



# STEERING DEMAND FOR PRIVATE SECTOR DIGITALISATION

**Insung Kwon, Policy Analyst**

Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)

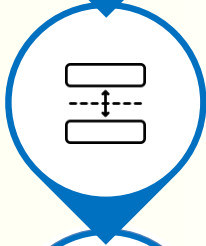
25 May 2022



# Table of contents



Benefits and multi-faceted aspects of private sector digitalisation



Digital gap between large businesses and SMEs



Policy approaches and examples for steering business digital demand



# Benefits of broadband diffusion and private sector digitalisation

## Economy-wide benefits

- GDP per capita increase
  - +10% broadband penetration :  
+1.21%p GDP per capita
- Trade increase
  - Increase in both goods and services
- Job creation
  - Due to network externalities and spillovers
- Formalisation of economic activities

## Firm-level benefits

- Productivity increase
  - Automation of tasks
  - Streamlined production process
- Flexible use of resources
  - Cloud computing and Software as a Service (SaaS), requiring less upfront ICT investment
- Improved resilience
  - Means of adapting to changing business environment



# Business digitalisation is multi-faceted...

No digital adoption

Sophisticated digital adoption

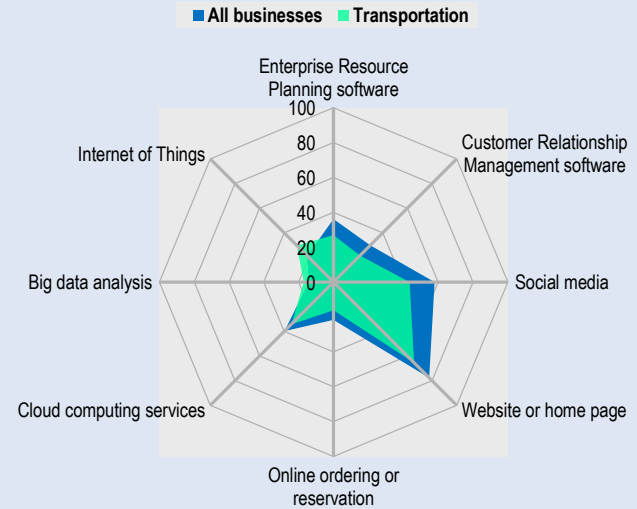
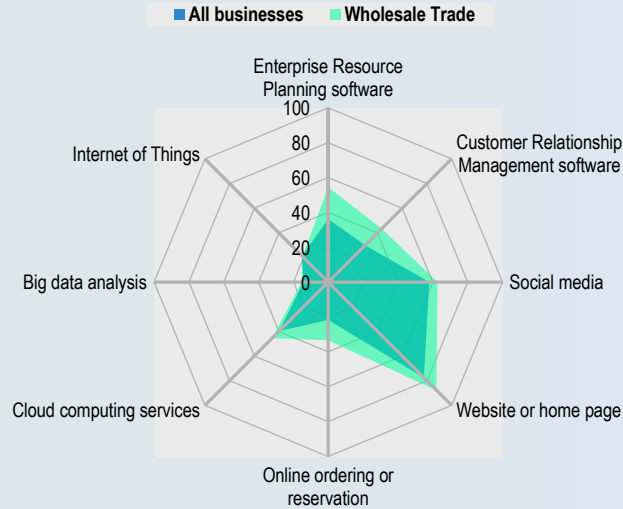
Affordable and good quality Internet connection  
(Fixed & Mobile broadband)



# ... as well as across sectors

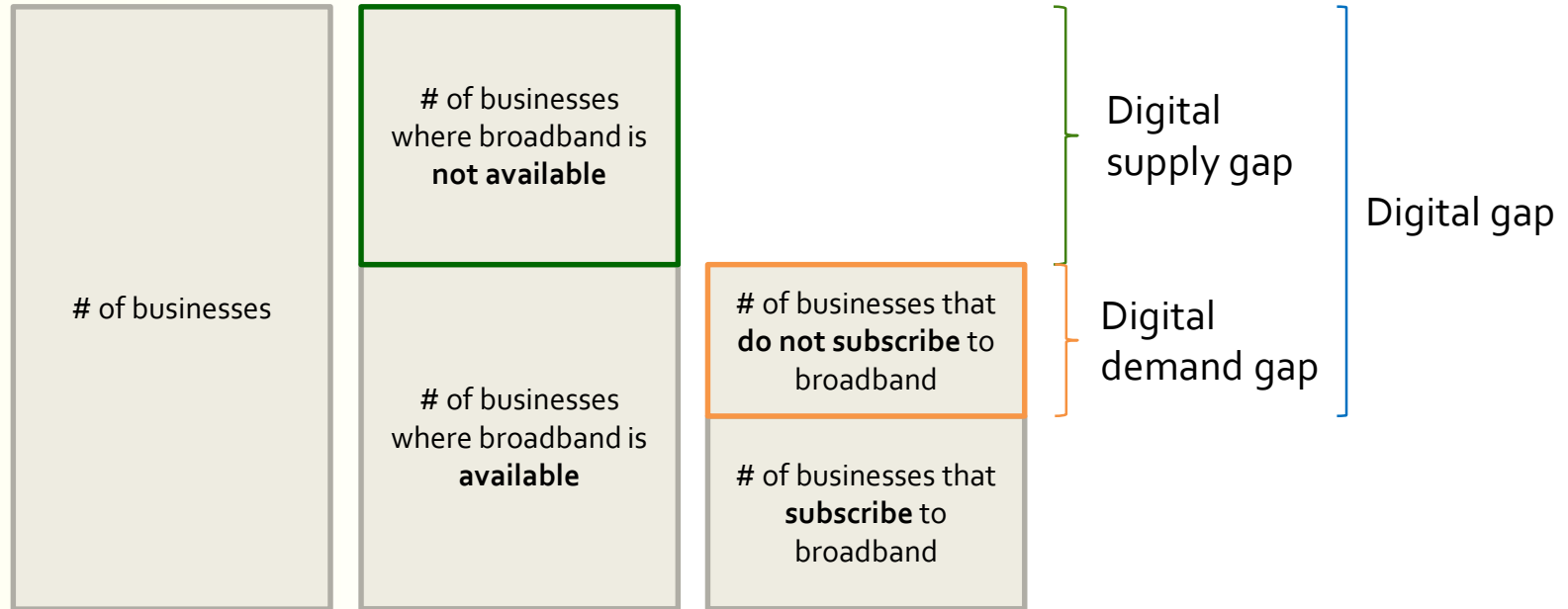
## Adoption of digital technologies in wholesale trade and transportation sector

Average percentage of enterprises in OECD economies, 2019 or latest data available



Source: OECD ICT Access and Usage by Businesses Database

# Digital gap = digital supply gap + digital demand gap



Adapted from Katz and Berry (2014), *Driving Demand for Broadband Networks and Services*.

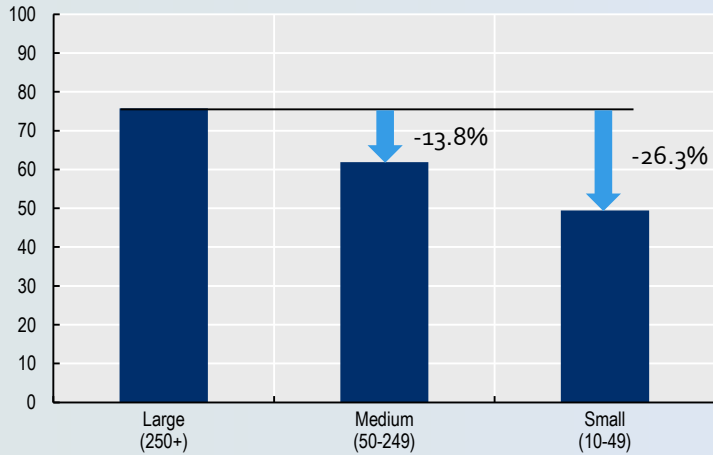


# Important digital gaps exist between large businesses and SMEs

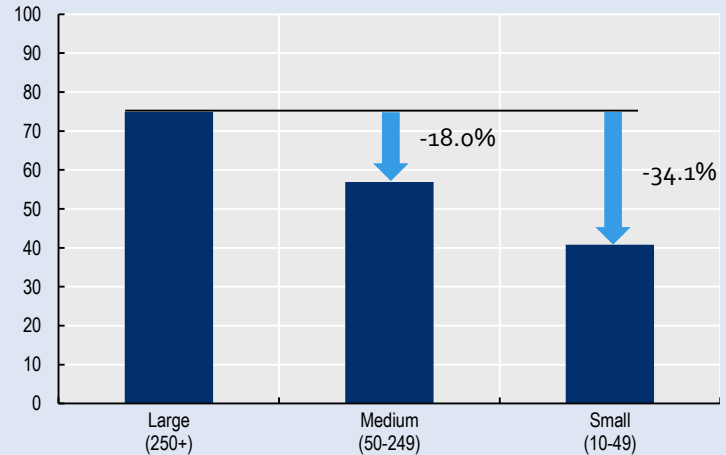
## Digital adoption gap between large businesses and Small and Medium-sized Enterprises (SMEs)

Average percentage of enterprises in OECD economies, 2021 or latest data available

Enterprises with a broadband download speed at least 100 Mbit/s



Enterprises purchasing cloud computing services



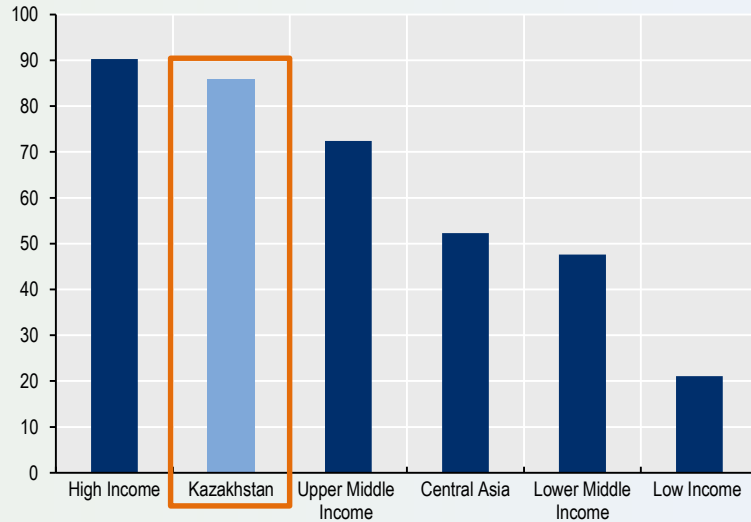
Source: OECD ICT Access and Usage by Businesses Database



# Although Internet in Kazakhstan is readily accessible, connection quality requires attention

### Internet users per 100 inhabitants

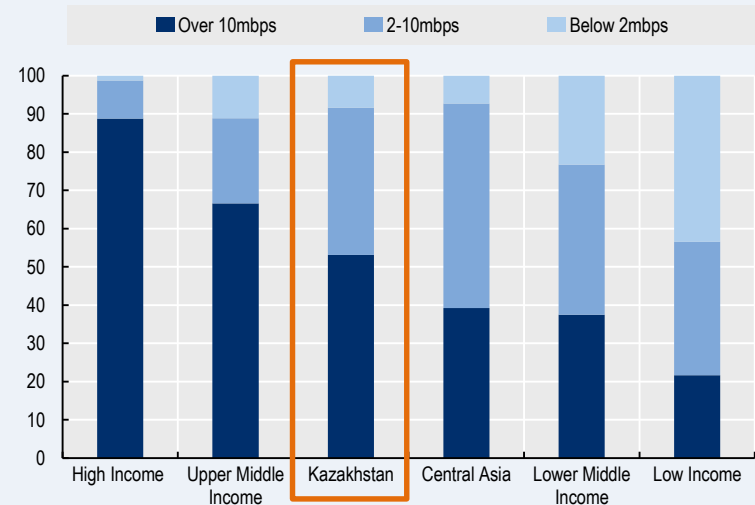
2020



Source: International Telecommunication Union (ITU) ICT Statistics

### Fixed Internet broadband subscription by speed

Breakdown by the share of connection speed, 2020



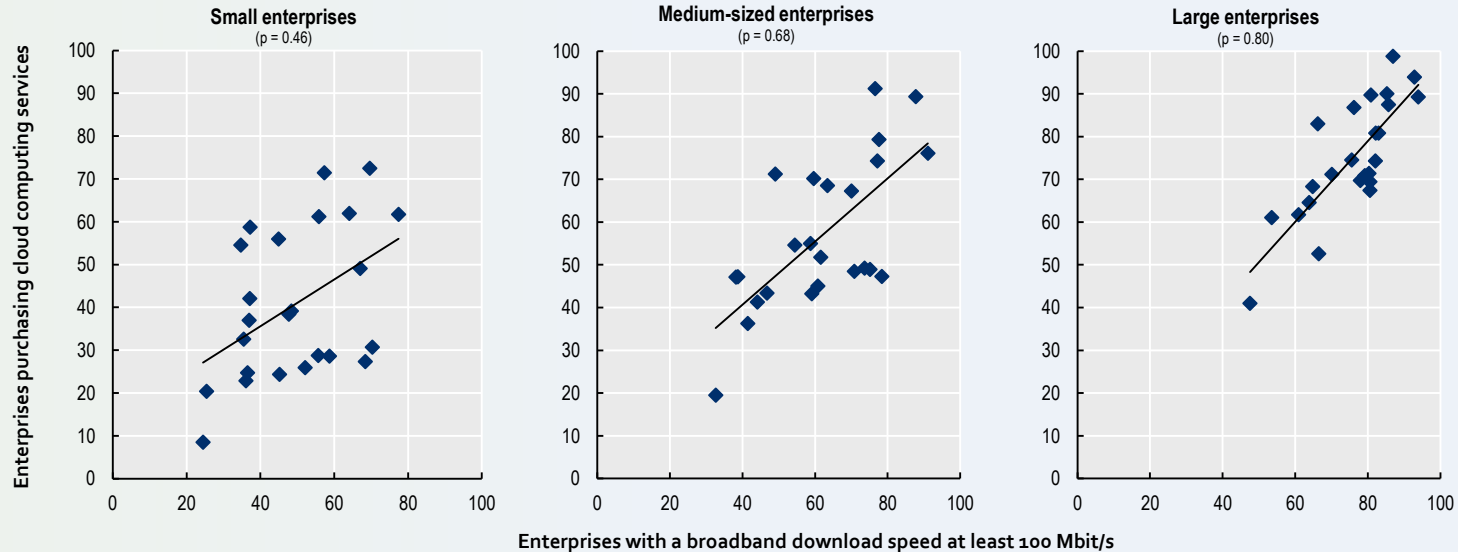




# Speed of Internet is an important factor for business digital adoption

## High-speed broadband and cloud computing adoption rate by firm size class

Average percentage of enterprises in OECD economies, 2021



Source: OECD ICT Access and Usage by Businesses Database



# Policy approaches for steering business digitalisation demand...

...should be based on MSME digitalisation status in the country...

Helping MSMEs foster digital skills and data culture

Easing MSMEs' access to digital tools and services

Providing affordable and reliable digital access to MSMEs

...while creating favourable environment for MSME digital transformation

Raising awareness for digital adoption

Connecting MSMEs with knowledge networks

Setting a supportive regulatory framework

Strengthening digital security of digitalised MSMEs

# Policy examples of supporting business digitalisation



France

## Broadband Activity Zones

- Part of the country's broadband plan
- Government broadband certification scheme for regional attractiveness
- The Zones are required to be equipped with fibre optic connection with at least 100 Mbit/s



Korea

## Digital services voucher programme

- One of COVID-19 response measures to support digitalisation of small businesses
- Voucher covers 90% of purchasing cost
- Businesses free to choose among pre-selected list of digital services



Mexico

## Concanaco Tablet project

- Project created under a co-operation between government entities and Chambers of Commerce
- SMEs receive tablet and free Internet connection for a year
- Formalisation of business activity and employment

# Рақмет сізге · Thank you

 [Insung.Kwon@oecd.org](mailto:Insung.Kwon@oecd.org)

Twitter: [@OECD\\_local](https://twitter.com/OECD_local)

LinkedIn: [www.linkedin.com/company/oecd-local](https://www.linkedin.com/company/oecd-local)

Website: [www.oecd.org/cfe/smes/](https://www.oecd.org/cfe/smes/)

