize the activity of these business areas in the country.

Research on small business in Azerbaijan and Georgia in 2023 shows how the situation of small business has changed in these countries. The indicators in point 5.7 show that the development dynamics of small business objects in Azerbaijan lags behind the development pace of new business objects in Georgia in 2023. These indicators are clearly visible in comparison with the main indicators of the Georgian economy, i.e., UDM. Thus, it is predicted that the GDP indicators in Azerbaijan will increase by 2.7% in 2023, and by 4.1% in 2024. In Georgia, these indicators are predicted to increase to 4.5% in 2023, and to 5% a year later. In the various economic indicators between the two countries, it was emphasized that in 2023, the economic progress of Georgia will improve compared to Azerbaijan. Although the above statistics recorded during the pandemic period show that Georgia was more affected by the pandemic and that many areas have declined compared to Azerbaijan, this advantage has changed in the post-pandemic periods.

According to ADB (2023), there are several main reasons for this increase. In addition, economic stagnation related to the pandemic and the decline in the tourism sector due to the Russian-Ukrainian war were noted. This started war caused Georgia's GDP to seriously decline. Although the UDM indicator decreased from 10.2 percent to 4.5 percent in 2020, these indicators are still considered higher than the country's indicators during the pandemic.

## 6 CONCLUSION

The COVID-19 pandemic has affected all areas of life, as well as the economy, and this has forced the implementation of social distancing measures in many countries. The result of this study shows that social distancing measures have significantly affected SMEs, which are an integral part of the economy. SMEs have to pay regular expenses such as rent, utilities, salary, installments, bank interest, etc. to continue their activities. Yet, problems affecting supply chains, such as pandemic shutdowns, also disrupt business operations, reduce demand and revenue, increase raw material costs, and negatively impact the bottom line of small businesses. As a result, as in many countries, it reduces the resilience of SMEs and forces them to cease their activities.

In the literature review of this study, the literature defines organizational resilience as the ability of a small organization to take action and adapt to changes and sudden disruptions that occur in order to continue to operate and grow. This thesis contributes to the organizational resilience literature by considering the concept in terms of small businesses. Another contribution to the literature is the rich and comparative data obtained from the South Caucasus region regarding the pandemic period of the two developing countries.

The economy of many countries faces some difficulties during and after the pandemic. Different countries have different resources and each country has built its economy on the resources what they have. However, the global virus pandemic we were experiencing has had a negative impact on all countries, regardless of their economic structure. During the pandemic, there is no country that can get economic benefits from the pandemic. As a result, this pandemic slowed down the economic development of the world, although some countries were less affected and some countries were more affected due to their place in global market.

The damage caused by Covid-19 to the countries was attempted to be mitigated by some resistance systems. The extent to which these systems are resilient, and how states support and finance these recovery projects, has resulted in positive or negative impacts on the resilience of small, medium, and large enterprises in the post-pandemic era. We noted these results with many important statistical indicators and explanations in the literature review of the research on the organizational resilience of the countries of the

world. Organizational resilience is a multidimensional construct, and differences in institutions may impart different characteristics to organizational resilience. Although a number of studies have been conducted to measure organizational resilience, its characteristics are constantly changing with the crises faced by companies, changes in the business environment, and the development of technologies. The structure and measurement of organizational resilience will become richer as the external environment changes in the future.

This thesis investigates the impacts of pandemic on the small and middle-sized enterprises in Azerbaijan and Georgia within an organizational resilience perspective. In this study, a quantitative research method is used by using secondary data. The main data sources are official statistical data published by state institutions and international development institutions. As a result of the research, it was found that both countries were seriously affected by the pandemic. Despite the fact that some indicators in Azerbaijan are less than similar indicators in Georgia such as, it was found that the Republic of Azerbaijan is the country with the lesser damage compared with Georgia. As one of the main reasons for this, the research highlighted the financial support of the state of Azerbaijan to small businesses. In addition, it also affected the stability of the distribution of small businesses in the country. Thus, the location of many business sectors in Azerbaijan and their high-income levels and savings have helped to continue the activities of small enterprises during and after the pandemic.

During the study, attention was paid to many economic indicators. Among them, GDP per capita, unemployment and sectoral and geographical distribution of economic activity according to business size are given much attention. Based on these indicators, it can be noted that the GDP per capita in the recent history was higher in Azerbaijan. Similar results can be seen when looking at other important indicators such as sectoral distribution, youth unemployment and regional distribution. The analysis shows that although Azerbaijan and Georgia have many similarities, they are different countries and each has its own economic and distribution potential, strengths and weaknesses. For example, Azerbaijan has large energy resources such as oil and gas. This enables Azerbaijan to successfully implement distribution processes in the energy sector. Georgia is characterized by geographical and tourism potential, and distribution processes in these areas can be successful. As for the level of unemployment, the indicators show that the level of unemployment in Azerbaijan is lower than in Georgia, and during the pandemic,

Georgian youth faced the problem of unemployment more. As a result, although both countries suffered from the pandemic, when the mentioned indicators were compared, it was seen that small business in Azerbaijan was somewhat more resistant to these problems than their Georgian counterparts.

Despite the fact that small businesses in Georgia have faced more difficulties during the pandemic period, the research revealed the leap of the mentioned enterprises in the recent days when the virus left our lives and the bans were lifted. The reasons why this country is facing problems in the pandemic are the same as other countries, including Azerbaijan. The closing of the borders, the weakening of tourism, the slowdown in world trade can be examples of these. In this comparison, the main difference between Georgia and Azerbaijan is that it does not have important energy resources such as oil.

Finally, at the time of the study, the Covid-19 virus took its share of the pandemic in Azerbaijan, as it did in other countries around the world. Many small businesses have ceased operations, businesses have closed, and income levels have fallen. Along with many other countries, Azerbaijan took important measures in this regard, but in some cases the measures taken did not give their results. Despite everything, small businesses in Azerbaijan have been able to maintain their resilience from a pandemic like Covid-19, even with great difficulty. This can more clearly be seen when compared with Georgia of which SMEs have still had serious difficulties to recover.

This thesis depends on the most recent and reliable data for both countries. Yet, it has limitations. First of all, it depends on secondary data. During the period of this research, pandemic conditions were still active such as the transition of universities to the distance education (online) system, establishing communication with research advisor and university academics over the internet and closing the libraries for the safety. Further studies producing primary data for both countries will be contributive to the field. Moreover, it will be fruitful to make comparisons of small enterprises' performance in other upper-middle income developing countries.

Despite everything, the research has collected detailed and complete information about the recent Covid-19 pandemic and its damages. Overall, this thesis underlines the areas that are important for the economy and human life, and the precautions to be taken beforehand for such crises likely to recur.

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