Evaluating the impact of logistics infrastructure on the functioning and development of regional economy

Abstract. In the article, key factors of development and main elements of logistics infrastructure are outlined, their impact on different areas of regional economy is evaluated. The authors conducted comparative study of different groups of factors and built an econometric model for some of them. The resulting regression made it possible to find important interdependencies for Kazakhstan, namely: increase of the demand for transport and logistics services by 1% leads to GRP increase by 7.013 billion tenge (USD 20.7 mln); the investment to the infrastructure sector increase by 1% leads to GRP increase by 0.638 billion tenge (USD 1.9 mln); the commodity stocks in warehouses increase by 1% leads to GRP increase by 2.747 billion tenge (USD 8.1 mln), and increase in tariffs on transportation by 1% results in GRP decrease by 25.745 billion tenge (USD 75.9 mln).

To increase the efficiency of the regional economy functioning, the authors introduced an approach to regulate and manage logistics infrastructure in the regions, incorporating the latest global trends as well as adapting to the unique needs of different macro-regions of Kazakhstan (in terms of their investment and logistics capacities). The carried out grouping of the Kazakh regions within the author approach made it possible to ground the formation and singling out the perspective growth poles which should become the country's integration zones with regional and global markets. They are the hubs in the following macro-regions: North with the centre in Astana; Central-East with its centre in Ust-Kamenogorsk city; West with the centre in Aktobe; South with its centres in Almaty and Shymkent. The economic characteristics and development potential of each growth pole is presented in the paper.

Keywords: Logistics Infrastructure; Transportation; Econometric Model; Economic Development; Economic Growth; GRP; Region; Growth Pole; Macro-region; Kazakhstan

JEL Classification: C15; N70; O11; O18; R11

DOI: https://doi.org/10.21003/ea.V160-20
1. Introduction

In contemporary economy, the role of logistics and its infrastructure in formation of the competitive advantages of the territory is growing. Development of logistics and infrastructure provides strong impetus for different activities at the regional level (domestic, export and transit potential in the transport of goods, cargo processing, etc.). These issues are relevant for Kazakhstan, seeking to turn itself into international trade, logistics and business hub to ensure long-term economic growth of the republic [1]. To achieve this goal, central and local governments and private businesses are involved in the development and improvement of logistics infrastructure.

However, the question remains to what extent the development projects of logistics facilities will be optimal for specific regions of Kazakhstan. In our study, analysis of logistics infrastructure impact on the economic development of regions in Kazakhstan is carried out.

2. Brief Literature Review

Development of logistics infrastructure is one of the key factors for economic growth of the country, and it is aimed to ensure the delivery of commodities from producer to consumer with a maximum efficiency.


Development of logistics infrastructure is one of the major priorities for the economies across the globe. International practices emphasize priority of improving logistics management systems and elimination of non-physical limitations as a precondition of further development of infrastructure assets. According to the World Bank, in logistics performance indicators (LPI) ranking from 2014 Kazakhstan was 88th (out of 160 countries, above Sri Lanka, Russian Federation, Uruguay, Armenia and Moldova), while Germany, the Netherlands, Belgium, United Kingdom, Singapore were leading (from 1st to 5th, respectively) [17].

There are several negative factors behind Kazakhstan's low economic density: unevenness of socio-economic development of regions; undeveloped logistical infrastructure of transport ports, roads and airports, in construction of intermodal terminals. This gap is behind weaker competitive positions of the country compared with some of its neighbours (namely, Russia and China) in attracting international transit of goods. In turn this limits opportunities to increase the general volume of transit.

While research of the impact of logistics infrastructure on the regional economies is numerous, current state of the field presents no composite methodological approach to evaluate this impact on the whole real sector of the economy, as well as on separate sectors and territories.

3. Research goal

is to investigate the impact of logistics infrastructure on economic development, and to identify future directions of logistics infrastructure in the regions of Kazakhstan.

4. Results

Our analysis shows that for the development of manufacturing and economic growth, it is not enough to mass additional resources, but to incorporate their transportation into production chain when resources are delivered to a manufacturer in due time, quantity and condition. Importance of the logistics infrastructure for the development of regional economy, in our opinion, can be reflected by the following elements.

1. Space and location of the logistics infrastructure as a factor of the socio-economic development of the country improvement.

It is possible to boost socio-economic development of the region with adequate and well-tuned logistics mechanism. It has to address peculiarities of the economic development of the region, location and spatial development of the territories. In such conditions, the business allocated in the certain regions will be able to cost-effectively ensure supply of regional consumer market with goods; also, new workplaces will be created boosting the rise of regional economies.

Economic density of the regions of Kazakhstan has a high degree of regional disparities, uneven distribution of productive forces and different levels of development of the regions [18]. The main reasons are low density and uneven distribution of the population of Kazakhstan. The density of population in the national average is 6.3 people per sq. km, while the regions ranged from 2.7 people per sq. km in Aktobe region to 23.5 people per sq. km in the South Kazakhstan region, with even higher numbers in big cities: Almaty (4105.8 per sq. km) and Astana (1218.4 per sq. km) [18].

There are several negative factors behind Kazakhstan's low economic density: unevenness of socio-economic development of regions; undeveloped logistical infrastructure of transport nodes which is limiting development of the logistic services; absence of river transport nodes; lack of access to the open seas.

Logistics infrastructure is affecting most aspects of regional development, which defines its impact on socio-economic development of the region. The gross regional product (GRP) is widely recognized as a main indicator of the level of socio-economic development of the region. Almaty is leading the list of regions with almost 1/5 of the total amount of country's GRP (19% in 2014), while least successful among Kazakhstan's 16 regions Zhambyl and North Kazakhstan amount only 2.5% and 2.2% of total GRP respectively [19].
The assessment of the impact of logistics infrastructure on GRP starts with identification of infrastructure functioning indicators: Among these: volume of transport and logistics services; revenues from the transport and logistics activities; volume of trade; volume of industrial manufacturing; investment in the infrastructure; tariffs for transportation; income per capita, etc. [13; 16].

To assess the role of logistics infrastructure in the sustainable development of regional economy, we should define the indicators of the logistics infrastructure, significantly affecting the GRP. We choose the following: volume of transport and logistics services; volume of retail trade; volume of industrial production; investment in infrastructure sectors (transport and warehousing, information and communication); commodity stocks in a commercial network; tariffs for transportation of goods. The dynamics of the GRP and the abovementioned mentioned indicators for 2001-2015 is shown in Table 1.

Based on the results shown in Table 2, the dependence of $y$ on $x_1$, $x_2$, $x_3$, $x_4$, $x_5$, and $x_6$ will have the following form:

$$y = -1630.8 + 7.013x_1 + 0.445x_2 + 0.293x_3 + 0.638x_4 + 2.747x_5 - 25.745x_6$$

Table 2 shows that the coefficient of determination $R^2 = 0.8183$, which means that the regression equation (1) is adequate. The resulting regression equation (1) makes it possible to draw the following conclusions for Kazakhstan: if the demand for transport and logistics services increases by 1%, GRP will increase by 0.445 billion tenge (USD 1.3 mn); if the volume of industrial production will increase by 1%, GRP will increase by 0.293 billion tenge (USD 0.864 mn); if the investment to the infrastructure sector increases by 1%, the resulting regression equation (1) makes it possible to draw the following conclusions for Kazakhstan: if the demand for transport and logistics services increases by 1%, GRP will increase by 0.445 billion tenge (USD 1.3 mn); if the volume of industrial production will increase by 1%, GRP will increase by 0.293 billion tenge (USD 0.864 mn); if the investment to the infrastructure sector increases by 1%, GRP will increase by 0.638 billion tenge (USD 1.9 mn); if the commodity stocks in warehouses increases by 1%, then GRP will increase by 2.747 billion tenge (USD 8.1 mn), and increase in tariffs on transportation by 1% would lead to decrease in GRP by 25.745 billion tenge (USD 75.9 mn).

It should be noted that the demand for transport and logistics services, changes in tariffs and commodity stocks in the commercial network have much greater impact on GRP than all other factors.

On the basis of the model (1), GRP can be regulated by using the above levers (volume of production in industry, retail trade, investments, commodity stocks in trade, tariffs) in the interests of the state.

Thus, the results of the econometric analysis were used to determine the relationship of logistics infrastructure and regional economy, as well as to assess the situation, and to test the ability to make predictions.

2. Logistics infrastructure as a factor of development and optimization of market of commodity distribution services and networks in the region and logistics services infrastructure development in the regions of Kazakhstan, a differentiation of regions by a number of economic indicators was held.

The authors selected two groups of indicators that characterize the full impact of the logistics infrastructure potential on the economy of a particular region.

1. Investment attractiveness (IA) of logistics infrastructure in the region, which includes the indicators shown in Table 3.

2. Logistics potential (LP) of infrastructure development of commodity distribution network in the region. Method of integrated evaluation of logistical potential, proposed by the authors, includes the following groups of parameters [16]: characteristics of the transport and logistics sector of activity; potential development of logistics infrastructure; potential development of trading infrastructure; potential of institutional security in industry.

To build the LP, data from the Committee on Statistics of the Republic of Kazakhstan were used [22, 23].

### Table 1: Dynamics of growth of GRP and some logistics infrastructure indicators in Kazakhstan, 2001-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>GRP, bin tenge (USD bln)</th>
<th>Transportation services, bin tenge (USD bln)</th>
<th>Volume of retail trade, bin tenge (USD bln)</th>
<th>Volume of industrial production, bin tenge (USD bln)</th>
<th>Investment in the industry, bin tenge (USD bln)</th>
<th>Commodity stocks, bin tenge (USD bln)</th>
<th>Change of tariffs for transportation of goods, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>25123.6 (74.2)</td>
<td>1174.7 (3.5)</td>
<td>801.7 (2.4)</td>
<td>1942.4 (5.7)</td>
<td>127.4 (0.38)</td>
<td>5.9 (0.05)</td>
<td>6.5</td>
</tr>
<tr>
<td>2002</td>
<td>3776.3 (11.1)</td>
<td>1249.7 (3.7)</td>
<td>895.4 (2.6)</td>
<td>2353.4 (6.9)</td>
<td>135.2 (0.40)</td>
<td>7.3 (0.06)</td>
<td>8.9</td>
</tr>
<tr>
<td>2003</td>
<td>4613.9 (13.6)</td>
<td>1315.4 (3.9)</td>
<td>968.9 (2.9)</td>
<td>2845.9 (8.4)</td>
<td>158.7 (0.47)</td>
<td>18.2 (0.07)</td>
<td>12.6</td>
</tr>
<tr>
<td>2004</td>
<td>5870.1 (17.3)</td>
<td>1414.5 (4.2)</td>
<td>1218.9 (3.2)</td>
<td>3798.9 (11.4)</td>
<td>183.2 (0.55)</td>
<td>24.3 (0.09)</td>
<td>14.9</td>
</tr>
<tr>
<td>2005</td>
<td>7960.5 (22.1)</td>
<td>1520.9 (4.5)</td>
<td>1408.7 (4.2)</td>
<td>5281.9 (15.6)</td>
<td>194.3 (0.57)</td>
<td>34.9 (0.10)</td>
<td>8.1</td>
</tr>
<tr>
<td>2006</td>
<td>10213.7 (30.1)</td>
<td>1618.0 (4.8)</td>
<td>1736.8 (5.1)</td>
<td>6547.4 (19.3)</td>
<td>238.4 (0.70)</td>
<td>58.4 (0.17)</td>
<td>10.4</td>
</tr>
<tr>
<td>2007</td>
<td>12849.9 (37.9)</td>
<td>1758.4 (5.2)</td>
<td>2092.8 (6.2)</td>
<td>7855.5 (23.2)</td>
<td>280.4 (0.83)</td>
<td>131.1 (0.39)</td>
<td>9.9</td>
</tr>
<tr>
<td>2008</td>
<td>16832.4 (47.4)</td>
<td>2142.8 (7.2)</td>
<td>2442.8 (10.2)</td>
<td>10184.4 (30.1)</td>
<td>478.6 (1.41)</td>
<td>110.7 (0.33)</td>
<td>8.9</td>
</tr>
<tr>
<td>2009</td>
<td>10213.7 (30.1)</td>
<td>1618.0 (4.8)</td>
<td>1736.8 (5.1)</td>
<td>6547.4 (19.3)</td>
<td>238.4 (0.70)</td>
<td>58.4 (0.17)</td>
<td>10.4</td>
</tr>
<tr>
<td>2010</td>
<td>37095.9 (109.5)</td>
<td>4004.6 (11.0)</td>
<td>5474.3 (16.2)</td>
<td>17833.9 (52.6)</td>
<td>764.0 (2.26)</td>
<td>280.2 (0.83)</td>
<td>9.1</td>
</tr>
<tr>
<td>2011</td>
<td>37095.9 (109.5)</td>
<td>4004.6 (11.0)</td>
<td>5474.3 (16.2)</td>
<td>17833.9 (52.6)</td>
<td>764.0 (2.26)</td>
<td>280.2 (0.83)</td>
<td>9.1</td>
</tr>
<tr>
<td>2012</td>
<td>37095.9 (109.5)</td>
<td>4004.6 (11.0)</td>
<td>5474.3 (16.2)</td>
<td>17833.9 (52.6)</td>
<td>764.0 (2.26)</td>
<td>280.2 (0.83)</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors based on data by Committee on Statistics of the Republic of Kazakhstan [20-21]
We used the ranking of regions based on investment attractiveness (IA) and logistic potential (LP) infrastructure development (see Table 3). The ranking is determined by the relationship of regional index and national average value of index for each group of indicators.

Similarly, the logistics potential for each region according to the authors method [11] was defined, taking into account the above-mentioned groups of indicators. The ranking of regions is divided into three groups according to investment attractiveness and potential of logistics infrastructure development:

- first group (total coefficient is 0.270-0.475) consists of attractive regions, with high demand for logistics infrastructure development and likely return of investments in logistics infrastructure of Almaty and Almaty region, Astana city, Aktobe, Karaganda, South Kazakhstan and Mangistau regions. The development of infrastructure in these regions has high pace and its impact on the socio-economic development is considerable;
- second group (total coefficient is 0.200-0.269) consists of relatively attractive regions with average investment attractiveness, and average demand for logistics infrastructure development: East Kazakhstan, Kostanay, Pavlodar, West Kazakhstan, Atyrau regions. These regions are characterized by mid- to small impact on the socio-economic development by logistics infrastructure;
- unattractive regions with low investment attractiveness are gathered in third group (total coefficient is 0.100-0.199), they share low demand for logistics infrastructure development: North-Kazakhstan, Zhambyl, Kyrgyzorda regions. These regions are characterized by a low impact of logistics infrastructure on a socio-economic development.

These data allow us to estimate the prospects of the logistics infrastructure development and its impact on the development and optimization of commodity distribution networks in the regional economy.

Hence, the State and business in the process of development and optimization of commodity distribution networks in the regions need to take into account the needs of each group of the regions according to their individual needs.

3. Regional logistics infrastructure as pole of growth of regional economy and territorial structure optimization requirements.


To concentrate on balanced policy of territorial development, the authors provided predictive model for spatial development of Kazakhstan [18] focused on the development of regional logistics infrastructure. This model involves such elements of spatial development as macro-regions (groupings of regions that are similar in their economic, environmental and socio-demographic characteristics); city hubs (centres of national and regional cooperation); magistralisation (increase of speed and carrying capacity); agglomeration (increase of short-range communications within cluster of neighbouring settlements around one or several cities-cores).

We concluded that the spatial development of Kazakhstan includes: 1) establishment of centres of economic growth, i.e. development of the regions, which then spreads onto other regions or countries; 2) development of macro-regions based on the hubs and radiation principles. These principles allow to develop more evenly the logistic infrastructure in local spots at the place of origin of cargo flows, further spreading to the sites of their cargo processing and transportation; and to link all local areas of Kazakhstan with the capital, providing sustainability to their development. Therefore, perspective growth poles, able to provide the economic development of Kazakhstan and to act as the country’s integration zones with regional and global markets, are represented by the hubs in the following macro-regions: North with the centre in Astana; Central-East with its centre in Ust-Kamenogorsk city; West with its centre in Aktobe; South with its centres in Almaty and Shymkent. Prospects for the development of these macro-regions allowed the authors to determine directions, types and forms of organization of logistics infrastructure in these macro-regions.

The development of the Northern macro-region (Akmola, Kostanay, North Kazakhstan regions) will be primarily focused on agriculture, which requires development of warehouses and logistics centres for agricultural products, and agro-industrial complex and food processing.

In the southern macro-region (Zhambyl, Kyrgyzorda, South Kazakhstan, Almaty regions) agriculture, fruit and vegetable, and the cotton-textile cluster will be developed. There we expect high demand on transport terminals, warehouse complexes, and logistics centres for both agricultural and processing industries, and textile products.

In the Central-East (Pavlodar, Karaganda, East Kazakhstan regions) macro-region a non-ferrous metallurgy, oil refining, manufacturing, and coal industries, as well as agriculture were developed. Thus, logistics infrastructure to support industry (metalurgical, mining and manufacturing), and general logistics infrastructure should be developed. For Pavlodar, Karaganda, Akmola, East-Kazakhstan regions primary focus remains on logistics infrastructure for coal mining, mining of iron agglomerated and non-agglomerated ores.

It is necessary to develop transport and logistics infrastructures for mining and enrichment of iron and aluminium ore (bauxites) in Kostanay and Pavlodar regions, copper ore - in Karaganda region, lead and zinc - in East Kazakhstan region, where its production and processing are concentrated.

Extraction and export of natural resources have led to economic and social growth of Kazakhstan. At the same time the lack of access to the sea, long distances to major markets require an accelerated development of transport and logistics infrastructure.

<table>
<thead>
<tr>
<th>Region</th>
<th>Indicators of the region’s investment attractiveness</th>
<th>Total logistics potential***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
<td>Level of investment activity</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Akmola</td>
<td>0.033</td>
<td>0.156</td>
</tr>
<tr>
<td>Aktobe</td>
<td>0.033</td>
<td>0.161</td>
</tr>
<tr>
<td>Almaty</td>
<td>0.062</td>
<td>0.148</td>
</tr>
<tr>
<td>Atyrau</td>
<td>0.015</td>
<td>0.096</td>
</tr>
<tr>
<td>West Kazakhstan</td>
<td>0.035</td>
<td>0.094</td>
</tr>
<tr>
<td>Zhambyl</td>
<td>0.041</td>
<td>0.079</td>
</tr>
<tr>
<td>Karaganda</td>
<td>0.053</td>
<td>0.103</td>
</tr>
<tr>
<td>Kostanay</td>
<td>0.038</td>
<td>0.083</td>
</tr>
<tr>
<td>Kyrgyzorda</td>
<td>0.029</td>
<td>0.068</td>
</tr>
<tr>
<td>Mangistau</td>
<td>0.017</td>
<td>0.089</td>
</tr>
<tr>
<td>South Kazakhstan</td>
<td>0.078</td>
<td>0.088</td>
</tr>
<tr>
<td>Pavlodar</td>
<td>0.036</td>
<td>0.075</td>
</tr>
<tr>
<td>North Kazakhstan</td>
<td>0.019</td>
<td>0.047</td>
</tr>
<tr>
<td>East Kazakhstan</td>
<td>0.059</td>
<td>0.075</td>
</tr>
<tr>
<td>Astana city</td>
<td>0.041</td>
<td>0.141</td>
</tr>
<tr>
<td>Almaty city</td>
<td>0.062</td>
<td>0.143</td>
</tr>
</tbody>
</table>

Notes: * - line 7 + line 2 + line 6; ** - calculated using the authors’ method [16]. Source: Elaborated by the authors.
PRODUCTIVE FORCES DEVELOPMENT AND REGIONAL ECONOMY

It is necessary to plan the development of logistics infrastructure, with emphasis on efficiency of natural resources export.

5. Conclusions

Regional policy and development strategies should evaluate state logistics infrastructure as an important factor of social and economic development, growth of competitive- ness, and reduction of costs through optimisation of distribution networks. Logistics infrastructure development should not be the main element of public policy, but should be an important factor of socio-economic development of the country.

It is necessary not to limit our attention to the performance of physical elements of infrastructure, which is often the case for decisions on investments in logistics infrastructure, but to improve efficiency of existing networks, management in logistics infrastructure, as well as to urge regional governments to increase their use.

The factors discussed above have a positive effect on eco- nomic growth and the effectiveness of regional development, thus they should be considered as a part of the development strategies for territories.

It is important to build new logistics infrastructure, and to improve economic mechanism of existing logistics infrastruc- ture for every region, to elaborate support measures by the government, business and society for the development of log- istics infrastructure.

References