

# ICSB Gazette

The Global Leader Supporting Micro-, Small and Medium Enterprises

Monday, May 18, 2020. Issue 68

## An Analysis and Comparison of the Armenian and Australian Economies

Written By: The Global Entrepreneurship Monitor (GEM)



### The Armenian Policy Roadmap

Armenia implemented several reforms related to entrepreneurship during 2019. One key change was the adoption of a tax reform package, which will be enacted in January 2020. A major component of this tax reform is the doubling of the allowed turnover tax threshold — which

will increase to a total of 115 million Armenian drams (AMD). Additionally, micro-businesses with an annual turnover of up to 24 million AMD are exempt from taxation starting in January 2020. Additionally, tax rates will transition from their current tiered system to a flat income tax rate of 23%, also effective January 1, 2020.

Another key policy change, which was enacted following the Velvet Revolution of April–May 2019 that resulted in a new government regime, is the guaranteeing of equal market access for all people. This will create a more favourable business environment and is expected to boost overall economic activity in the country.

The new government has declared that ending corruption is one of its main policy goals. The hope is that trust in government will be restored when businesses stop hiding their employment and financial numbers. These policies will also increase tax collections. Some small businesses were impacted by this policy as they had to pay higher taxes, but this is expected to be a short-term issue. Small trading businesses, which represent a large segment of Armenian businesses, were particularly affected. We believe this to be a temporary negative effect. In time, these policies should result in a more transparent business environment and will improve the entrepreneurial environment.

Because Armenia's economic policy, as a result of the changing political scene, is in flux, there is a need to monitor all economic developments, particularly those related to entrepreneurship.

Tax reforms adopted during 2019 will contribute to the sustainable development of Armenia, aligning the country with the aims of UN Sustainable Development Goal 8 (Decent work and economic growth). Additionally, an industrial development strategy aimed at improving productivity and promoting innovation was expanded to align with Goal 9 (Industry, innovation and infrastructure). However, considering that both reforms are being planned and yet to be fully enacted, there is no evidence of their impact in the GEM 2019 results.

## ECONOMY PROFILE



# Armenia

### Population (2019) (WEF)

3 million

### GDP growth (2018, annual % change) (IMF)

5.2%

### GDP per capita (2018; PPP, international \$) (IMF)

10.27 thousand

### World Bank Ease of Doing Business Rating (2019)

74.5/100

Rank: 47/190

### World Bank Starting a Business Rating (2019)

96.1/100

Rank: 10/190

### World Economic Forum Global Competitiveness Rank (2019)

69/141

### World Economic Forum Income Group Average (2019)

Upper-middle

### Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	55.6	20
Good opportunities to start a business in my area	53.9	22
It is easy to start a business	49.2	24
Personally have the skills and knowledge	70.0	12
Fear of failure (opportunity)	48.2	=10
Entrepreneurial intentions	32.2	15

### Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	21.0	7	16.6	26.0
Established Business Ownership rate	7.8	23	4.8	11.3
Entrepreneurial Employee Activity	0.6	=38	0.2	1.0

### Motivational

(somewhat or strongly agree)

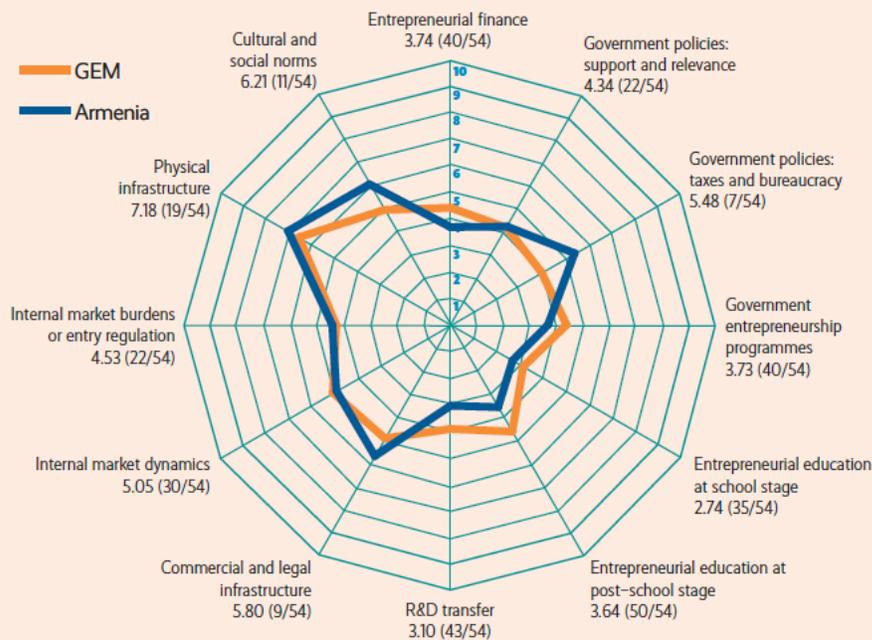
	% TEA	Rank/50	% Female TEA	% Male TEA
To make a difference	18.4	47	20.3	17.0
Build great wealth	51.5	30	48.7	53.6
Continue family tradition	35.5	21	32.1	38.0
To earn a living	88.8	8	90.9	87.3

### Entrepreneurship impact

	% Adults	Rank/50
Job expectations (6+)	6.4	7
International (25%+ revenue)	4.0	=2
National scope (customers and products/process)	2.5	=10
Global scope (customers and products/process)	0.4	=25
Industry (% TEA in business services)	8.0	42

An equals sign (=) indicates that the ranking position is tied with another economy or economies

## Expert ratings of the entrepreneurial framework conditions



#### EFCs scale:

0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

## The Australian Policy Roadmap

Entrepreneurship has been an important focus for national, state and local governments in Australia for over a decade. There is an increasing focus on a coordinated “Team Australia” approach to entrepreneurship, leading to national discussions surrounding policy and metrics. Through maturing ecosystems and governance in Australia, we are seeing the emergence of more sophisticated startups with greater capacity for impact.

In Australia, there is a trend towards increasing companies’ social impact. Indeed, Australia was ranked by Thomson Reuters Foundation as the second-best country in the world in which to be a social entrepreneur. GEM results show an increase (from 25% in 2016 to 30% in 2019) in the number of respondents reporting that it is common to see businesses that primarily solve social problems.

In 2019, the following four factors were identified by our national experts as constraining Australian entrepreneurs: financial support, government policies, market openness, and the capacity for entrepreneurship. Australia’s National Experts identified government policy both as an essential fostering factor, as well as a dominant constraining factor. This reflects the complexity of navigating Australia’s current entrepreneur support landscape.

The country’s R&D transfer capacity was also identified as both a fostering and constraining factor. This may be due to the National Expert Survey (NES) being distributed prior to the country’s R&D review and completion of the resulting tax incentive reform. Other policies involving technology, overseas talent and human resources were identified by our national experts as challenges to be addressed through policy. Capacity for entrepreneurship, while often viewed as a key positive trend, could also be seen as a negative trend, demonstrating that while capacity has improved, more development is needed.

The national experts suggest that improving government policies, facilitating entrepreneurs’ access to financial support and accelerating R&D transfer would improve Australian entrepreneurship. One of the primary recommendations for government policy focused on offering tax breaks for R&D spending and startup investment. There are several UN Sustainable Development Goals that affect entrepreneurship in Australia, specifically: Goal 4 (Quality education), Goal 5 (Gender equality), Goal 8 (Decent work and economic growth), Goal 9 (Industry, innovation and infrastructure) and Goal 17 (Partnerships for the goals). With Australia slipping in the World Economic Forum’s recent Global Gender Gap Report, gender remains an important policy issue. Entrepreneurship is one way to improve equality. Female Total Early-stage Entrepreneurship Activity (TEA) in Australia continues to be below male rates, but the GEM 2019 results suggest that this gender gap may be narrowing.

The Australian Federal, Queensland and South Australian Governments use GEM as a tool for monitoring entrepreneurship activity, specifically through tools such as the Australian Innovation System Monitor and the Queensland Connects Report. Given the lack of innovation metrics at the state level, the Queensland and South Australian Governments use GEM as an important tool for benchmarking and analysing entrepreneurial trends.



## ECONOMY PROFILE



# Australia

### Population (2019) (WEF)

25.2 million

### GDP growth (2018, annual % change) (IMF)

2.7%

### GDP per capita (2018; PPP, international \$) (IMF)

52.38 thousand

### World Bank Ease of Doing Business Rating (2019)

81.2/100

Rank: 14/190

### World Bank Starting a Business Rating (2019)

96.6/100

Rank: 7/190

### World Economic Forum Global Competitiveness Rank (2019)

16/141

### World Economic Forum Income Group Average (2019)

High

### Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	55.9	18
Good opportunities to start a business in my area	45.7	36
It is easy to start a business	66.8	10
Personally have the skills and knowledge	56.0	30
Fear of failure (opportunity)	47.4	13
Entrepreneurial intentions	13.0	34

### Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	10.5	=27	8.8	12.3
Established Business Ownership rate	6.5	29	5.8	7.3
Entrepreneurial Employee Activity	8.3	1	7.4	9.2

### Motivational

(somewhat or strongly agree)

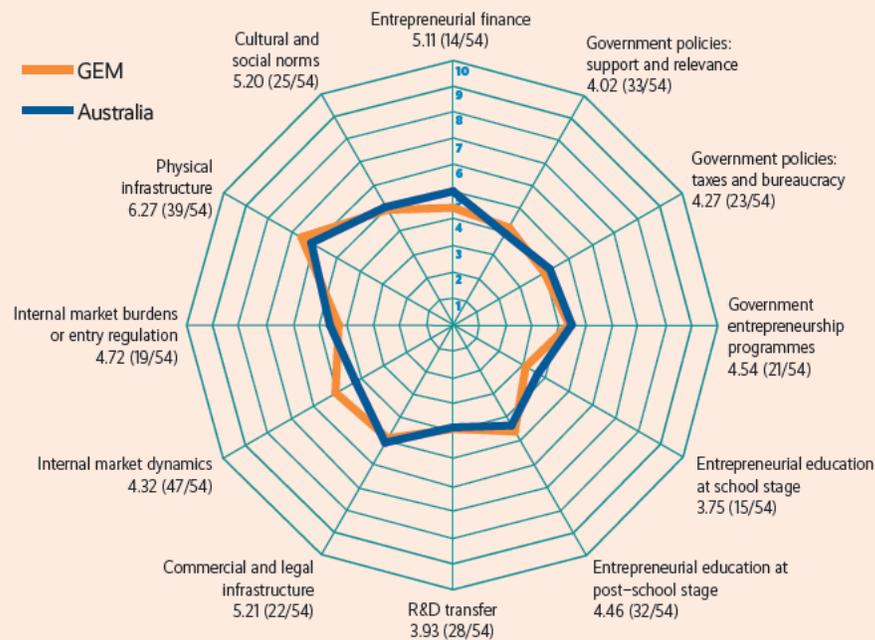
	% TEA	Rank/50	% Female TEA	% Male TEA
To make a difference	51.7	=16	54.9	49.4
Build great wealth	64.5	16	52.1	73.6
Continue family tradition	22.7	40	24.4	21.5
To earn a living	41.4	=40	37.8	43.9

### Entrepreneurship Impact

	% Adults	Rank/50
Job expectations (6+)	2.6	=26
International (25%+ revenue)	1.3	=20
National scope (customers and products/process)	1.7	=24
Global scope (customers and products/process)	0.5	=16
Industry (% TEA in business services)	26.7	15

An equals sign (=) indicates that the ranking position is tied with another economy or economies

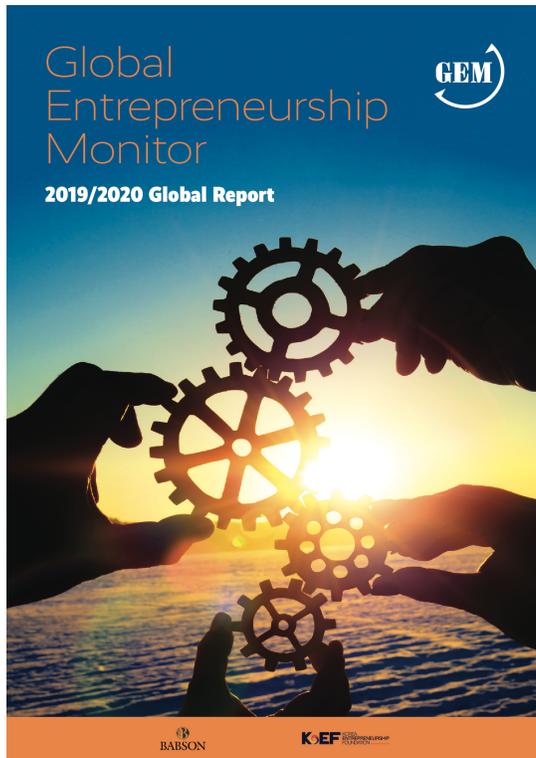
## Expert ratings of the entrepreneurial framework conditions



#### EFCs scale:

0 = very inadequate insufficient status,  
10 = very adequate sufficient status. Rank out of 54 recorded in brackets

## About the Author



The Global Entrepreneurship Monitor (GEM) has been keeping its finger on the pulse of the state of entrepreneurship since 1999, both in terms of the state of the entrepreneurial mind-set, motivations, activities and ambition, and the national framework conditions required to allow entrepreneurship to flourish in an economy. In this, GEM's "coming of age" 21st year, entrepreneurship is in the spotlight as never before, with multiple governments increasingly focused on putting into place policy frameworks and mechanisms to drive and promote entrepreneurship. Fifty economies participated in the GEM 2019 Adult Population Survey (APS), including 11 from the Middle East & Africa, eight from Asia & Pacific, eight from Latin America & Caribbean, and 23 from Europe & North America. Five of these economies are classified as low-income level, 12 as middle-income and the rest as high-income. Over 150,000 individuals participated in extended interviews as part of the GEM research in 2019. This is the solid evidence base for the GEM findings that are presented in this report...[Read the full report here](#)

Institution	Team	Funders	APS vendor	Contact
<b>Lead institution</b> Ameria	<b>Team leader</b> Tigran Jrbashyan, PhD	Ameria CJSC	IPM-Research Armenia	mas@ameria.am
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<b>Website</b> <a href="https://www.ameriaadvisory.am">https://www.ameriaadvisory.am</a>				



Institution	Team	Funders	APS vendor	Contact
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## About the International Council for Small Business (ICSB)

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editors of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager and Mr. Skye Blanks, ICSB Junior Project Manager He will be soliciting ideas and articles from ICSB members world-wide.



### **Skye Blanks**

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Skye is the Junior Project Manager at the International Council for Small Business (ICSB) in Washington, D.C. and an Editor of the ICSB Gazette.

### **ICSB Executive Director**

#### **Comment:**

This ICSB Gazette issue is featuring an article from The Global Entrepreneurship Monitor (GEM) 2019-2020 Report

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