

*Faculty of Mathematics, Computer, and Natural science Bachelor Thesis*

# **Challenges, opportunities, and impacts on the MSMEs during COVID-19 pandemic in Erdenet**

**Bachelor Thesis**

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# Statutory Declaration

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Student ID Number

I hereby affirm in lieu of an oath that I provided the submitted bachelor thesis

**Challenges, opportunities, and economic impacts on the SMEs during  
COVID-19 pandemic in Erdenet**

I did not use any sources other than those stated. In case that the work is additionally submitted on a data medium, I declare that the written and the electronic form are completely identical. The work was not submitted in the same or similar form to any examination authority.

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Place, Date

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Signature

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### **3 Abbreviations**

COVID-19	Coronavirus disease of 2019
MSMEs	Micro, Small, and Medium-sized Enterprises
EMC	Erdenet Mining Corporation
GDP	Gross Domestic Products
MNCCI	Mongolian National Chamber of Commerce and Industry

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## 5 Abstract

In Mongolia, there are 228'411 businesses entities registered with the government, 96'336 businesses are activated establishment, and 84'685 or 87.9% of them are micro-sized businesses in the 4th quarter of 2021. Also, 36'950 or 38.4% are operating in the sector of wholesale, retail, and trade, and 35'544 or 96.1% of them are micro-sized enterprises in the sector of wholesale, retail, and trade.

In Erdenet, there are 5'339 businesses entities are registered, 1'911 businesses are active establishments, and 1'668 or 87.2% of them are micro-sized businesses. Also, 728 businesses are operating their businesses in the sector of wholesale and retail trade.

To achieve the purposes, pre-prepared questionnaire was conducted with MSMEs in the wholesale, retail, and trade sectors. According to No5 article of the Mongolian Law on Support of Small and Medium-sized Enterprises and Services, MSME businesses and service providers are included in the business entities that meet the following conditions(1):

	Category	Number of Employees	Annual sales revenue, MNT
1	Micro-business or service provider	1-10	Up to 300 million
2	Small business or service provider	10-50	300 million to 1 billion
3	Medium-sized or service provider	50-200	1 billion to 2.5 billion

Table 1. Category of the MSMEs

During this thesis work, the mixed method of quantitative and qualitative survey was conducted and using the data from the Mongolian Statistical Information Service and Statistical Office of Orkhon province. The survey was conducted by micro, small and medium-sized enterprises, especially, in the wholesale and retail sector who are operating their businesses in Erdenet city, Mongolia. Covid-19 interruptions do not affect every business in the same way. Some are deemed necessary and remain open due to human requirements, while others, such as goods stores, restaurants, and other service-related enterprises, have been forced to close.

## 6 Introduction

In December 2019, an unknown pneumonia outbreak in Wuhan, China, led to the current Coronavirus, or COVID-19, which spread rapidly around the world and affected more people than ever before. To prevent the spread of the disease in Mongolia, from January 27, 2020, all levels of kindergartens, schools, universities, entertainment venues, and other public places, such as sports events and places where numerous number people are collected, were closed by the agreement of the Mongolian government. So far, all segments of society, the economy, and the mental and physical health of people are in dire straits.

For almost two years after the disease coronavirus, international traffic was blocked, borders closed, and quarantined. As a result of these uncertain and frightening conditions and incomprehensible decisions, incomes and raw materials of the companies have declined, their ability to hire people and sell products and services has been reduced, and even their businesses have been shut down, causing big losses to the Mongolian economy.

In addition, the crisis is making it difficult for all types of businesses to operate regardless of size, especially micro, small, and medium-sized enterprises because of MSMEs are valuable for the economy for the developing countries such as Mongolia(2).

### 6.1 Problem statement

After only one year later, in 2021, according to the Business Register, there were 228'411 enterprises operating in Mongolia, and 96'336 left out of which are struggling to survive(3). These businesses cover their fixed costs with sales revenue. However, the outbreak of Covid has reduced their incomes, reduced their ability to pay, and some have had to discontinue operations or lay off workers. In addition, declining corporate incomes are affecting the financial situation of households and reducing loan repayments is causing significant problems for the Mongolian economy.

According to the survey for the first quarter of 2021 conducted by Prof. Davaasuren, the most frequent reasons for operational problems are(4):

- Difficult financial situation
- Delivery of goods and services were not completed on time and demand decrease

- Decreased number of customers
- Difficult to pay salaries and social security to the employees
- Difficult to pay corporate income tax, other taxes, and fees

Because the conditions, advantages, and disadvantages of the business environment are different in each country and each province or community depend on their own characteristics, there is a lack of focused research and data about the challenges faced by MSMEs.

## **6.2 The aim of the study**

The main goal of this thesis is to analyze the extent to which the COVID-19 pandemic and related restrictions impacted the MSMEs in Erdenet city. In particular, the thesis seeks:

- To get survey from the businesses of wholesale, retail, and trade sector in Erdenet city.
- To analyze how the high infection or quarantine and the government's actions affect their operations.
- To find the relationship between MSMEs and Erdenet Mining Corporation.

Moreover, this thesis more focused on before and current level of Coronavirus pandemic of the micro and small-sized informal and formal business entities in the sector of wholesale, and retail trade businesses of the MSMEs.

## **6.3 Research questions**

To accomplish the above goals, the thesis will answer these questions:

1. What is the role of SMEs?
  - 1.1. How do MSMEs contribute to the Mongolia's economy?
  - 1.2. How do MSMEs contribute to the economy of Erdenet?
2. Is there any connection or dependence between Erdenet Mining Corporation and micro and small-sized businesses operating in Erdenet city?
3. What are the impacts of COVID-19 in Erdenet?

- 3.1. What is the COVID impact on the micro and small-sized businesses that are operated in the Erdenet?
- 3.2. To what extent were the government actions in the support program helpful to their businesses? / Did the government actions help their businesses or not?
- 3.3. Were there any key challenges faced by the micro and small sized businesses in Erdenet city?

## 7 State of art

### 7.1 MSMEs and their development and specifics

#### 7.1.1 Definition of the MSMEs

As there is no approved and agreed definition of MSMEs, it is determined by some criteria such as the number of employees, the annual sales revenue, and the number of assets(5). In developing countries, these tend to be lower than in developed countries due to the size of the enterprise and the economic situation. According to the World Bank, small and medium-sized enterprises have also contributed to increased economic growth. For instance, Australian MSMEs account approximately 98% of a total enterprise, produce up to 30 percentage of GDP and employ 4.7 million people(6). In the retail and wholesale sector of MSMEs in Europe, it employs 5.4 million companies and 20 million Europeans, generating a total turnover of 5.5 trillion euros, and in over 90% of cases, they are micro-businesses(7).

So, in Mongolia, the micro, small and medium-sized enterprises make up 98% of all enterprises in Mongolia, and they contribute 25% to GDP and employ 52% of the workforce(8). Also, the retail and wholesale MSMEs are critical indicators of the Mongolian economy. According to the business register from the Mongolian statistical information service, in 4 quarters of 2021, there are 96'336 thousand enterprises, of which 84'685 enterprises or 87.9% are micro-businesses that employ less than 10 people. Also, 36'950 enterprises or 38.5% of the total enterprises operate in wholesale and retail trade and of which 96.2% are micro-businesses(9).

Healthy MSMEs contribute to the economy by creating jobs, increasing production, increasing exports, and introducing innovation and entrepreneurial skills. Also, they contribute to the creation of goods and services and help to build GDP and increase national exports and investment.

The fact that MSMEs are managed directly by their owners makes the decision-making system easier, depending on their talents and management skills. Therefore, they are more flexible and stronger depending on their ability to adapt to changing markets. Additionally, micro, small and medium-sized enterprises can easily integrate into the regional economic network, contribute to the region's development, and reduce unemployment. But they have several disadvantages:

- Access to new technology is low

- Lack of sufficient management and economic knowledge
- Lack of medium and long-term forecasts and a lack of staff

### 7.1.2 Share to GDP

The below chart displays how the MSMEs contribute to the Mongolian Gross Domestic Product during the year between 2017 to 2020. The top business establishments who affect the GDP are firstly, accommodation and food service activities, secondly Construction, and lastly, Wholesale and retail trade.

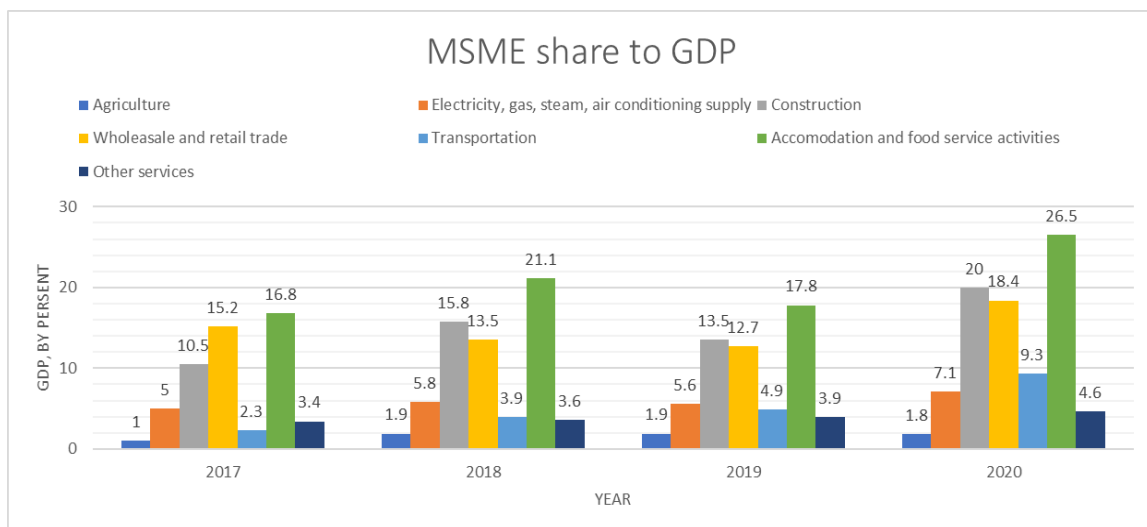


Figure 1. MSMEs share to GDP

Moreover, the below chart compares the contribution of GDP by area, Erdenet, Darkhan, Ulaanbaatar, and the country, but Erdenet city is pretty much lower than others.

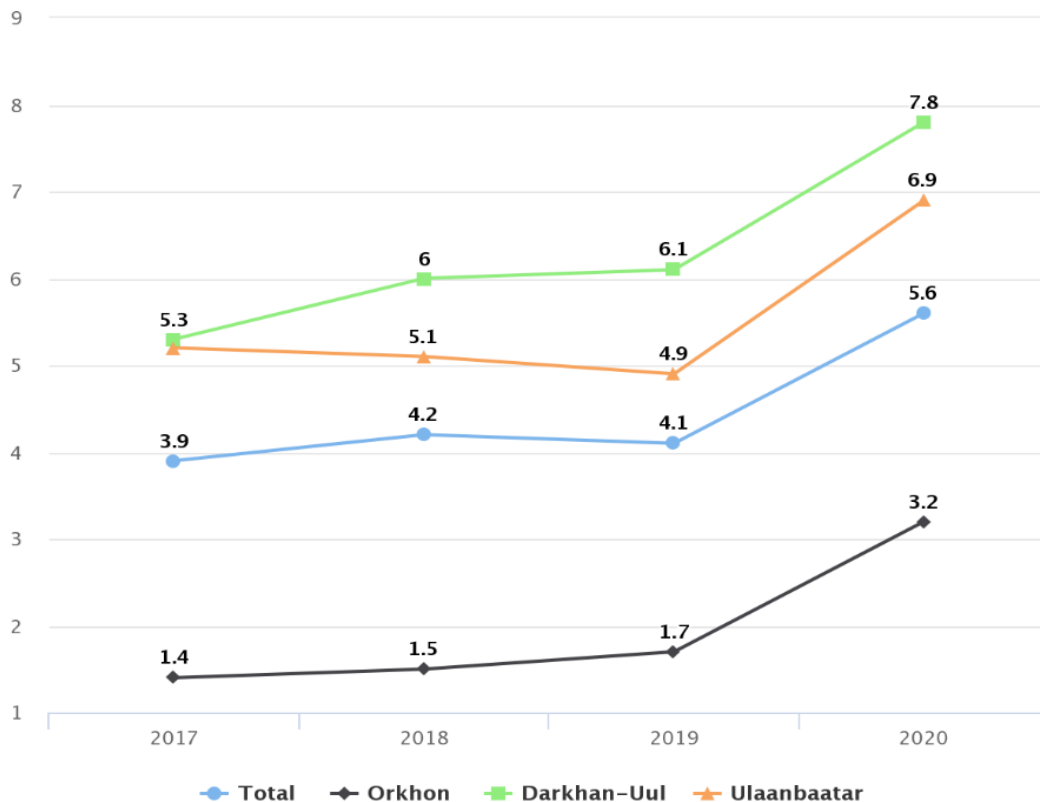


Figure 2. Contributions of GDP, by area

### 7.1.3 Government decision during the pandemic

From the first case of coronavirus registered in Mongolia, the government transferred to the “Universal Readiness Degree” on January 11, 2020. From February 2 to 13, 2020, air and rail traffic between Mongolia and China was closed to the high level of Disaster Protection.

On April 29, 2020, the Parliament of Mongolia approved a law on “Prevention, Control, and Reduction of Social and Economic Impacts of Coronavirus Plague”. The purpose of this law is to control the relations linked to the Government's decision to address the issues of epidemic prevention, protection of public health, prompt decision-making, and reduction of negative impacts on society and the economy. These include the Constitution of Mongolia, the Law on Disaster Protection, and the Law on Health.

Regulations approved to categorize Mongolia’s COVID-19 transmission levels in 4 colors(10):

1. Green levels/ everyday preparedness level- It is issued when the country has gone 28 days straight with zero cases. The operations of public and private

organizations and individuals are not suspended, only health preventative guidelines and recommendations are in place.

2. Yellow level/ high-alert preparedness level- It is issued when cases registered in the past 14 days are imported from abroad and taken under control or the local cases confirmed in the past 2 weeks are not directly related to each other in terms of their timing and locations. Under the yellow level, full and partial high alerts have been declared and the activities of public and private organizations and individuals are restricted to a certain extent.
3. Orange level/ high-alert preparedness level- It is issued when infections are confirmed, and local cases recorded in the past 14 days are related to each other in terms of their timing and locations. Under the orange level, full and partial high alerts have been declared and the activities of public and private organizations and individuals are restricted to a certain extent depending on the situation.
4. Red level/ all out-readiness level- it is issued when large-scale community infections of COVID-19 are recorded, positive cases recorded in the past 14 days are found to have been virally transmitted among the general population or the cluster source of 25 percent of newly confirmed cases cannot be identified or mortality rate per 10'000 people is higher than 0.1. under the red level, an all-out readiness regime is issued in a full or partial manner and operations of public and private organizations and individuals are restricted and special measures for lockdown and quarantine are implemented.

*Appendix 2 shows the laws and regulations during the pandemic.*

## **7.2 Their socio-economic impact on Erdenet**

### **7.2.1 Location:**

Orkhon province or Erdenet city is located 340 km northwest of the capital Ulaanbaatar, 180 km from Darkhan-Uul province, and 65 km from Bulgan province and the border with Bulgan and Selenge provinces. Also, it has two sums including Bayan-Undur and Jargalant(9).

### **7.2.2 Population:**

As of December 2021, the total number of households in Orkhon province reached 29.1 thousand and the number of settled population reached 105.7 thousand, of which 96.5 percent of the total households, and 96.7% of the total population (102'212 people) live in Bayan-Undur sum(3). They live in 22 different types of areas: including

Erdene (7406), Tsagaan- Chuluut (7220), Yarguit (6186), Oyut (5998), Denj (5965), Sogoot (5916), Uurkhaichid (5856) etc.

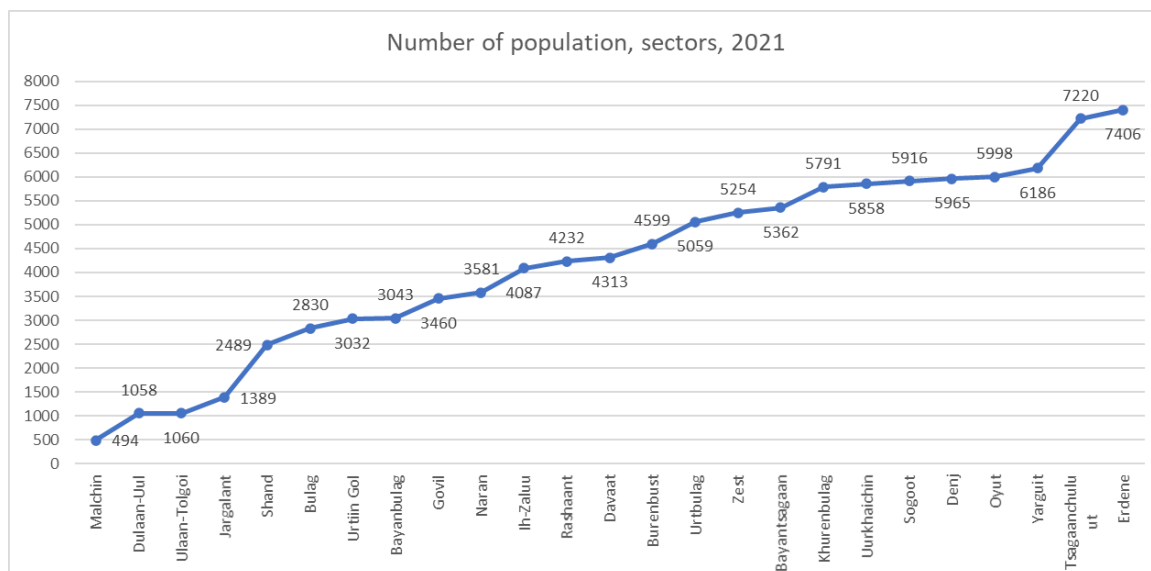


Figure 3. Number of population in 2021, Erdenet

### 7.2.3 Foreign trade:

The main economic sector of Orkhon province is the mining industry such as Erdenet Mining Corporation, Erdmin LLC, Achit- Ikht LLC, and their other related companies including Erdenet Khivs LLC, Ochir-Tuv LLC etc.

As of December 2021, the total foreign trade turnover reached MNT 3.6 trillion, of which exports accounted for 89.4% and imports for 10.6%. During that period, 575.7 thousand tons of copper concentrate, 9.9 thousand tons of cathode copper, 7.4 thousand tons of molybdenum concentrate, 25.1 tons of meat, and 30.2 thousand tons of carpets, a total of 3.2 trillion MNT worth of goods were exported. Also, a total of 387.0 billion MNT worth of goods were imported, including 15.1 thousand tons of wheat, 15.4 thousand tons of mill steel balls, 27.1 thousand tons of gasoline, and 32.6 thousand tons of diesel fuel(9)

### 7.2.4 Domestic trade:

According to the business register, the number of active establishments of the Erdenet is divided into 20 economic sectors such as agriculture and forestry, mining and quarrying, processing, transport and warehouse, wholesale and retail trade, science, and technical activities, etc. On the table 2 shows that the number of businesses in the sector of “wholesale and retail trade, repair of motor vehicles” is much larger than in other sectors.

As of 2021, there are 1911 active enterprises in Erdenet, of which 728 are in the sector of wholesale and retail trade, and repair of motor vehicles.

	<b>Number of Active Establishment, by divisions of Economic activities</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1	Agriculture, forestry, fishery, and hunting	57	49	46	43	30
2	Mining and quarrying	5	8	10	7	5
3	Processing industries	165	174	190	191	147
4	Electricity, gas, air supply	5	4	4	5	5
5	Water supply	3	2	2	2	3
6	Construction	123	144	149	136	121
<b>7</b>	<b>Wholesale and retail trade, repair of motor vehicles</b>	<b>833</b>	<b>819</b>	<b>877</b>	<b>917</b>	<b>728</b>
8	Transport and warehouse	21	22	20	25	21
9	Apartment and food service	117	116	103	104	94
10	Communication	46	51	46	47	44
11	Financial service	226	192	211	180	123
12	Real estate	53	53	47	54	54
13	Science and technical activities	40	42	44	45	44
14	Administration and supporting activities	20	25	26	26	23
15	Public administration and defense, compulsory social security	31	31	31	31	32
16	Education services	137	142	147	137	99
17	Health and social work	83	86	86	84	76
18	Entertainment, arts, and games	55	54	54	51	22
19	Other service activities	288	308	341	284	240
20	Activities of international organizations and permanent representative	0	0	0	0	0
	<b>Total</b>	<b>2308</b>	<b>2322</b>	<b>2434</b>	<b>2369</b>	<b>1911</b>

Table 2. Number of establishment in Erdenet

Below table 3 shows the number of active establishments divided by the number of employees who are operating in Erdenet city during the last 6 years. It also shows how the micro-enterprises with 1 to 9 employees account for the largest number of all enterprises.

Years	1-9 employees	10-19 employees	20-19 employees	50+ employees	Total
2017	<b>2013</b>	134	106	55	<b>2308</b>
2018	<b>2029</b>	126	113	54	<b>2322</b>
2019	<b>2147</b>	118	116	53	<b>2434</b>
2020	<b>2098</b>	110	105	56	<b>2369</b>
2021	<b>1668</b>	93	99	51	<b>1911</b>
2022/01	<b>1671</b>	97	99	51	<b>1918</b>

Table 3. Number of active businesses in Erdenet, by number of employee

The figure 4 displays the percentage of the number of wholesale and retail trade sectors in the total businesses in the Erdenet.

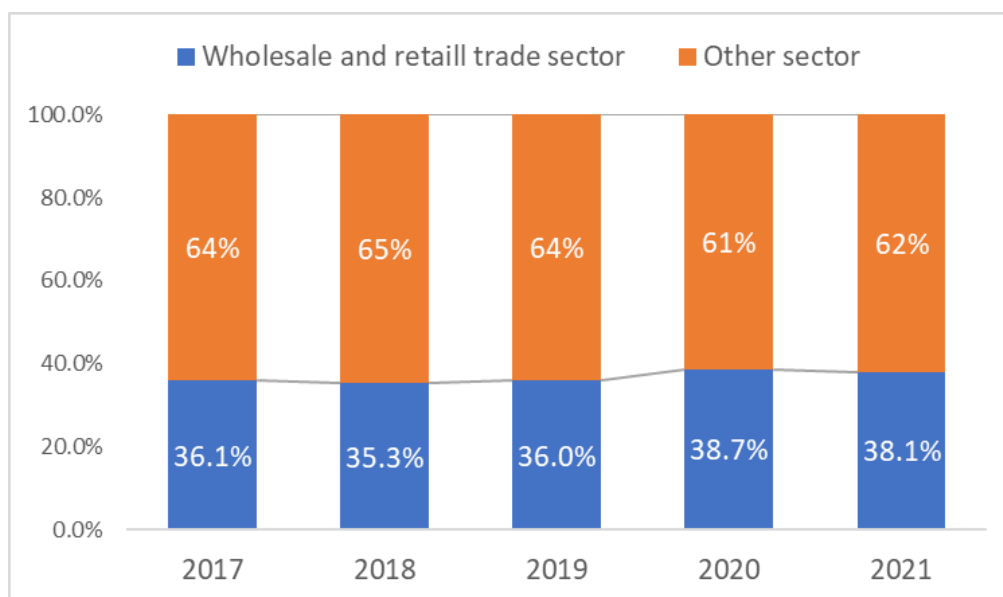


Figure 4. Comparison between wholesale, retail, and trade sector in Erdenet, by percentage

Although, the table 4 shows that data of number of active enterprises of the wholesale, retail, and trade sector in Erdenet city and their annual transaction in million MNT. It is data form the Statistics Department of Orkhon province.

Criteria	2017		2018		2019		2020		2021		2022/1	
	Number	Transaction	Number	Transaction	Number	Transaction	Number	Transaction	Number	Transaction	Number	Transaction
<b>Total</b>	<b>688</b>	96,799.6	<b>701</b>	114,226.4	<b>689</b>	129,844.8	<b>691</b>	127,211.1	<b>680</b>	166,964.6	<b>642</b>	<b>29,832.4</b>
<b>Goods store</b>	69	7,835.5	71	9,001.7	60	8,778.7	64	10,759.0	59	12,644.6	55	2,310.9
<b>Grocery</b>	370	35,562.0	377	42,469.6	346	47,342.0	349	57,918.2	355	85,239.1	349	17,980.0
<b>Alcohol</b>	287	11,989.3	295	14,415.0	281	15,874.8	289	17,446.4	291	20,809.0	283	4,502.1
<b>Auto parts store</b>	12	181.8	12	174.5	6	131.3	6	134.3	5	133.5	4	25.7
<b>Building materials</b>	10	588.2	11	420.8	8	462.8	7	233.0	6	234.4	3	29.1
<b>Restaurant</b>	129	14,925.6	137	18,949.0	132	20,752.7	120	14,792.2	104	11,249.1	102	1,807.8
<b>Bar</b>	80	6,037.3	86	77,727.8	86	9,830.2	77	6,924.3	65	7,044.2	66	1,478.9
<b>Booth</b>	6	17.1	2	2.7	9	17.3	11	19.4	9	14.8	8	3.1
<b>Container</b>	6	303.3	6	568.7	6	432.7	5	403.4	5	342.1	3	83.0
<b>Auto repair shop</b>	26	185.3	25	183.0	44	633.7	42	752.3	43	568.3	34	146.8
<b>Fuel</b>	12	32,030.3	12	38,012.1	28	42,813.9	28	31,728.2	28	41,028.6	25	4,778.1
<b>Gas</b>	5	4,062.7	4	4,047.6	5	4,492.9	7	3,848.7	5	5,047.6	5	467.3
<b>Medicine</b>	48	5,170.5	48	4,444.3	50	8,479.7	59	10,471.1	66	15,510.1	59	2,667.9

Table 4. Number of active enterprises of the wholesale, retail and trade sector

\*The number of registrations of active enterprises differs from the number issued by the Business Register and the Statistics Department of Orkhon province due to different methods of calculating their statistical indicators.

For more information on wholesale and retail centers in 2020 and 2021 when the pandemic was at its peak:

1. There are 691 trade and catering establishments in 2020, making 127.2 billion MNT worth of goods, a decrease of 2 percent from the previous year. Grocery stores accounted for 50 percent of the total trade, restaurants for 17 percent and medicine sales for 9 percent, goods stores for 9 percent, auto repair shops for 6 percent, fuel sales for 4 percent, booths for 2 percent, and the rest of it for 1 percent of each.

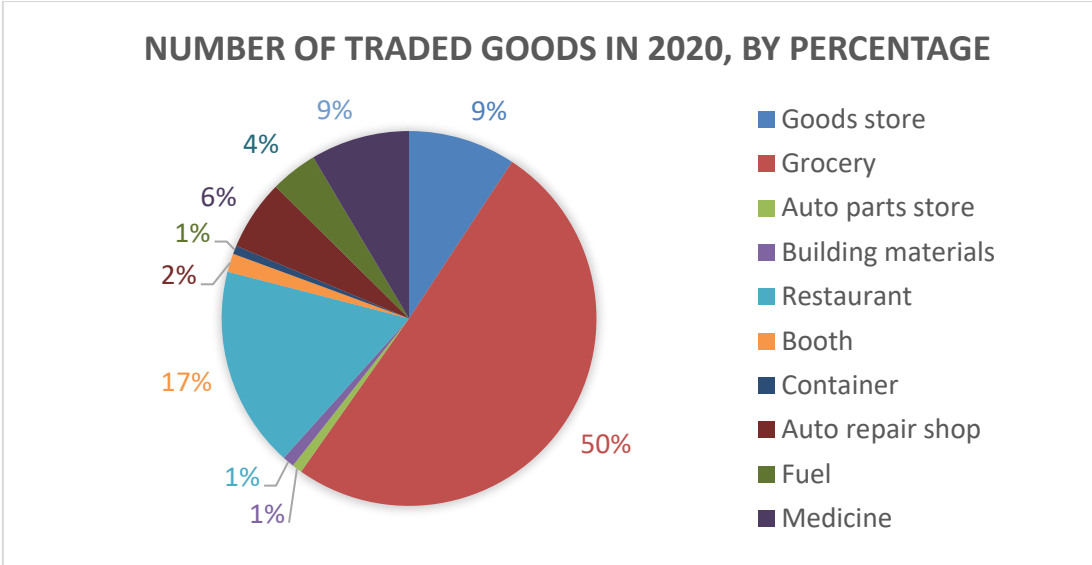


Figure 5. Number of traded goods in 2020, by percentage

2. There are 680 trade and catering establishments by 2021, making 130 billion MNT worth of goods, an increase of 2 percent from the previous year, even though their number of establishments is reduced by 11. Grocery stores accounted for 52 percent of the total trade, restaurants for 15 percent and medicine sales for 10 percent, goods stores for 9 percent, auto repair shops for 6 percent, fuel sales for 4 percent, and the rest of it for 1 percent of each.

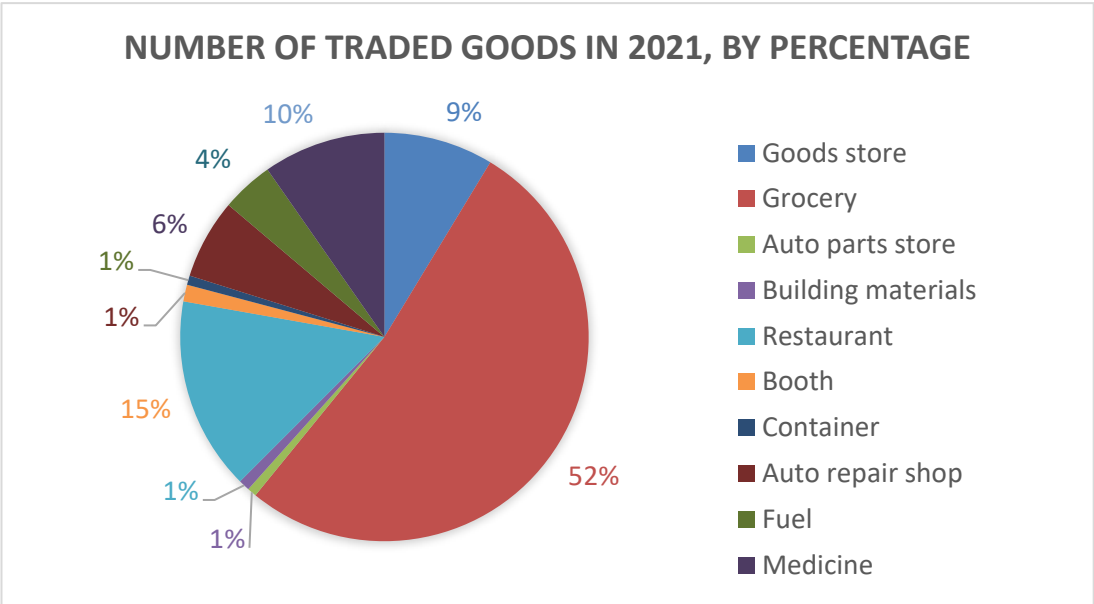


Figure 6. Number of traded goods in 2021, by percentage

### 7.2.5 Monthly average wages and salaries

This line graph, shows the average monthly salary of both male and female employees for the year between 2017 and 2021 is shown in 4 different measures including Ulaanbaatar, Darkhan, Erdenet, and nationally. In the figure 7, the average monthly salary of male employees in Erdenet is significantly higher than others. However, the average salary of female employees showing in the figure 8, in Erdenet increased steadily in 2017, 2018, and 2019, but has grown rapidly in the last two years, 2020 and 2021. Both male and female employees' average salaries in Erdenet are shown in black color.

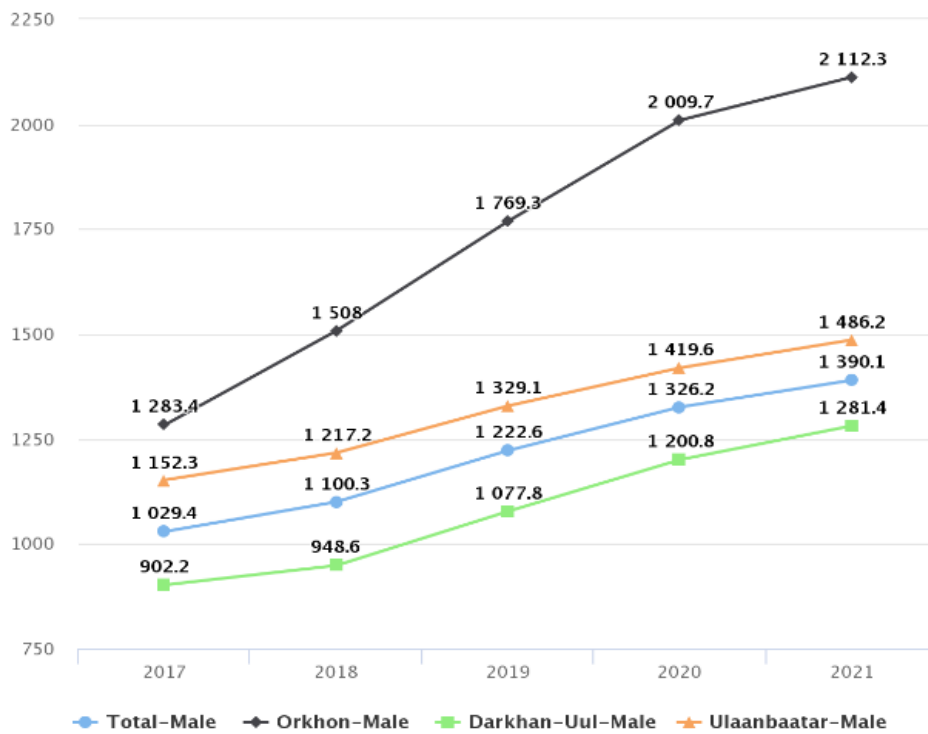


Figure 7. Male average monthly salaries

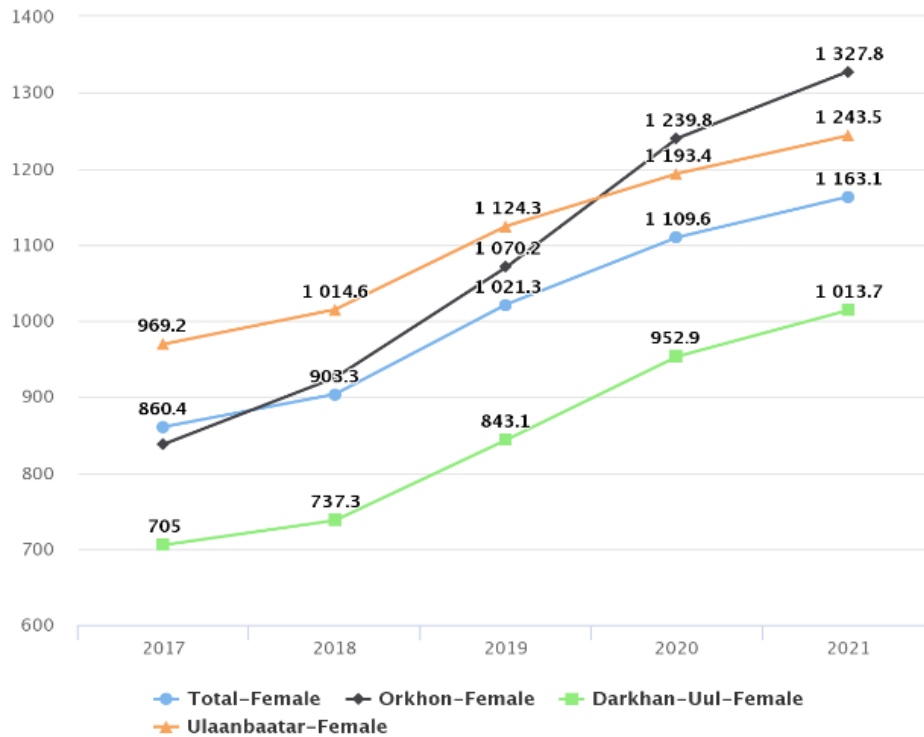


Figure 8. Female average monthly salaries

### 7.3 Challenges and difficulties

1. Health situation

According to the age category of people with Covid-19, 61.7% of working-age people are infected. Of which, 60% are in the service sector, 17.9% in industry, 13.1% in trade, and the rest in other sectors(11).

2. Policies, and decisions of the Mongolian Government

There are formal and informal enterprises operating in the MSMEs. So, even though the decisions and measures supported the businesses during that time, there are more decisions needed that are more related to the MSMEs and more coherent with their characteristics(12).

3. Business environment and activities

Mongolia's economy, especially in Erdenet city, is dependent solely on the growth of the mining sector, and MSMEs and other businesses tend to become overly dependent on mining.

## **7.4 Hypothesis**

### **7.4.1 Hypothesis1. *Erdenet Mining Corporation affects the all types of businesses in Erdenet city***

From my perspective, the companies or the entities including goods stores, restaurants and the businesses of the service sector have been changing/ increasing the price of the products and service depending on the word of mouth about the salary of the employees who work in EMC even the transportation cost or inflation affect the price. On the other hand, the purchasing power of the people in Erdenet is pretty good because of the salary of the EMC.

### **7.4.2 Hypothesis2. *No support for the informal or self-employed people***

Even though the government supports MSMEs, it does not have an impact on the self-employed or the informal sector of them. Rents in shopping malls and stalls are not decreasing, and the number of buyers is declining, making it difficult to get raw materials or products.

# 8 Methodology

## 8.1 Research study scope

The scope of the study will be to examine the impact of the Covid-19 pandemic on wholesale, retail and trade sector of the Micro, Small, and Medium-sized enterprises in Erdenet.

## 8.2 Research method

The methodology for determining the smallest unit is the research including experiment, survey, interviews, and case study(13). The main methods of this thesis work are the mixed method of qualitative and quantitative analysis, and Exploratory data analysis.

### 1. *Mixed method of qualitative and quantitative analysis*

The quantitative analysis depend on the Business Register in 1212.mn site of Mongolian Statistical Office, and the Statistical Office of Orkhon province. A business register is a database capturing key indicators for establishments such as the name of the establishment, address, tax registration number, capital, sales (fixed capital and sales income), and the number of employees(11). Also, it contains data on establishments, business entities, and their branches which are registered to run businesses and other activities in all economic sectors.

### 2. *Quantitive survey selection and its calculation*

The qualitative analysis depends on the interviews and survey of simple-randomly selected businesses, where located at Erdenet city. Sample size is determined by the standard method that accounts for:

- a. Population size-728  
(currently operating businesses wholesale, retail and trade sector)
- b. Desired Confidence level - 95%

A total of 60 micro, small and medium-sized enterprises owners operating in Erdenet city. Both face-to-face interviews and written surveys were conducted in person from 50 enterprises, and 10 enterprises were conducted using an online survey platform and tools

- c. Acceptable margin of error - 10%
- d. Prior hypothesis value - as default  $p=0.5$  in order to make unbiased hypothesis testing.

$$\begin{aligned} \text{Sample Size on General Population} &= (Z - \text{value})^2 \times p \times (1 - p) / (\text{Margin of Error})^2 \\ &= (1.96)^2 \times 0.5 \times 0.5 / (0.1)^2 = 96 \end{aligned}$$

$$\text{Modified Sample size} = \frac{\text{Sample Size on General Population}}{1 + (\text{Sample Size on General Population} - 1) / \text{Population Size}} = 67$$

Furthermore, due to the similarities of the micro and small businesses in Erdenet city, and accounting to the interview time and cost, in total 60 micro and small business enterprises are randomly selected and interviewed. Both face to face interviews and written surveys were conducted in person from 50 enterprises, and 10 enterprises were conducted using online survey platform and tools (phone).

The mixed method of these two are conducted because this thesis is considering the policies and legislation of the Government of Mongolia in order to prevent the Covid-19. Also, this method is better to get conclusion and performance because it is the integration and combination of quantitative and qualitative research and data(14).

### 3. *EDA Exploratory data analysis*

Using data visualization tools, this part summarizes and evaluates the study and survey. It aids in defining how to effectively manage data sources to obtain answers and makes it simpler to uncover patterns, test hypotheses, and validate assumptions(14).

## **9 Survey**

### **9.1 Design of the survey**

#### **9.1.1 Concept**

The survey covers general information including income, labor, growth, sales, and problems which occurred during the pandemic. It is focused on how the Covid-19 pandemic situation, and Government decisions and policies affected key measures of the processes and performance of the wholesale and trade sectors of the SMEs, and to better understand how they faced in response to the pandemic. Moreover, the purpose of taking this survey answers the research questions about the relationship between MSMEs and EMC. The results of this survey are useful for summarizing, comparing, and recommending my research.

#### **9.1.2 Questionnaire**

Firstly, 1-12 questions express general information such as the sectors of the enterprises, the number of employees, and monthly and annual income before the Covid-19.

Secondly, 13-33 questions are shown whether Erdenet Mining Corporation has an impact on the operations and revenues of their businesses.

Lastly, the questions 34-39 cover the impact of the operation, the pros, and cons of the Covid-19 period, and which the government's decisions at the time were effective. The survey questionnaires were developed based on similar surveys conducted in other surveys.

*Appendix 1 shows the questionnaire of the survey*

### **9.2 Survey results**

#### **9.2.1 General**

The survey included a total of 39 questions from the 8 different businesses in the retail and wholesale sectors. Below figures 9,10 shows the age structure of the total participants, and 32% were male and 68% were female.

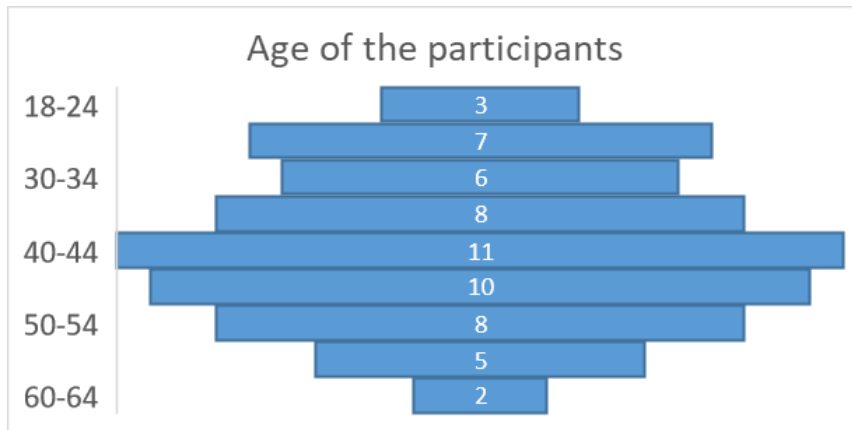


Figure 9. Age of participants

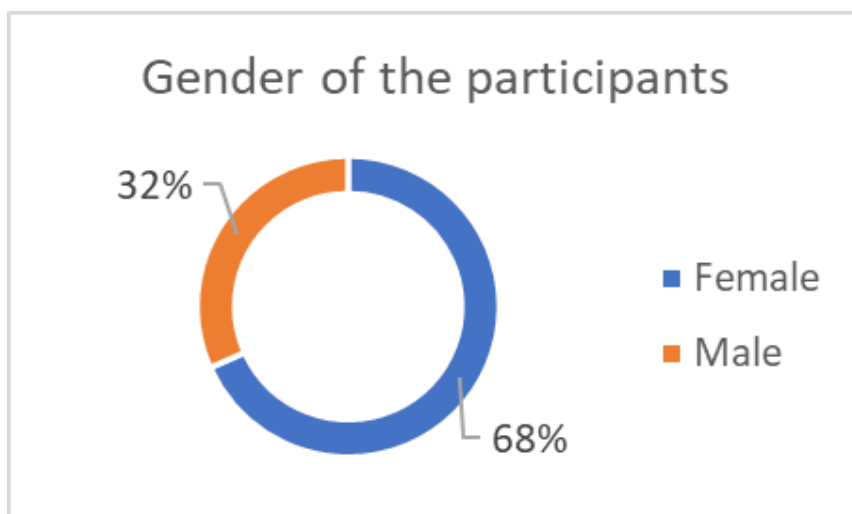


Figure 10. Gender of the participants

In terms of operation status, 27 businesses are operating as companies, 24 businesses are private or citizen-registered enterprises, and 6 businesses are unregistered or informal, while the rest are cooperatives and non-governmental organizations (Figure 11). By type of activity, there are 14 grocery stores, 11 construction materials, goods stores, and bars/restaurants, 5 pharmacies, 3 auto repair shops, 2 auto parts stores, and 3 other units.

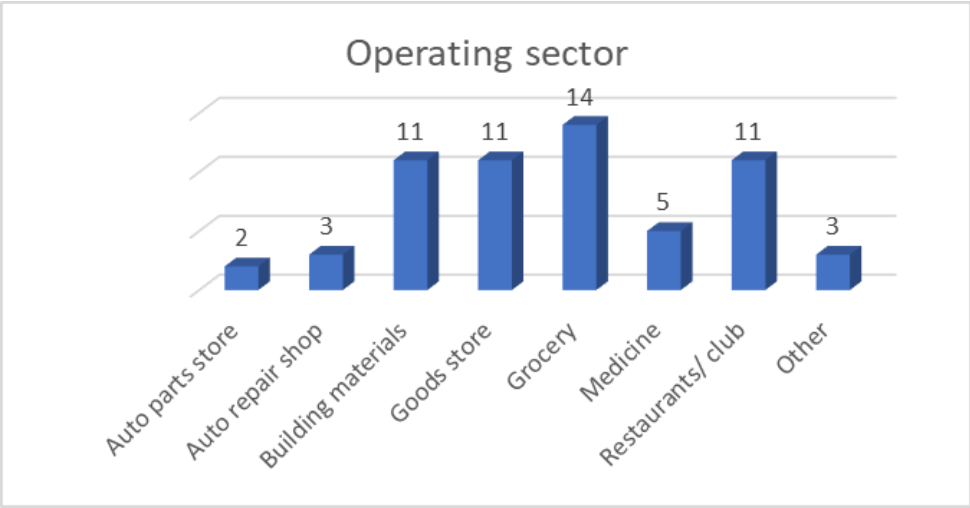


Figure 11. Operation status of the participants

In terms of the number of employees, the figure 12 shows that 81% of the respondents have 1-10 members or are micro-businesses, 17% are small-scale and 2% are medium-scale businesses. It is estimated that 63% of micro-businesses are 1-3 members, which means that they are solely individual or family-based businesses. Also, 57% of the rent the places where they are operating their businesses.

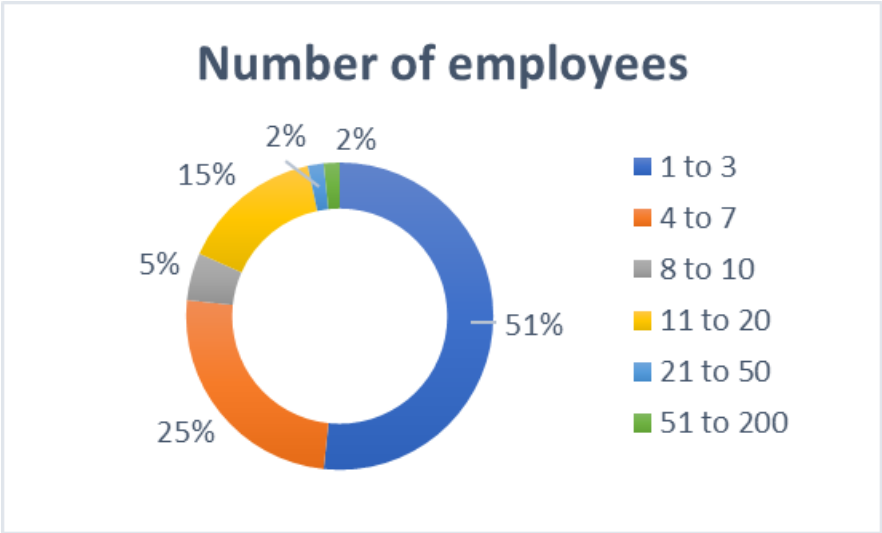


Figure 12. Number of employees of the participants

In duplicate number of responses, the figure 13 displays that they purchase goods, materials, and raw materials from 5 different places: including 61.7% from Ulaanbaatar, 51.7% from foreign countries, 50% from domestic factories, 26.7% from retail and wholesale centers in Erdenet, and 3.3% from the countryside's.

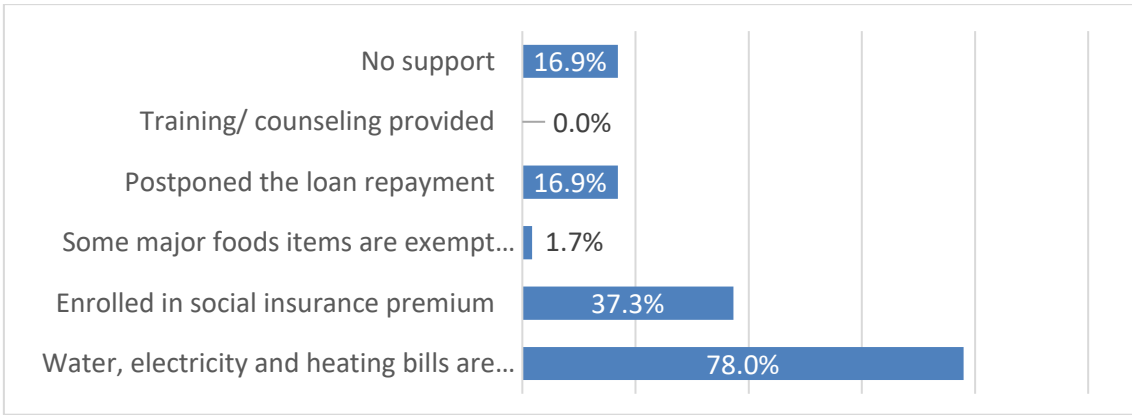


Figure 13. The supplier status of the participants

### Impacts of Covid-19 and Government decision

When asked how the Covid-19 pandemic affected their businesses, only 6% said they were normal, while the rest were difficult, very difficult, and had been partially shut down for some time, and 22% said they had stopped operating fully. The largest percentage of reasons for stopping their businesses in duplicate numbers was due to 98.1% for compulsory quarantine, 51.9% for inability to receive goods due to inter-city and border closures, and 13% for lack of manpower. Also, the problems they faced during the pandemic are shown in the figure 14, from top to bottom.

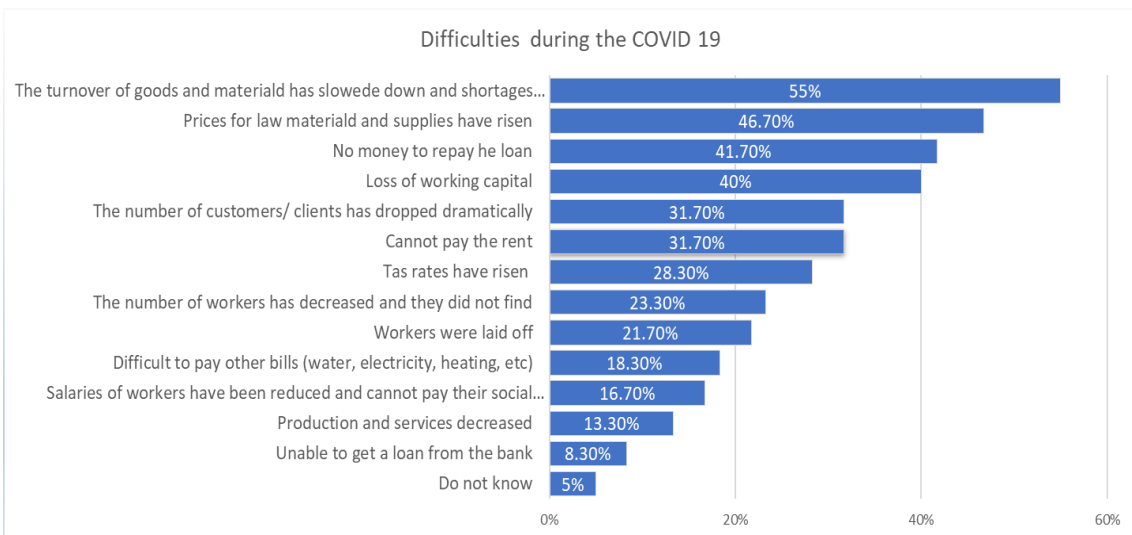


Figure 14. Difficulties during the pandemic

Moreover, when participants were asked how much their income could change, 90 percent responded it had decreased to some extent. As shown in the figure 15, the revenue of 35% of the total respondents were decreased by 26-50% and 33% of them were reduced their income by 51-90%.

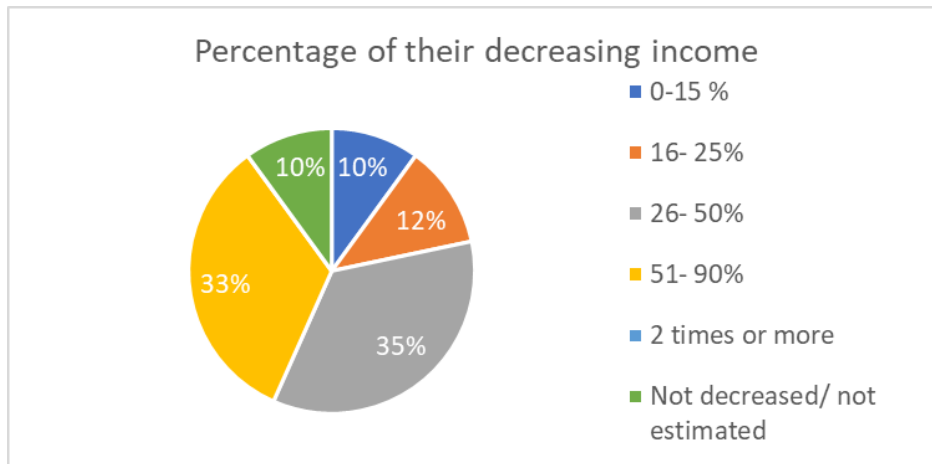


Figure 15. Impacts of their decreasing income, by percentage

On the other hand, in the figure 16, 13 respondents or 22 percent of the total had a few advantages when asked if there were any business-related benefits at that time; including 55.6% for introducing a new way of working, 50% for using new types of sales and distribution, and 16.7% for moving into another business.

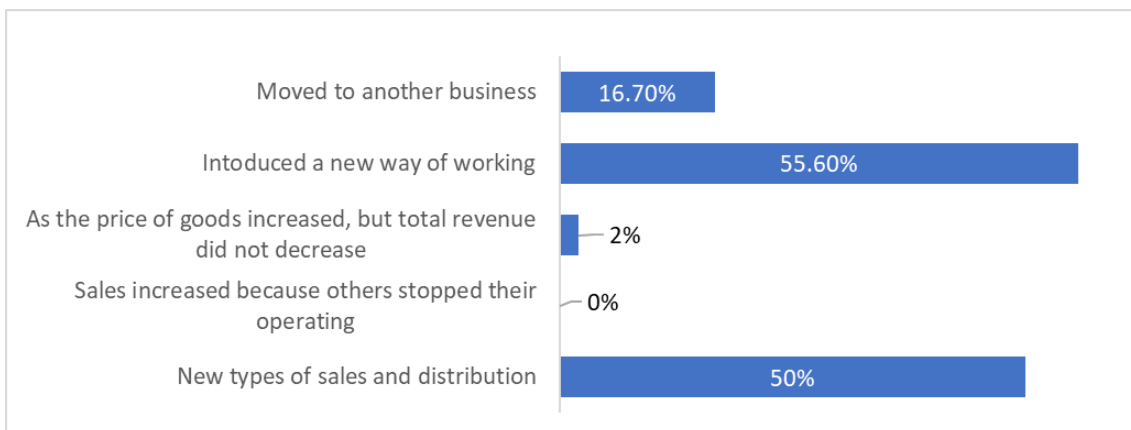


Figure 16. Advantages during the pandemic

The figure 17 shows that their businesses discontinued the operations for a period because their good and raw materials were delayed with 7 entities for up to 10 days, 24 entities for 11-60 days, and the rest of it for 2-3 months or more.

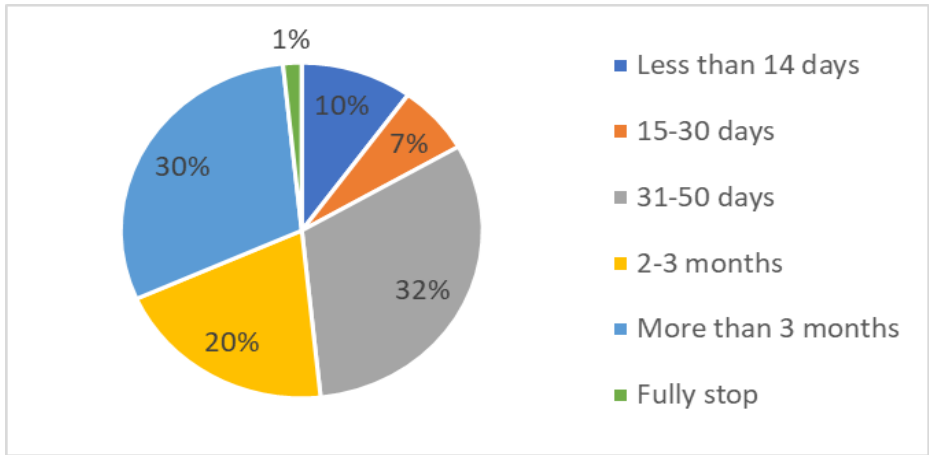


Figure 17. Period of raw material are delayed

Furthermore, regarding the measures taken by the Mongolian government at that time, they responded that only 5 percent of the total were effective, 48% for not effective in all sectors, and 47% for not effective which are shown in the figure 18.

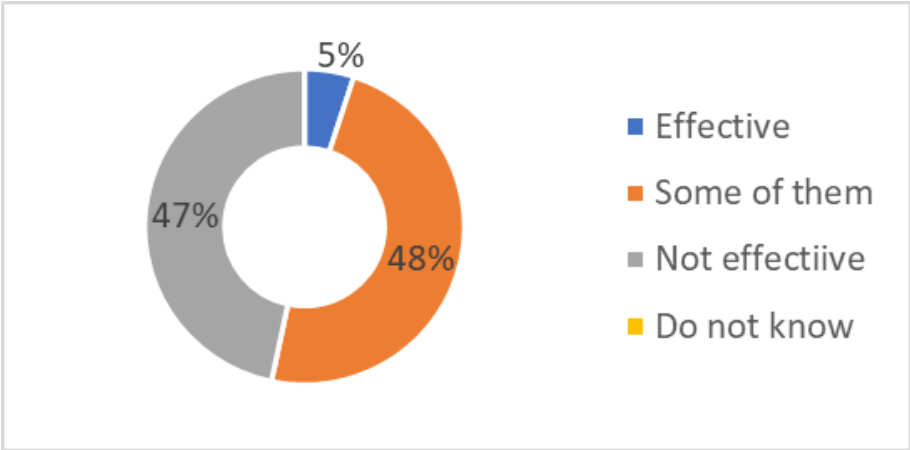


Figure 18. Effectiveness of the measures by Mongolian Government

But the figure 19 shows that in duplicate number, 78% of the total of them are supported financially by paying the bills of water, electricity, and heating of their businesses.

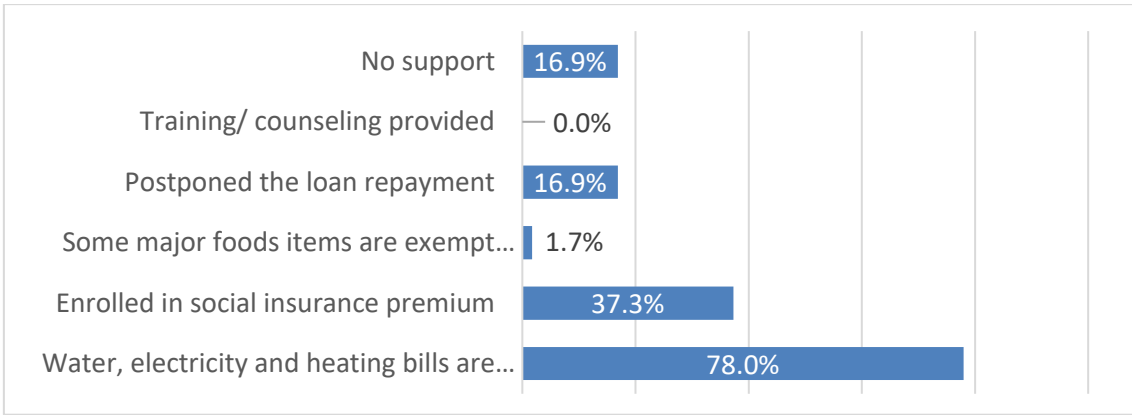


Figure 19. Supports from Mongolian Government

Also, the figure 20 shows what support is needed for participation: 76.7% of the total respondents for decreasing the taxes and value-added taxes, 68.3% for reducing the interest rate of the bank, 43.3% for clarifying the government decision and regulations, and 40% for providing the soft loan for the SMEs.

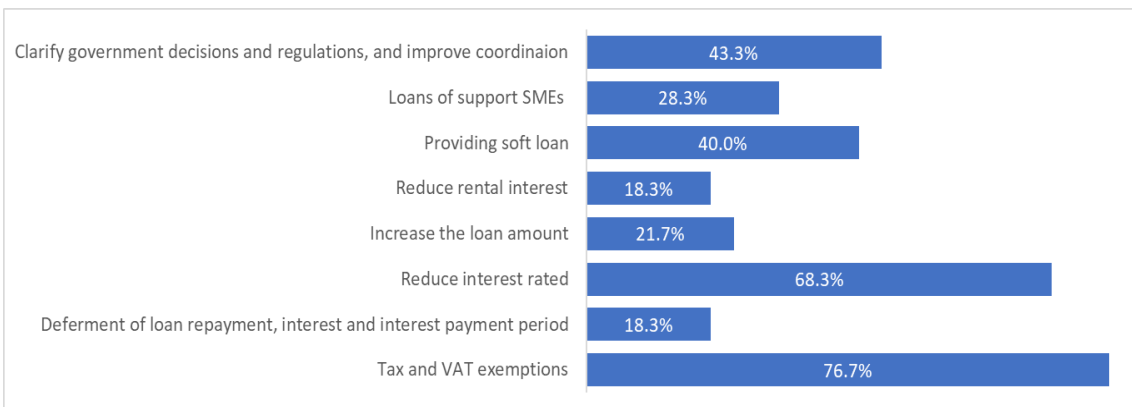


Figure 20. Supports which are needed for the MSMEs

As well as, when asked about the purchasing power of consumers at that time, 56.7% said that there was a significant decrease, and 43.3% said that they started to borrow goods to the consumers. Only 1.7% said there was no change and also purchasing power had improved.

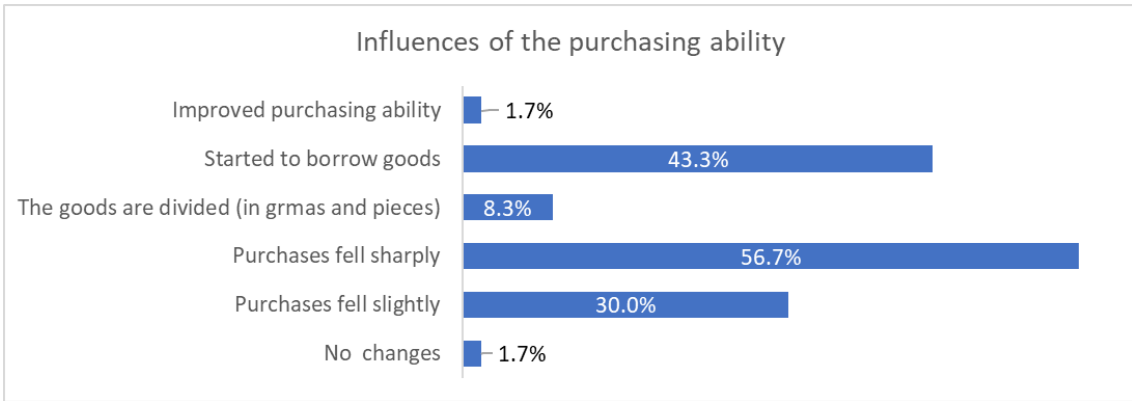


Figure 21. Influences of the purchasing ability

Lastly, this figure 22 displays that the impact on the salaries of employees during quarantine.

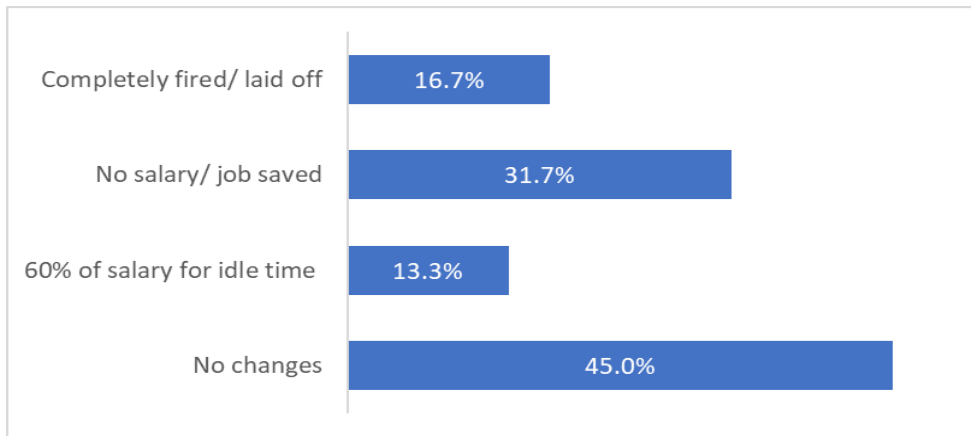


Figure 22. Impacts on salaries after the pandemic

### 9.2.2 Relationship between the businesses and EMC

The purpose of this section is to show whether the people working at Erdenet Mining Corporation had any influence or support on the business activities of the survey participants.

When starting their businesses, 39 people, or 65% said that they did not get the financial support from the people who work in EMC, so, it does not seem to be completely dependent on them for financing.

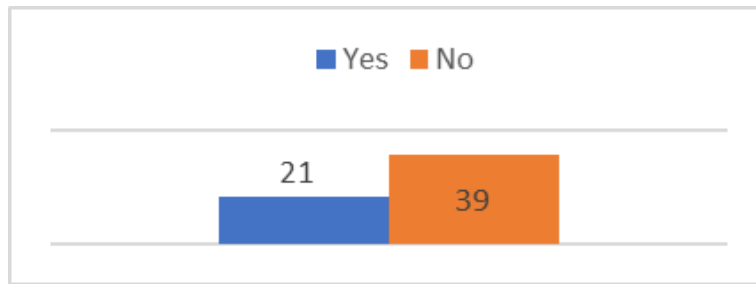


Figure 23. Answer of financing

Even though, when asked if there are any relatives, parents, siblings, or relatives who work at Erdenet Mining Corporation, 44 of them have in duplicated numbers, or 58% answered yes.

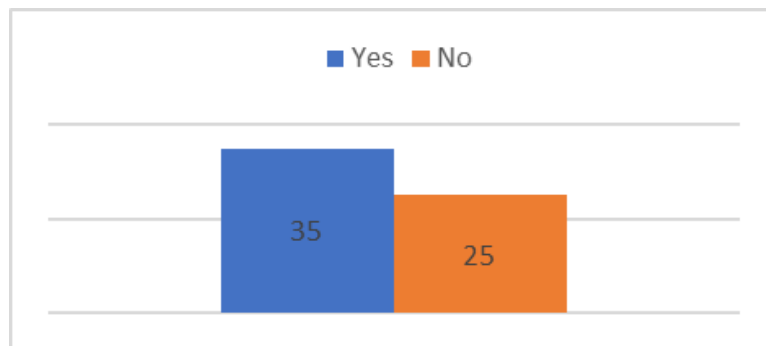


Figure 24. Answer of family member

The pie chart below displays whether the respondents consider that the purchasing power of Erdenet is better than other provinces:

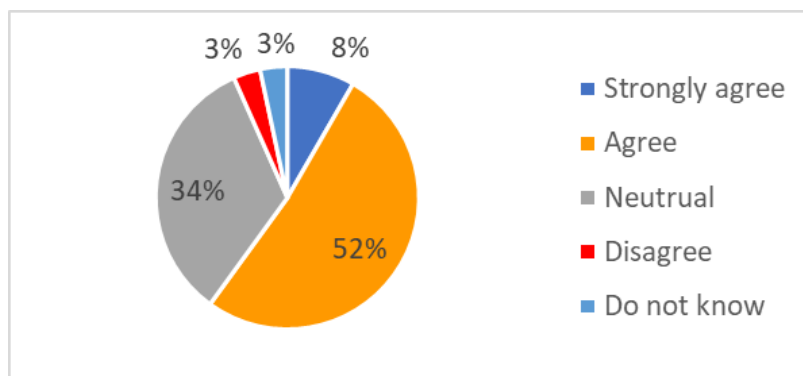


Figure 25. Purchasing power of Erdenet

Approximately 60% of respondents felt that persons who reside in Erdenet have higher buying power than others. But, as you can see from the chart below how well EMC has affected the businesses of MSMEs, 75.4 percent of their purchasing power

increases during the time of salary (2 times in a month), and 29.8 percent of most customers are employees of the EMC, and 8 percent make large purchases from MSMEs.

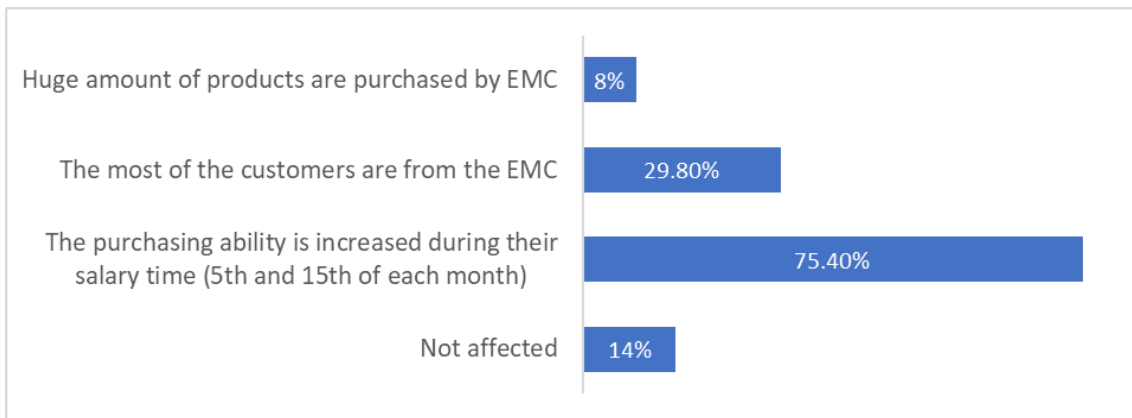


Figure 26. Affection of EMC to the MSMEs

# 10 Result and Discussion

## 1. *Impacts of Covid19*

The health situation and fatality rate are first considering things during the pandemic. However, the economic situation is secondary big problem. Covid-19 disruptions do not affect all businesses equally. Some are considered an essential part of human life and remained open, while others were required to close such as restaurants, bars, machine repairs and places of entertainment. Even though the power of employees was decreasing because of the sickness, but they still need the human primary need such as food. Thus, they have no significant impact on the sector of grocery shops and the pharmacies because they need the medical staff during the pandemic.

## 2. *The impact of the Government regulations which is related to the COVID-19*

Measures and regulations of the Government of Mongolia which affect directly to them are following:

- From February 2 to 13, 2020, air and rail traffic between Mongolia and China was closed to the high level of Disaster Protection.
- Border crossing were temporarily closed, and access was restricted
- From December 1, 2020, to July 1, 2021, the government introduced the measures to support households, businesses, organizations during the coronavirus infection, including exempting electricity, heat and steam, water and sewage services, and standers waste service fees.
- From January 31 to July 31, 2020, the Bank of Mongolia issued temporary change on loan repayment and related regulations because of the failure to repay loans. But informal business does not apply.

The government decisions helped the households and businesses to decreasing the operational costs during a crisis. During the survey, 78 percent of the respondents received this support in duplicate numbers, and all both formal and informal agreed that it was positive influential support.

However, as a result of closure of borders, it was directly affected their business inventory turnover, because the 81% of a total responder are micro businesses, who are less than 10 million MNT monthly income and figure 17 showed that their goods and raw materials were delayed with 7 entities for up to 10 days, 24 entities for 11-60 days, and the rest of it for 2-3 months or more. It means that suppliers began to raise the prices of raw materials, goods because of shortages of them and reduction in the warehouse or container. From the survey, the reasons why the suppliers have increased prices by a few percentage points include 10 percent of responders for less than 10%, 45 percent of them for increasing 11-25%, 8 percent of them for 26-50% and 5 percent of them for more than 50%.

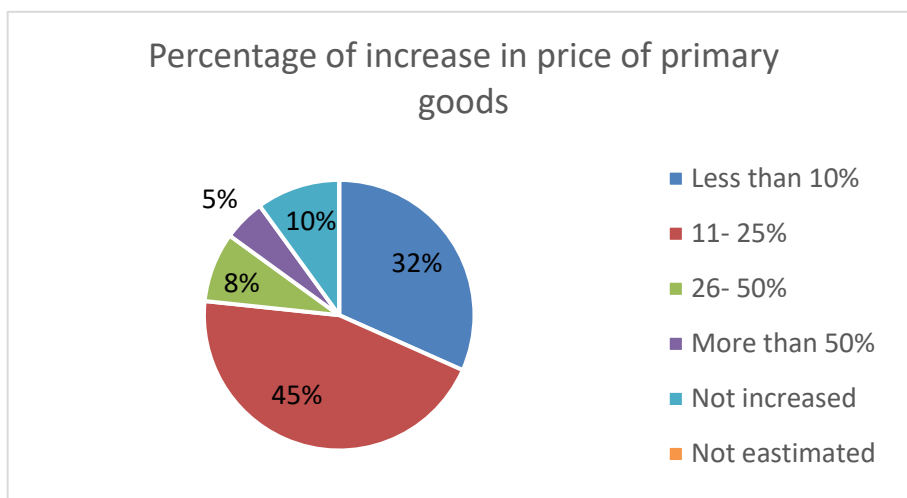


Figure 27. Percentage of increase in price of good

As a result of this increasing price, 57 percent of the retail and trade businesses raise the final price of their goods. Also, the figure 28 displays that the causes of increasing price, which including 89.2% for the manufacturer and wholesaler have increasing prices and 86.5% for due to the increase in transportation fees.

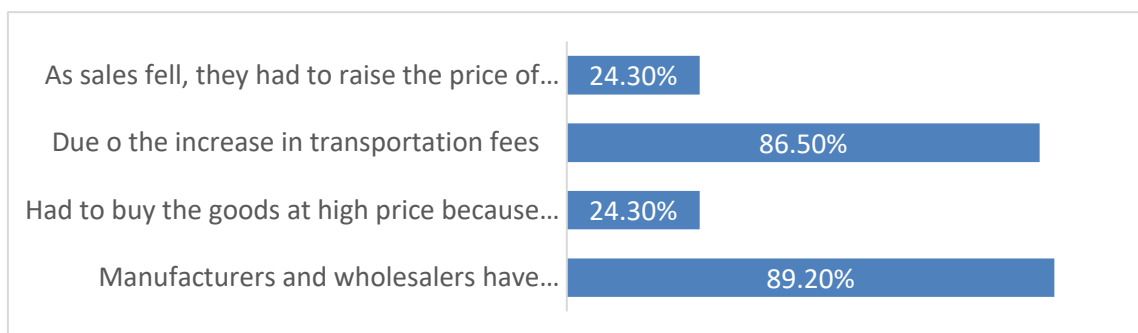


Figure 28. Causes of increasing price

Moreover, the cost of transportation has increased due to the closure of traffic within Mongolia and between provinces. From the quantitative survey analysis, we can see that they purchase their products from Ulaanbaatar and Foreign which are the highest share of their supplier.

Additionally, in 2021, according to the Mongolian Statistical Office, the transport producer index reached 158.4, an increase by 5.2 percent compared to the same period of the previous year(11)

### 3. Relationship between the EMC and micro and small-sized businesses operating in Erdenet city

Firstly, the figure 2 shows that the MSMEs contribution to the GDP, the Erdenet is much lower than others because the majority sector of contribution to the GDP of Erdenet is the mining sector. According to the Statistical Office of Orkhon provinces, the foreign trade turnover is 3'600 billion MNT, following exports are 89.4%, imports are 10.6%(3). In terms of the structure of exports in 2021, the copper concentrate is 84.8%, the cathode copper is 7.8%, the molybdenum concentrate is 7.2%, and 0.2% belongs to the other. Moreover, the purchasing power of the people who live in Erdenet is more than others. The figures 7, 8 show that both male and female's average monthly salary is higher than Darkhan, Ulaanbaatar, and the national average. As of 2020, the average monthly salary of employees of the Erdenet Mining Corporation has reached 2.9 million MNT(15). Moreover, a total of 8 different sectors were divided into two categories: direct and indirect for human consumption. Table 5 shows that both groups concluded that the purchasing power of Erdenet citizens was generally above average. However, 2 responders or 7% of indirectly dependent answers considered the purchasing power of citizens to be lessen. The reason for this, they said, is that people shop outside of the Erdenet because they thought that the prices of construction materials and related materials, as well as clothing stores, are higher than in other provinces. The products of these businesses are not limited to the purchasing power of citizens in Erdenet but are purchased from other nearby provinces and sums.

	Sectors	Number of the businesses	Purchasing power of Erdenet comparison with other provinces				
			Very	Good	Neutral	Bad	Do not know
Direct	Grocery shops, restaurants, bar club, pharmacies	30	3	19	7	0	1
Indirect	Building material, goods store, auto repair shop, and auto parts store, others	30	2	13	13	2	0

Table 5. Answers about purchasing power of Erdenet is well

Then, 45-60 percent of them answered yes to the question of whether there is a person working in their family circle at EMC. Businesses in the direct consumption sector received financial support from them when they started their operations. However, almost half of businesses in the indirect sector consumption sector did not get the financial support.

	Sectors	Number of the businesses	Family member who works in EMC		Financial support from them	
			yes	no	yes	no
Direct	Grocery shops, restaurants, bar club, pharmacies	30	14	16	13	17
Indirect	Building material, goods store, auto repair shop, and auto parts store, others	30	19	11	8	22

Table 6. Answers about their family member who work in EMC

# 11 Conclusion and recommendations

## 11.1 Conclusion

The main goal of this thesis is to investigate how the Covid infections affected the micro, small and medium-sized enterprises in Erdenet city as well as to find the relationship between Erdenet Mining Corporation and them. To accomplish this goal, the face-to-face interviews and written survey were taken from the wholesale, retail, and trade sector of MSMEs and analyzed with the decisions and act of the Government of Mongolia.

Restrictions on businesses during the Covid-19 affected each sector differently, for example, grocery stores and pharmacies intended to meet basic human needs were almost non-existent, but the purchasing of clothes and materials, as well as machinery and equipment, and the sale of auto parts and auto repair shops were severely affected because of the long-term quarantine.

The government actions toward businesses did not support micro, small-sized, or informal businesses in Erdenet during the pandemic. For instance, the businesses studied did not receive any training or advice, and 16.9% of them said that they did not have any support from the Government. This indicates a lack of access to information and the government policy has a negative impact on the wholesale and retail trade sector of micro, and small-sized enterprises. However, government measures to reduce the impact of the pandemic, including paying the electricity, heating, steam, heating bills, water, and sewage bills, and simple waste service fees, have supported most of the businesses and households of the participants.

The main processes that influence the continuous operation of MSMEs are the continuous operation of goods and their revenue. 94 percent of those surveyed responded that the coronavirus affected their businesses directly and harshly, and the main reasons for the closure were compulsory quarantine, inter-city and border closures and the lack of manpower. Therefore, they are very economically vulnerable.

Additionally, the support they need most is tax and value-added tax exemptions, decreasing interest rates, and soft loans for the micro, small-sized or informal businesses. To mitigate and overcome this difficulty and constraint, they have reduced the price of the final product to reach customers, find new distribution channels, increase

the number of product types to keep the customers and develop revenue and offer them flexible payment terms.

## **11.2 Recommendation**

Based on this thesis work, the following are for researchers interested in further research in this area developed recommendations:

### *From the survey analysis*

- The most important issue in COVID-19 time was the supply chain of products, and the search for ways to clarify this issue and use digital tools and technology
- Due to the quarantine situation, it is most common for countries to close their borders. So, to diversify their sources of supply.
- According to the results of the survey, the lack of knowledge and information provided to MSMEs during the pandemic, especially to the informal sector. Thus, the Administration of the each provinces or the sums should pay attention to them
- According to the survey, they need coherent regulations and policies. Even though making decision is challenging, but decision-makers in government and other associated agencies, as well as those in positions of authority, should act as soon as possible.
- Extensive quantitative and qualitative research on MSMEs. For instance, agriculture and forestry, the light industry, and service of entertainment, arts, and games which can be viewed from another perspectives within the industries

### *From the lesson learned*

- Of the 60 enterprises surveyed, 50 were interviewed in person and 10 were interviewed online. At the beginning, to accomplish the survey goals, need to be mentally prepared because meeting a lot of people with different personalities and characteristics during the face-to-face interviews. The questions should be designed to be clear and easy for the participants.
- In the case of surveys in person, it took 3 days to complete it, but it took a lot of effort and time to get it over the phone or online even though number

of online interviews are much less than other one. The timing should be well calculated.

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# 13. Appendix

## Appendix 1: Questionnaire

### One. General information on Enterprises and Respondents

1. Таны нас
2. Хүйс
3. Ямар хэлбэрээр үйл ажиллагаагаа эрхэлдэг вэ?
4. Үйл ажиллагаа явуулж буй салбар?
5. Хэдэн жил бизнесээ эрхэлж байгаа вэ?
6. Байгууллага тань хэдэн ажилчинтай вэ
7. Ковидын өмнө сарын нийт орлого ямар байсан бэ?
8. Ковидын өмнө таны жилийн орлого ямар байсан бэ?
9. Нийгмийн даатгалын шимтгэл төлдөг эсэх?
10. Хүн амын орлогын албан татвар төлдөг эсэх?
11. Тайлан тэнцэл гаргадаг эсэх?
12. Үйл ажиллагаагаа явуулдаг газраа түрээслэдэг үү?

### Two. Operation of their businesses

13. Бүтээгдэхүүний нийлүүлэлтээ хаанаас хийдэг вэ?
14. Цар тахлаас үүдэн хөл хорионы дэглэм тогтоосон нь байгууллагын тань үйл ажиллагаанд ямар нөлөө үзүүлсэн бэ?
15. Хэрвээ үйл ажиллагаагаа тодорхой хугацаанд зогсоож байсан бол энэ нь Ковид-с болсон уу?
16. Нийт хэдэн хоног үйл ажиллагаа зогсоож байсан бэ?
17. Үйл ажиллагаагаа зогсоосон шалтгаан
18. Ковид- 19 цар тахалын үед ямар ямар хүндрэлүүд гарсан бэ?
19. Ковид- 19 цар тахалын үеэр таны сарын орлого хэрхэн өөрчлөгдсөн бэ?
20. Хэрэв буурсан бол ойролцоогоор хэдэн хувь буурсан бэ?
21. Ковид- 19 цар тахалын үед бизнесд тань давуу тал гарсан уу?
22. Хэрэв тийм бол ямар давуу талууд гарсан бэ?
23. Ковидын үед таны худалдан борлуулж байсан бараа түүхий эдийн нийлүүлэлт тасарч/ хомсдож байсан уу?
24. Бараа, түүхий эдийн нийлүүлэлт ойролцоогоор хэд хоног тасарч/ саатаж байсан бэ?
25. Таны худалдан авч борлуулж байгаа барааны үнэ (үйлдвэрлэгч, бөөний худалдааны төвөөс авдаг үнэ) дунджаар хэдэн хувь нэмэгдсэн бэ?
26. Та борлуулж буй бараа бүтээгдэхүүнийхээ үнийг нэмсэн үү?
27. Хэрвээ нэмсэн бол шалтгаан нь юу вэ?

28. Монгол улсын төрөөс хэрэгжүүлж буй бодлого, арга хэмжээнүүд таньд хэр өгөөжтэй байсан бэ?
29. Дэмжлэг авсан байдал?
30. Төрөөс ямар дэмжлэг үзүүлвэл хэрэгтэй гэж бодож байна вэ?
31. Хэрэглэгчидээ хадгалахийн тулд ямар арга хэмжээ танай байгууллагын зүгээс авсан бэ?
32. Ковид-19 гарсанаас хойш иргэдийн бараа худалдан авах чадварт ямар нөлөө гарсан бэ?
33. Хөл хорионы үеэрх ажиллагсдын цалинд үзүүлж буй нөлөө

### **Three. Relationship between MSMEs and EMC**

34. Үйл ажиллагаагаа эхлүүлэхдээ анх ямар мөнгөний эх үүсвэр ашиглаж байсан бэ?
35. Хэрэв гэр бүл, ойрын хамаатан дундаасаа санхүүгийн дэмжлэг авсан бол тэдгээрээс Эрдэнэт Үйлдвэр ТӨҮГ-т ажилладаг хүн байсан уу?
36. Гэр бүл, ойрын хамаатан дунд Эрдэнэт Үйлдвэр ТӨҮГ-т ажилладаг хүн байгаа юу?
37. Эрдэнэт хотын иргэдийн бараа, бүтээгдэхүүн худалдан авах чадвар нь бусад орон нутгуудтай харьцуулбал хэр сайн гэж бодож байна вэ?
38. Таны бизнест Эрдэнэт Үйлдвэр ТӨҮГ-ийн талаас нөлөөлж буй нөлөөлөл байдаг уу?
39. Хэрэв тийм бол хэрхэн нөлөөлдөг гэж бодож байна вэ?

### *Appendix 2. The laws and measures of the Mongolian government during the pandemic:*

On March 27, 2020, the Government of Mongolia announced the following measures against Covid-19(10). These include:

- Business entities and organizations other than the state and locally owned and partly legal entities that have been imposed from February 1, 2020, to April 1, 2020, which have not paid social insurance premiums within the period specified in the law shall be subject to Article 10.17 of the Law on Violations. Exemption from the fine specified in paragraph 3 and from the penalty specified in the second sentence of the article description.
- In case of non-payment of tax imposed or reported by a taxpayer in accordance with the law, the taxpayer shall be exempted from tax penalties and fines imposed from February 1, 2020, to September 1, 2020.

- From February 1, 2020, to September 1, 2020, if the proof of the payment of the people, who reduce the rental of the place including the markets, center of the trade, manufactures, services, private schools, kindergartens, and the services of the caring the babies, is approved by the article 28.5 of the Law of Taxes and the contract within the proof of payment, they can be provided a corporate income tax credit to be levied on rental income at a reduced rate.
- The goods, including sugars, vegetable oils, all kinds of rice, 15,000 thousand tons of elite seed wheat, and 160,000 tons of food wheat, are imposed by customs and value-added tax on imported goods, which are excluded from March 1, 2020, to June 30, 2020.
- The social insurance premiums are paid to the employees by the business entities and companies, which are excluded from April 1, 2020, to October 1, 2020.
- The personal income tax which is taken from the salaries of the citizens is excluded from April 1, 2020, to October 1, 2020.
- Provide a three-month allowance of 200'000 MNT to each employee of a private organization who retains a job despite declining their salaries.
- On April 29, 2020, the Parliament of Mongolia approved Resolution No. 32 on measures to ensure financial and economic stability, risk prevention, and electronic transition to public services during the outbreak of coronavirus infection. The resolution:
  - Reducing bank lending rates and borrowing costs
  - Intensify the activities of the loan guarantee fund and increase its accessibility to support the business activities of SMEs and service providers.