

Economics and management of enterprises

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SMALL BUSINESS DEVELOPMENT TRENDS IN GEORGIA

***Summary.** Small business development has a special role in the development of the middle layer of the society within the population, and in the increase of the income and employment level in population. The study of the conditions for the development of small business is especially actual for post-social countries, which, together with the use of achievements in this field, are in the process of searching for specific ways of development.*

The article describes the existing situation in the field of small business development in Georgia, the results achieved, the problems and prospects and necessary actions for further development.

***Key words:** small business, business classification, business development.*

As it is known, small business is one of the most important resources for the development of the country. As the development practice of the developed countries shows, in most cases the high economic growth parameters, the creation of the middle layer, the overcoming of unemployment and generally the stabilization of economy is closely related to the development of small business. Besides, the important place and role of the small business development in the economy of the developed countries depends on not only economic, but also on

social factors. The formation and development of the small firm first of all depends on the active and creative activity of an individual. As small business is a unique field of activity, which provides an individual with the possibility to reveal his/her own talents and skills that are characteristic to entrepreneurs. Among those main factors, which serve as the basis for a specific role of small business in the economy, especially worth mentioning is the facilitation and provision of competitive environment and the formation of the middle layer through the realisation of private interests.

The development of the small business has special importance for the economies of the developing countries, which are facing the challenges to ensure high quality of life and acceptable parameters of quality of life, which is achievable only by way of the established middle layer, the increase of the income of population and the reduction of unemployment. Georgia is facing the same challenge.

Georgia entered the current century as a typical post-soviet country: With undeveloped economical structures, unemployment, poverty and high level of corruption. Although radical and systematic reforms carried out afterwards in other fields of activity as well as in business, entailed the formation of significant positive conditions. Namely, as a result of changes made to financial, budget, customs, banking and tax systems, the budget and energy crisis were overcome, the tax load has decreased and tax system was simplified, as well as customs procedures, effective and simplified state service system was made anew, and the corruption was decreased to minimum.

It is worth mentioning that according to the share of small and medium enterprises in the number of enterprises and in the total number of the employed, the parameters of Georgia coincide with the parameters of the developed countries (Table 1). Besides, the share of small and medium business in gross domestic product is significantly lower than the parameters of the developed countries (in the developed countries higher than 50%, and in Georgia - 18%).

Table 1

Small and medium business parameters in different countries 2015

[1; 3; 5; 6]

#	Countries	Share of number of enterprises %	Share of total number of the employed %	Share in gross domestic product %
1	EU-28	99,8	66,3	67
2	USA	98,3	60	52
3	China	99	75	59
4	Japan	99,2	69,5	51,6
5	Singapore	98,5	62,3	53
6	Georgia	99,7	68,3	18

Based on the experience, especially positive, although not very sufficient condition for Georgia, is the opportunity of faster registration of business, the lower taxes and simplicity of registration. Namely, small business can be registered in Georgia in a few seconds. The taxable income in small business shall be taxed by 5%, and in the case where a person has a document certifying 60% of expenses related to the receipt of total income (except for the salary expenses accrued for an employee) - it shall be taxed by only 3%. Entrepreneurs with a status of small business shall be exempt from the obligation to register income/expenses, except for the obligation to maintain a special log for the registration of expenses.

The main implementation program for the development of small and medium business in Georgia is "Small And Medium Entrepreneurship Development Strategy of Georgia 2016-2020", the main target of which is: Creation of the favourable environment for small and medium enterprises, raising their competitiveness and capabilities to introduce innovations, which will entail the growth of revenue and jobs positions and accordingly, the inclusive and stable economic growth will be achieved. In particular, the

program aims to: 1. Increase the manufacturing capacity of small and medium enterprises by 2020 by 10% annually; 2. Increase the employment level in small and medium enterprises by 2020 by 15% annually; 3. Increase of productivity by 7% annually by 2020 [1, p. 23]. The main tasks of the said strategy are: Raising of competitiveness of small and medium enterprises on the local and international markets; raising the entrepreneurial skills and introduction of contemporary entrepreneurial culture; facilitation of the modernization of small and medium enterprises and technological upgrading [1, p. 23], and the strategic directions of the policy are: 1: The improvement of legislative, institutional and entrepreneurial environment; 2. The improvement of availability of financing; 3. The development of the skills of small and medium entrepreneurs and facilitation of the entrepreneurial culture; 4. Facilitation of export and internationalization of small and medium enterprises; 5. Facilitation of innovations, research and development [1, p. 24].

Despite the essential improvement of the business environment, the situation is still problematic in terms of business development. Accordingly, competitive environment is still not favourable, unemployment level is high and there is a social differentiation. The Office of the Business Ombudsmen of Georgia separates 5 TOP problems, which are most frequently addressed by the businessmen: 1. Non-homogeneous practice of the judiciary and the delay of reviewing cases in courts; 2. Bureaucracy in middle circles of the public sector; 3. Responding to applications filed by the municipalities in the framework established by the legislation; 4. The lack of availability of financing of business and poor qualified personnel on the labour market; 5. The investments lost due to problems developed in the process of registration and privatization of agricultural land plots [7].

Hence, the systematic reforms carried out in Georgia during the XXI century created favourable environment for the development of small business and currently small business development activities are actively implemented.

But the achievement in terms of business development is still not favourable. Among the problems existing in the field of small business of most significance is low competitiveness, low manufacturing level, difficulty in gaining financing and high prices, difference between the declared and actual conditions, bureaucratic barriers in the functioning of small business, low level of small business development in the regions, and the lack of informational and consultancy centres.

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