

AREAS OF EFFECTIVENESS OF STATE SUPPORT PROGRAMS FOR SMALL BUSINESSES (ON THE EXAMPLE OF GEORGIA)

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DOI: 10.46609/IJSSER.2024.v09i04.007 URL: <https://doi.org/10.46609/IJSSER.2024.v09i04.007>

Received: 22 March 2024 / Accepted: 10 April 2024 / Published: 18 April 2024

ABSTRACT

In the present study, we studied the main directions of state support measures for small businesses in Georgia, both from an institutional and financial point of view. We made an author's analysis and assessment. The research shows that the recent measures taken by the government are based on world best practices and should ensure the development of small entrepreneurship in the country. Despite the positive effects obtained by the implementation of the projects, we believe that this is insufficient and it is possible to obtain even more results with the existing support programs (with financial resources), even in the short term. One of the prerequisites for this is to study how small businesses are ready to effectively use the projects offered by the state, whether there is a place for ineffective or "undirected" use of financial assistance, and how they see the prospects for the development of similar projects, what directions they consider promising for funding/support.

During the research, we selected a focus group, entrepreneurs engaged in various fields of business, both from the capital and from the regions. The purpose of the research was to find out - how small businesses are informed about state support measures, to what extent they participate, in which direction it is acceptable to implement further projects, in what way they prefer assistance/support. By searching for primary information, as a result of qualitative research, we made reasoned conclusions and recommendations.

Keywords: national production, economic development, investment, state subsidy, small business.

Introduction

Small entrepreneurship in Georgia is developing step by step, may be not at a very high pace, but. In the development of the sector, the role of state support is quite substantial, which attaches great importance to the optimization of the entrepreneurial environment, tries to stimulate the existing business with real grant projects (full and/or partial financing) and to create and promote start-up conditions for beginners.

The fact that small entrepreneurship is an important sector for the national economy is evidenced by the fact that in the western, economically developed countries, a solid (in some cases, most) part of the gross domestic product (GDP) is created, and the number of employees is even larger, according to Eurostat data of 2022, out of 30.1 million enterprises (155 million employed), 98% are micro and small enterprises (about 49% of employees) (<https://ec.europa.eu/eurostat> last visited on 14.02.2024). Also important is the role of small enterprises in the USA and Japan (respectively about 80% and 97% of enterprises, about 30% and 75% of employees).

As evidenced by the world's best practices, small business is one of the important components of the national economy, especially for the purpose of minimizing unemployment, as one of the effective means of combating unemployment is to have one's own business. Researching specific issues of small business development or support is the research area of many leading authors. The issue is even more acute in our country as, along with other common global issues, the issue of perfecting and optimizing the programs of the state support system for small businesses is relevant. A good helper in the implementation of the mentioned can be the feeling of the best practices in more than one country of the world, adapting them to the Georgian situation. Also scientific study of Georgian business (small entrepreneurship) and making appropriate recommendations (Mosiashvili V., 2022).

Main part

The main goal of our research was to determine/find out how well this sector is informed about state promotion programs for micro and small businesses - that is, those entrepreneurial subjects who own/follow small businesses. Our area of interest was also represented by the views of small businesses on what kind of support or assistance to the business sector in order to achieve in a short period of time a high rate of growth of small businesses and the resulting economy.

We selected a focus group for the survey, in which we tried to represent entrepreneurs engaged in the field of production and services, namely - the service sector (trade), the agricultural sector, the food industry, tourism, etc. Representatives of 37 sectors took part in the study, both from the capital and across the regions.

Research questions were formulated as follows (Mosiashvili V., https://www.turiba.lv/storage/files/konference-xxiii-2022_1.pdf#page=95):

1. Are you familiar with the state programs for small business promotion at the current stage
2. Have you benefited from state support programs for small businesses;
3. To what extent are state support programs for small businesses appropriate to existing challenges and needs.
4. Which field is the most interesting (attractive) for small entrepreneurship at the current stage;
5. Which state support measures are relatively relevant for small business development?
6. How promising is the development of small entrepreneurship in Georgia?
7. What should be done to make the state support programs for small businesses more effective.

It should be said that despite the fact that representatives of different fields of economy participated in the research, their positions regarding the answers to our questionnaire did not differ much from each other. The absolute majority of the respondents are familiar with the domestic assistance programs, information about which is public and available to all interested persons. The answer to the question of whether they have benefited from state support programs is somewhat expected, as a large part of our respondents did not benefit, and moreover, they did not try/want to participate in state support/grant projects, as one of the reasons for which they cite competitive requirements, namely bureaucratic documentation (Mosiashvili V., Directions for optimization of state support for small businesses in Georgia, 2023).

When asked to what extent state support programs for small businesses are relevant to existing challenges and needs - 22% of entrepreneur respondents have a negative and pessimistic attitude towards programs of a similar nature and believe that they cannot respond to existing challenges. A little more people express a positive attitude and note that the state programs supporting small entrepreneurship are fully in line with the requirements in the field, and most of them believe that, although not completely, they are largely appropriate;

When entrepreneurs are asked which field they consider relatively attractive for small entrepreneurship, most of them think that it is the tourism sector, since in the post-pandemic period, rapid rehabilitation can be observed in the field, especially since Georgia has quite good resources for the development of this field, and starting a business does not require substantial

investment. Respondents also (about 25%) think that the agricultural sector is also interesting for small entrepreneurs, especially the state programs for financing micro-businesses, which are often focused on promoting the development of farmers, although they also admit that the risks are still high in this segment, as the dependence on environmental and climatic probes is still high. It's big. In our opinion, it is quite positive that a substantial part of the respondents noted that all fields can be interesting and fruitful for small businesses, if the entrepreneur carries out systematic and stable economic activities, taking into account the existing challenges and threats as much as possible.

Regarding the relevance of state support measures, entrepreneurs think that it is desirable to simplify participation in programs in the regions, as well as for state programs to be focused on improving communication between farmers and relatively low-skilled personnel. Information on short-term or seasonal work that does not require high qualifications. Entrepreneurs also expressed their desire to increase the annual income limit of micro-businesses.

Most of the entrepreneurs believe that there is no alternative to the development of small entrepreneurship in Georgia at the current stage, because it is this sector that ensures the growth of employment and a relatively high rate of production, although they also noted the need for state support measures.

On the question - what should be done to make the state support programs for small businesses more effective - entrepreneurs actually "agree" on the issue that qualified persons directly involved in small business should participate in the development of state support programs, as far as they can best report what kind of action, in some cases vitally important aid programs are necessary for the preservation and development of the field in perspective, although it is certainly necessary to take into account the global trends at the international level, where the role of state authorities and experts in the field is very important.

Our area of interest in the process of research on the optimization of state support for small businesses was Lkogikiria, one of the outstanding supporters of the field, focused on the development of entrepreneurship and facilitator - LLP "Make in Georgia" (<https://www.enterprisegeorgia.gov.ge/ka>, the last visit was made on 04.06. 2024) - we would get acquainted with the statistics of micro and small business grant financing and learn how many projects were successful among them, what results the "investment" probably brought. As can be seen from the statistical data, in the period from 2015 to 2018, the agency ("Produce in Georgia") supported 5313 projects with a total investment volume of 50 million GEL. And during the years 2018, 2020 and 2022, 2896 projects were financed, 80 million GEL was allocated and utilized for Ristvi. In order to determine/clarify the effectiveness of the mentioned pre-acts, we sent an official letter to LSI "Produce in Georgia", we were wondering - in the case of financing within

the framework of the micro and small entrepreneurship promotion program, what obligations will arise for the person who will benefit from this financing if the business project presented by him is not implemented after the financing? Or will it be implemented, but the entrepreneur will declare himself bankrupt? We also requested information on how many Bize projects were financed over the last three years and how many of them stopped working for various reasons (Mosiashvili, 2023).

It should be noted that the average answer made us "think" a little about the effectiveness of similar category projects. We offer the answer: Mr. Valer, - "In response to your letter N262 of March 16, 2023 ... we inform you that - SSI - Produce in Georgia does not monitor the activities of projects completed within the framework of the state program".

In this regard, we would like to point out that it is desirable to have a program like yours - LLP "Produce in Georgia", which is one of the most experienced and solid investors in the field, should carry out both preliminary, ongoing and final monitoring of the disbursed amount, which is likely to increase the disbursed investment ((co-financing) efficiency, and business entities will also handle their obligations with more responsibility and professionalism.

Conclusion

The conducted research gave us an opportunity to get acquainted with the actual problems of small entrepreneurship, to study and analyze the peculiarities of state support to the sector, to reveal the regularities and trends of state support characteristic of small entrepreneurship at the near stage. Our review and analysis of both secondary and primary information allowed us to make the following conclusions and recommendations:

- At the current stage, in addition to the role and importance of small entrepreneurship in the national economy, it can be achieved by "reviewing" the priorities of existing state support, at which point we think attention should be paid to innovative entrepreneurship - by stimulating the exit of small businesses to the international market, which is also proven by the best practices of developed countries;
- The government should make significant changes to the existing small business policy, which should include the permanent implementation of the existing state support for small business through gradual changes and optimization. Promotion policy should be "adjusted" to the socio-economic situation and challenges at a specific stage of the development of the national economy;
- The system of economic interaction between the state and small business should be based on the widely spread methods and principles of entrepreneurship support in economically

highly developed countries, which implies complex formation. Various directions of stimulation of small enterprises should be realized. During the selection of support-stimulation forms/methods, as shown by world best practices, a clear distinction should be made between supporting entrepreneurs within the framework of an effective, healthy competitive environment and state intervention in economic life (which in some cases harms the basic principles of farming, creates unequal conditions for entrepreneurs);

- On the basis of mutual comparison of domestic and foreign best practices of stimulation-promotion of small entrepreneurs, it is desirable to make the so-called Optimizing the "Georgian system" of state support in the development of small businesses, which in itself requires the development of a set of recommendations aimed at strengthening the sector;
- In order to increase the awareness and competence of small business owners, managers, it is necessary to form and develop information and consulting systems;
- In order to stimulate the development of small business, the government should provide solutions to the following main issues: encouraging small entrepreneurship so that as many unemployed (part-time, seasonally employed) as possible have the desire to start their own business, take the first step; training small entrepreneurs (especially beginners) to make the most valid and effective decisions at the first stage of starting a small business; Support of small entrepreneurs in the sale of produced products/services, to receive primary incomes, this will increase motivation, help in finding additional funds if necessary;
- In order to make the projects financed under the "Produce in Georgia" program more effective, it is desirable that the financial support of micro and small business support grants provide for the allocation of a targeted grant for potential beneficiaries in the amount of 40,000 GEL, instead of the current 30,000 GEL as, as the data of the National Statistics Service of Georgia shows, 208 In the period from 2022 to 2022, the price index of producers of industrial products increased by 151.4% (<https://www.geostat.ge/ka/modules/categories/28/samretsvelo-produktsiis-mtsarmoebelta-fasebis-indeksi> last visited on 14.02.2024), Accordingly, the purchasing power of GEL decreased.
- We think it is necessary for LSI "Make in Georgia" to monitor the projects completed within the framework of the state program, in order to avoid as much as possible the unscrupulous disposal of financial and material funds after receiving project financing;

- In order to ensure the stimulation of small businesses, it is advisable to increase the limit of 30,000 GEL to 60,000 GEL for obtaining the micro business status. The basis for saying this is that the current regulation has been in effect since 2010 (the second article of the Order N999 of the Minister of Finance of Georgia dated December 31, 2010), and from this period (from 2010) to 2022, the purchasing power of the GEL decreased by 2.35 times (<https://www.geostat.ge/ka/modules/categories/28/samretsvelo-produktsiis-mtsarmoebelta-fasebis-indeksi> last visit was made on 11.03.2024)

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