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Department of Economics

PhD program in “Economics”

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Conditions and Prospects for Entrepreneurship
Development in the regions of Georgia

The Author’s Abstract
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36

Topicality of Research. Entrepreneurship in the developed countries is developing by leaps and bounds, since the national governments attach great importance to this issue and provide significant support. Small and medium businesses in the economically developed countries represent the basis for the emergence of a middle class that constitutes the basis of sustainable economic development and employs a large proportion of the population.

The development of small and medium entrepreneurship is of utmost importance for any post-socialist country. As a rule, it plays a special role in the formation of GDP, job creation, meeting the needs of large companies, introduction of new technologies and innovations in almost all countries.

Despite twenty years of experience of reforms, Georgia remains a country with economy in transition. It is these controversial, and often non-harmonized economic reforms that failed to create the prerequisites for structural transformations and caused unreasonable deinstitutionalization. Georgia needs to develop another type of economy, which will be competitive, developing and equipped with growth potential.

The way to a new type of economy is the transformation of the format of private entrepreneurship, the development of small and medium business, which are the carriers of structural changes in the economy.

The development of small and medium enterprises in Georgia will allow us for solving effectively important problems, such as increasing competition, expanding the social base of reforms, emergence of a middle class, employment, capacity utilization, the formation of budgetary revenues, making significant contribution to the formation of country's GDP, and in general, to solving the country's socio-economic challenges. If Georgia's economy is to become a new type of economy, the need for development of small and medium business is inevitable. Consequently, the development of this type and scale businesses should be granted the necessary political and economic priority. Taking into consideration the above, in terms of market relations, special importance is given to the studies of entrepreneurship development in Georgia and working out relevant recommendations on increasing their efficiency. It is exactly that led to the choice of the research topic and lent relevance to it.

Goal and Objectives of Research The main goal of the proposed dissertation is to carry out a comprehensive analysis of the functioning of enterprises in Georgia, identify relevant reserves based on the analysis of the strengths and weaknesses of this business sector and work out relevant

37

recommendations for increasing their effectiveness. In order to accomplish this goal, the following main objectives have been formulated during the research process:

- a detail analysis of identification and support for entrepreneurship, particularly small and medium enterprises, for different types countries;
- Studying the entrepreneurship taxation models and identifying their specifics, for different types countries;
- A detailed analysis of the state of small and medium enterprises in Georgia, and describing the development stages;
- Generalizing the modern state of State measure to support entrepreneurship;
- Justifying the objective need for supporting small and medium businesses in Georgia, and developing the package of practical recommendations.

The scope of research: Theoretical and practical issues of small and medium business development, and problems of promotion in Georgia.

The object of research: Small and medium enterprises, economic actors, studying their state and proposing relevant recommendations.

Main Results and Novelty of Research. The main research novelty of the proposed work comprises the development of the approaches, which being based on the scientific-methodological foundations, contribute to the increase of the effectiveness of entrepreneurship. In particular, based on a multilateral analysis, the current situation of small and medium entrepreneurship development has been determined and the main directions in the development of this sector have been introduced, which will raise entrepreneurship in Georgia to a qualitatively new level. In particular

- Improvement of tax code, aiming especially at promoting small and medium entrepreneurship.
- State measure to support such forms of innovations, as leasing and outsourcing.
- Improvement of investment distribution in the country, which will help the State to address urban problem, as well as to increase the entrepreneurship efficiency.
- Improvement of professional retraining and maximal involvement of higher school potential in this cause

Practical Bearing and Implementation of Research. The results and recommendations of the presented research can be used to address the

38

political and economic problems that generally mean business development. In particular:

- A comprehensive analysis of changes in the tax code will help entrepreneurs to correctly define the development strategy;
- Promotion of outsourcing and leasing services will help entrepreneurs to update their fixed assets and improve the enterprise management mechanism;
- Improving the investment redistribution in the regions will facilitate regional development and consequently development of the state.
- Educational institutions will activate their functions in the field of professional retraining, and will contribute to raising awareness of entrepreneurs about entrepreneurship development.

The Provisions Brought to Defense. There have been brought to defense the results of research, which comprise the elements of research novelty

8. The paper describes in detail the evolutionary stages of entrepreneurship development and the views of the academic economists in the research on the production factors.
9. The History of entrepreneurship development in Georgia and the views of Georgian public figures on the role of Georgia in the world economy.
10. The paper dwells on a new tax legislation for small businesses with its positive and negative aspects.
11. As a result of the survey, it has been established that small and medium businesses can not use the innovative services such as leasing and outsourcing.
12. The level of penetrability of investments in the regions is low, which prevents a sailing up of the country.
13. There has been proposed a model of increasing the role higher education in the improvement of vocational training programs.
14. A question has been raised on conducting a comprehensive analysis of entrepreneurship supporting programs.

Author's Contribution. The range of problems related to entrepreneurial activities has been comprehensively analyzed by Georgian (R. Asatiani, N. Chitanava, I. Meskhia, G. Papava, E. Baratashvili, E. Mkvabishvili, Z. Tetrushvili, N. Orjonikidze, T. Rostashvili, L. Tsetskhladze, E. Julakidze, N. Chikhladze, etc.) and foreign (R. Hizrich, F. Hayek, I. Schumpeter, M. Peters, A. Bunich, A. Lapusta, A. Hosking, E. Shkrebel, P. Shoum, R. Coase, A. Mitski, L.

39

Starostin and others) academic economists and practitioner researchers. However, the issues of the development of entrepreneurship and efficiency enhancement are mostly considered at micro-level, in the general context. The author's main contribution lies in the study of small and medium business problems and working out relevant recommendations based on in-depth analysis. The following methods have been used during the research works: systems analysis, synthesis, graphic and economic-mathematical modeling, abstract-logical, comparative and economic-statistical methods. Complex application of these methods made it possible to create a complex picture of entrepreneurship developing and functioning that became the precondition for developing the complex of activities for support to this sector. The subject of research is the theoretical, methodological and practical issues of entrepreneurship, their regularities, regulation and promotion problems in Georgia. The objective of the research is the small and medium-sized economic subjects, the study of the business sector and the main aspects of the activities and working out relevant recommendations.

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40

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Data analysis reveals that by the end of the 20th century Georgia was a developed republic with strong mechanical engineering, chemical and petrochemical industries, forestry, wood processing and pulp paper industry, construction industry, light and food industry, but Georgia was one of the big chains of the Soviet Union. As a result of the collapse of the Soviet Union, there was a link between the republics.

By the end of the 20th century, the end of the “Cold War” followed the formation of the new order in the world. This process has created new states on the political map, including Georgia.

The new Georgian state was faced significant problems. These problems were expressed in 1991-1992 by the legitimacy of the government, two ethnic conflicts, followed by an actual annexation of about 20% of the territory of Georgia by Russia, economic problems, unprecedented levels of corruption and other problems.

Against this background, active relations with the West start from the second half of the 1990s. Cooperation with NATO, EU and OSCE.

During this period, Georgia's functional contours were developed in the XXI century, which subsequently transformed into different types of international and regional scale projects, such as the Baku-Supsa-Ceyhan

41

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The August 2008 war threw up these processes and our society once more thought about choosing.

At the beginning of XXI century entrepreneurial activity in Georgia faces big problems. This work is also an analysis of some of these problems and solutions.

In any state, governmental structures are implementing economic policy, ie a complex of measures aimed at economic development. It includes tax policy. Its primary requirement is to fill the budget and stimulate the economy.

Despite the fact that in recent years the tax legislation has been simplified and the tax rates have been reduced, improvement of the legislative base is necessary in the future. In addition, it is necessary to systematically inform public and potential investors about reforms planned in tax policy, which will contribute to the inflow of investments and economic development in the country.

Under Article 30 of the Constitution of Georgia the State is obliged to promote entrepreneurship and competition. Which means that the tax system and tax policy in the country should be arranged so that taxes and rates of taxes, tax control, tax dispute resolution rules and issues should be resolved between taxpayers and the state, this relationship does not impede free entrepreneurship and contribute to development, but on the contrary, to promote it, so that everyone who entrepreneurship and, in general, economic activity, have to work in equal conditions without exception.

The second chapter of the dissertation work "The role of innovations and investments in entrepreneurial activities" dwells on the role of science in the improvement of entrepreneurial potential, entrepreneurial activity investment and personnel are considered.

Innovative activities should be implemented not locally, but as an organic part of the entrepreneurial entity's activities and all directions of its activity are complex. Innovative activity is preferred compared to traditional. Innovative projects are planned to ensure higher profitability than traditional activities. Innovative activities should be an opportunity for entrepreneurial entrepreneurs to achieve high competitiveness and leadership in the given field; Innovations should be realistic and realistic. The level of entrepreneurial entrepreneurship, techniques, technologies and management level and financial potential should be

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sufficient for the introduction of innovations. In economical science, many forms of innovation are considered, among which are classified according to the main signs(Fig. 2.1.1)

According to the sphere of activities, there are productive, technological and management-organizational innovations that are at the same time the main objects of innovation; The radical, improved and pseudo-innovations are considered by the depth of novelty; According to the scope of the novelty, there are innovations of world importance, innovations in the field of the country and the innovations of the scale; According to the scope of the firm's activity, the innovations can be local, systemic and strategic.

It is known that innovative activity is carried out with specific cycles, the model of which depends on the entrepreneurial entity itself. In particular, the business theory distinguishes between two models of innovative activity - **linear and interactive**. Under the linear innovative model innovative activity is strictly defined in the following stages of logical sequence (see Figure 2.1.2).

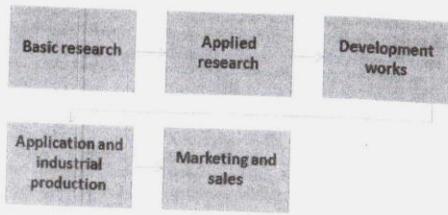
It is believed that the main drawback of the linear innovative model is its impractical and unimaginable variation of the dynamic business environment. In addition, it means that it works independently by self-indulgence and leads to the desired results without active interference, which is not always. Therefore, the advantage is now an interactive innovative model.

Fig. 2.1.1



A linear innovative model

Fig. 2.1.2.



An interactive innovative model. The strict traditional sequence of innovations in the conditions of such a model is in violation of the requirement that the previous stages will be returned to the need. This can be the case that cannot be foreseen in advance, which will be effectively closely linked to the specialists working on the previous stages. In particular, new ideas may also have a fundamental and applied research on the next stage, which requires review or review of previous stages (see section 2.1.3)

The desire to start innovative business is not enough. For this purpose, entrepreneurial entrepreneur must first create the most expensive innovative potential, which includes the following components (see Figure 2.1.4)

An interactive model of innovative activities

Fig. 2.1.3.

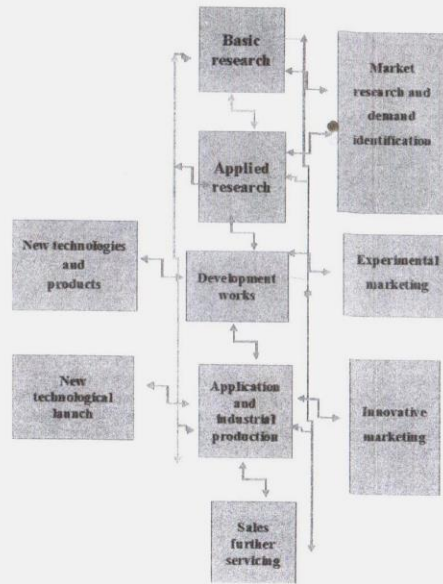
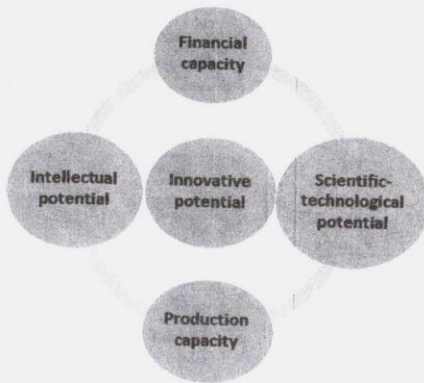


Fig. 2.1.4 The structure of business innovative capacity



Small business is a resource-saving form of economic activity, which today faces many problems. Among them: the problem of financial resources, business sustainability, involvement in large chains of large enterprises production or realization.

Historical cataclysms have negatively affected the existence of large businesses. These developments have had a great impact on the process of formation of property. There are many factors contributing to the functioning of small and medium businesses, the size of the enterprises are complemented by large businesses. Small and medium businesses provide more and more needs. Competitiveness of small businesses is due to the following factors

- It has the possibility to provide full technical support to the smallest amount of money;
- There are more opportunities for scientific service;;
- There is an opportunity to get personalized service instead of a standard service;

Small and medium enterprises are mobilized to meet regional needs and thereby facilitate development of the region.

This table will help us to assess the coexistence of large, medium and small businesses and the problems faced by them:

Table 2.1.1. Basic indicators of large, medium and small businesses, 2016

Indicator	Type of business		
	Large	Medium	Small
Numerical standard rate of employment	over 100	20-100	up to 20
The number of employed persons	356543	100843	169353
Employees %	56,9	16,1	27
Turnover, mln GEL	47019,5	4792,4	5173
Turnover%	82,5	8,4	9,1
Production output, mln GEL	24107,5	2923,8	2962,6
Output, %	80,4	9,7	9,9
Number of enterprises	4224	7193	78986
Percentage, %	4,7	8	87,3

If we analyze the data, we see that in the large business, 56.9% of employees are employed by 82.5% of total turnover and generate 80.4% of the whole product. This indicates that the level of large business organization is satisfactory that can not be said about medium and small businesses.

The interest of large and small enterprises is based on the outsourcing of interest. In this case, a large firm handles a certain function or business process on the basis of the condition, if the bigger firms make it more expensive than the smaller ones.

The problem of failure of high-tech basic funds for small enterprises can be solved by leasing equipment through which small enterprises that do not have enough funds to buy high-tech equipment and bank resources are also available to enable them to use new progressive hardware and technologies.

Direct foreign investments bring significant benefits to developing countries:

1. Technological changes (through direct foreign investments are the diversification and renewal of industrial factors), as well as increase in competition on the local market

2. Retraining of staff (to ensure that the investor has qualified staff, it is trained to retain a new job, and it contributes to the growth of human capital in the country)

3. Increasing tax revenues (more specifically, in the profit tax part, the increase in direct foreign investments leads to an increase in taxable revenues, which in turn increases tax revenues for the country's budget).

Today the main task is to create a business environment in Georgia that will facilitate investment flow in Georgia. Big investments will contribute to the development of industry, debt financing and the creation of a successful entrepreneurial environment. The level of incoming investment in the country reflects: how stable is the country, its economic policy, investment environment, economic and sectoral growth prospects. In this regard we will analyze the statistics of the National Statistics Office of Georgia on the volume of direct foreign investments implemented in Georgia (see Table 2.2.2.)

Table 2.1.2. Direct foreign investments implemented in Georgia (mln USD)

2006	2007	2008	2009	2010	2011
1 170	1 750	1 564	658	813	1 048
2012	2013	2014	2015	2016	2017
911	949	1 763	1 576	1565	1 346

Fig.2.2.1. The main direct investors by country in Georgia in 2017 (mln USD)

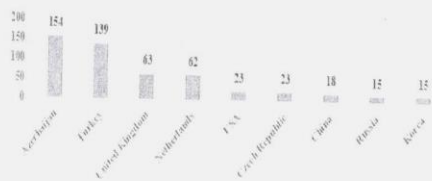
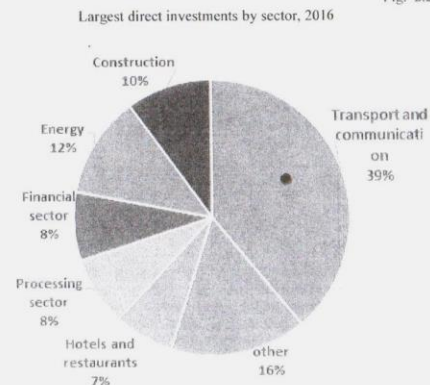


Fig. 2.2.2.



Attraction of investments is one of the leading investors in Georgia's economy. For the effective development of the economy, the importance of attaining long-term and non-speculative investments

Here, we should consider two problems:

1. It is difficult to obtain investments
2. There is almost no financial-economic mechanism for investment management.

Georgia, as the subject of international law and the sovereign state of its sovereign state, gives a chance to engage in the modern world economic space, use the accumulated international experience and choose a justified, strategic strategy of the financial-economic mechanism for regulating investment processes. Which will help us avoid mistakes.

Today, Georgia Investment Survey shows that negative factors that prevent investments from inflow and negatively affect the investment environment are: a) political disorder; b) macroeconomic instability; c) taxes; d) legal regulation e) corruption.

It is noteworthy that disagreement of investing in regions, which will significantly affect job creation.

Table 2.2.2

Investment distribution by regions

Region	Thousand USD
Adjara	204 531,01
Imereti, Racha-Lechkhumi, Kvemo Svaneti	25 701,83
Kakheti	16 118,63
Samegrelo, Zemo Svaneti, Guria	49 822,34
Samtskhe-Javakheti	18 099,27
Tbilisi	1 234 656,99
Kvemo Kartli	21 159,77
Shida Kartli	15 590,07

If we analyze the objects of investment, the funds are directed mainly towards development of infrastructure and services, it is not necessary to develop agriculture and manufacturing industries in order to be able to implement the import policy and reduce the negative balance of goods turnover to some extent.

It is important for the government to focus on the fact that Georgia's regions are far behind in development in Tbilisi, with 72% of total business turnover and 28% in regions. Business turnover in Tbilisi per capita per person per year is 27 200 GEL, while in the region it is just 3 700 GEL. Regional business is characterized by low productivity and competitiveness. The solution of this problem should be prioritized in the policy of the Georgian government.

Table 2.2.3.

Investment distribution by sectors (thousand USD)

Sector	2015	2016
Mining	42 781,53	88 027,82
Hotels and restaurants	124 851,84	138 815,3
Financial sector	115 322,65	178 553,5
Agriculture and fishery	12 290,31	14 577,57
Transport and communication	433 654,67	584 648,72
Health care and social assistance	9 517,64	140 325,59
Processing industry	205 417,41	67 174,55
Energy	189 944,99	123 663,76
Construction	316 588,12	110 678,41
Real estate	138 654,83	89 940,43

Innovation policy is considered an important tool for development. This leads to the implementation of innovative development ideas, so the researchers of our research are universities and research organizations, entrepreneurs and farmers' associations, agricultural consulting services. Retraining will require the introduction of innovations in production and services and will help to increase competitiveness on the world level. In order to prepare for the time frame, the staff need to create such infrastructure where closely cooperating with universities, research organizations, entrepreneurs and farmers, consulting services. Through their joint work, it will be able to secure innovative directions, which will make the country competitive at the world level.

As noted above, the innovative potential of the region includes the legal, organizational and economic system of stimulating innovative activities. Now we want to overlook the innovative potential of the high school. The innovative potential can be developed in two ways: inertial and active. It is a more profitable active direction, and for this purpose the state should develop and implement a series of advanced innovative reproductions. In addition, concentrations of financial resources should be supported in support of priority projects, such as projects that provide a synergistic effect for the entire economy. The maximum pace of sustainable development can be achieved through simultaneous growth from imitation investment. With the combination of scientific organizations, industrial enterprises and development programs, it is possible to create a favorable environment for increasing the share of the innovative sector, based on scientific-educational institutions. The main indicator of innovative activity can be an investment attractiveness. If the country does not support the scientific-research institutions, the design orientations, the higher schools, the scientific technical units, the professional tariffs, then it will be impossible to fight for innovative perfection and therefore investments.

This is a common name for organizations that develop entrepreneurship, create conditions, implement complex services, offer resources at a time when enterprises are in the stage of development [71]. As a rule, they are specially designed structures and they promote development of entrepreneurship and small enterprises in the period of recuperation.

The business incubator should be created to support small enterprises selected by competition. Such small enterprises should provide equipment, office space, informational and consultative support. Their connection should be provided to the realization network. This will help :

- Increased economic activity;
- Local market development,
- A complete survey of regional resources
- Increased innovative activity in business
- Introduction of new technologies and Know-How.
- Establishing and developing international, inter-regional relationships.
- Increasing employment and living standards.

High level of unemployment in Georgia should be of great importance to the country. Solving this problem and involving young people in entrepreneurial environments will help us to reduce the level of unemployment and prevent the elimination of young healthy work force from the country.

It is interesting that one of the most important problems of realization of youth entrepreneurship and their involvement in these projects is the indifferent attitude of these young people and the low level of motivation.

Difficult socio-economic conditions in the regions deepen youth's attitude towards starting their own business. Many people have some idea but can not see the sales market on the spot. This problem is fierce in agriculture..

It is very good when the staff are trying to improve their qualifications, but all this requires a corresponding salary..

According to table, salaries have a growing tendency in large and medium business, and small businesses are characterized by some increase and sometimes decrease (see 2.3.1.) This indicates that small business develops unstable and requires more attention to its problems. Even if it is the average salary in the small business by 2015, the total wage was 300.9 GEL and this is a much higher figure than the previous year, we must admit that this amount is not enough for reproduction..

Table 2.3.1.

Dimension	Salaries in 2010-2015 (GEL)					
	2010	2011	2012	2013	2014	2015
Large	483,7	621,1	656,6	712,5	751,2	837,9
Medium	268,7	248	358	355,3	451,5	457,3
Small	191,7	194,9	253,5	223,4	191,5	300,9

A significant part of the labor-capable population in Georgia is unemployed, which contributes to their departure from the country.

If we analyze the results of the survey we conclude that small and medium enterprises are mainly distributed in the region, which does not exceed 100,000 GEL. The field of service is mainly developed and their products are for the local market. In the developed fields, there is a high level of curriculum, the administrative barrier for business initiatives, and the use of innovations and the lack of financial resources.

Therefore, the list of measures to improve the situation may be::

- State structures should make every effort to raise the level of motivation in youth, namely, to promote successful youth projects and to promote their popularity. The exhibition and meetings will be effective for young people:
- Raising the level of education and knowledge. Professional training centers in the region should be multiplied.
- To identify priority areas in the region and advertise them..
- Everything is done to get closer to private sector and youth ideas..
- increasing access to grants and other types of financing for youth..
- Enabling various state programs to support youth innovation..

The third chapter of the thesis work "**Prospects for entrepreneurship development in Georgia**", refers to entrepreneurial activities and main directions of development of entrepreneurial activity in Georgia.

State support for entrepreneurial activity is a method applied in modern conditions. "Produce Georgia" is the most populous project in Georgia aimed at development of micro and small business, promotion of export, development of hotel industry, development of agriculture and development of film industry. The project not only spends successful business ideas but also promotes business ideas and documentary care through trainings and consultations..

The "Produce in Georgia" devotes much attention to the volume of export, particularly the popularization of Georgia's export potential, to increase the competitiveness of Georgian products.

The following activities are being implemented within the project:

- Organizing international exhibitions on the strategic and priority markets.
- Organizing trade missions. Organizing the meetings of exporting companies.

- Linking foreign buyers with Georgian manufacturers.
- Trade platform on www.tradewithgeorgia.com
- Providing information on the export-related procedures, as well as on the certificated required for exports.
- Providing information on tariffs existing in foreign markets, establishing tariffs in concrete market.
- Retraining of export-managers.

Let us consider the program "Business Advisory Services (BAS) Georgia"
The BAS program helps small and medium enterprises through partial financing of various types of business consulting services. The program offers enterprises a wide choice of professional consulting services and grants grants to the successful completion of the project.

The enterprise may apply BAS program to lower the cost of professional consulting services in the following areas: Business planning for project finance and feasibility studies, business research and marketing planning, Cost accounting and cost reduction, management information systems (MIS) and other IT solutions, enterprise development strategy, including the restructuring, reorganization and management, engineering, architecture and design, quality management systems and standards, and search for business partners, other consulting services.

Women's Entrepreneurship Development Program Since January 2006, the B + Program has launched a new initiative, a pilot program called Women in Business, aiming to support and encourage women entrepreneurs. The pilot program was funded by the Canadian International Development Agency (CIDA).

Within the framework of the program, 9 standard consultative projects were implemented, where beneficiary companies owned or managed women. In addition, the pilot program provided training and seminars for beginners as well as for business entrepreneurs in business. The training cycle included the following issues:

- start up and develop your business;
- taxation, finance and accounting;
- marketing and business planning;
- rural tourism development in Adjara mountain districts.

The program was implemented quite successfully, which was reflected in the final results of the program.

It is noteworthy that 3205 projects supported by micro and small entrepreneurship support program (June, 2017), the minimum amount of total investment of which is 29 155 007 GEL, and totally 8,000 people will be employed and 22 942 704 GEL. Where there are 4 909 beneficiaries. As a result of state grants, approximately 2,8 thousand GEL is spent on the work place, while private and private investments in the micro and small business sectors account for 3,444 GEL.

Despite the fact that the "Produce in Georgia" program is becoming more and more popular with entrepreneurs involved in it, the Agency does not record information about how many companies supported by him are bankrupt and how much they continue to work. The amount of money in which the money is invested is to create an average 1 job place and where it is more stable. It is unknown in which direction the state finances are more expensive. In which field is the Entrepreneurship Development Agency to activate the industry, agriculture, hotels or other.

In addition, the amounts of grants and the type of assistance they provide a better result has not yet been calculated. For example, the Project Management Agency of the Ministry of Agriculture in 2015, amendments have been made in both the components of the program (working tools and basic means) to encourage the creation of cooperatives. Micro and small farmers were mainly using a component of working capital, but its effect was more social. To ensure more efficient use of financial (state) resources, this component has been replaced and currently only financing seasonal projects for processing enterprises.

Another substantial change is linked to the lower level of loan that has risen from 5,000 to 20,000 GEL. The goal of this change was to encourage small farmers to unite and create cooperatives.

The Processing Enterprises Support Program. The organization AGVANTAGE's activities aim to help Georgian producers and developers to increase export sales by increasing their competitiveness in international markets.

To achieve this goal, AGVANTAGE carries out the major obstacles to production, processing and marketing of agricultural products. AGVANTAGE

also promotes the availability of long-term credit through the acquisition of purchase of agricultural machinery leasing.

We examine several state programs.

Program - "Start a business with the help of the City Hall". Since 2006 to present.

The program provides business consultations, trainings for acquisition and development of business opportunities, supporting business startup and financing for existing (small and medium) business development. The Tbilisi City Hall has allocated 500 000 GEL for the project. Program - "Cheap Loan". Period: From 2007 to present. The subprograms of the "cheap credit" state program approved sub-program "Export Promotion" and "Regional Tourism, Agriculture and Folk Craft Development" sub-program under the Law of Georgia on the State Budget of 2008. The aim of these subprograms is to increase the availability of preferential credit resources for private entrepreneurs and thus facilitate the development of export-oriented enterprises, regional tourism infrastructure, agriculture and crafts, as well as creating new jobs.

The goal of the "100 New Agricultural Enterprises" program is to develop primary agricultural production, processing and agribusiness, creation of new jobs through the development of new agricultural enterprises in the regions, increase in revenue and improvement of living standards of rural population.

Unfortunately, due to consistent monitoring and lack of statistical data on these programs, it is difficult to make conclusions about their efficiency, which in our opinion is the subject of separate research and relevant services efforts.

It is important to improve the enterprise statistics on the basis of the study of international and European experiences, thus expanding the scope of business statistical data in terms of collecting/processing more detailed information. This will make it easier to identify the tendencies of business development, which, in turn, is essential for supporting the needs of the support and to develop effective measures.

Table 3.2.1.

Program	Goal
Produce in Georgia	Development of micro and small businesses, promotion of export, development of hotel and film industry, development of agriculture.

Business Advisory Services (BAS) Georgia	Enterprise Consulting Services (Business Planning, Research, Marketing Planning, Accounting Systems Introduction, Management Information Systems)
Women's Entrepreneurship Development Program	Support and encouragement of women entrepreneurs
The Processing Enterprises Support Program	Assistance to Georgian manufacturers and processing companies in export sales.
CHF international	Positive and long-term changes in the sphere of living and environmental improvement. Better construction of the world
Start a business with the help of the City Hall	Consultations, trainings for acquisition of business deals. Funding support in Tbilisi
Cheap Loan	Promotion of export-oriented enterprises, regional tourism infrastructure, agriculture and crafts
100 New Agricultural Enterprises	Primary agricultural production, processing and agribusiness development

Strengthening capacity of small and medium enterprises supporting institutions will contribute to further development of this sector and increase competitiveness.

The public and private sectors, including small and medium enterprises, will be established at the institutional level for the purpose of deepening dialogue and cooperation with the platform, which will lay the basis for regular and structured dialogue. The mechanism of dialogue will enhance the confidence between the private sector and the government and develop a predictable environment.

One of the most effective ways for internationalization of small and medium companies is to establish links with international companies operating in Georgia. Large international companies, in many cases, prefer to purchase products and services from local companies instead of importing products and services. At present there is no structured mechanism to support local SMEs with large investors operating in Georgia.

Innovation and research-development promotion is one of the most important factor in enhancing the competitiveness and productivity of the companies. The value added by the companies, especially small and medium enterprises, is low, one of the reasons for lack of technology is the lack of innovation and lack of innovation. As the state and private sector expenditure on innovation and research and development (R&D) is insufficient to ensure the growth and development of companies in the light of global competition.

Table 3.2.2

Indicator of introduction of innovations

Indicator	Place
Global Innovation Index	73
Business technology Level	105
Global Competition Level	66
Innovation Capacity	121
The company's expenditures on research and development	127
Access to the latest technologies	97
Use of technology at a company level	103

The research we conducted allowed us for presenting the following conclusions and scientific achievements:

1. An important social function of a small enterprise is that it can "absorb" an unemployed employee who has been liberated from large enterprises, to reduce or defuse social tensions arising from economic crisis or falling conditions;

2. The definition of small business used in the Tax Code does not correspond to the definition used for statistical purposes. The statistical data on enterprises (which is based on this explanation) do not reflect accurate indicators of the enterprises due to the lack of adequate definition of the small and medium-sized enterprises, and thus complicate the purposeful measures as well as their impact assessment;

3. Although there are already small and medium-sized entrepreneurial institutions in Georgia, they need strengthening;

4. In order to create a favorable environment for the growth and development of small and medium entrepreneurship, it is necessary to identify new legislative proposals as well as existing legislation, to identify the costs of compliance with regulatory burden of business and regulation;

5. It is important to simplify procedures related to closing the business, which is still difficult to address today. Some proportion of the enterprises, even though they are no longer operated, can not close the business;

6. Improvement is required for insolvency legislation

7. Small and medium entrepreneurs do not have sufficient knowledge on fund rising and sources of alternative funding (including private and venture capital funds). Consequently, it is important to promote the development of alternative sources of funding, as well as the increase of entrepreneurship and capital growth and attracting finances from alternative sources. Small and medium entrepreneurial opportunities to carry out financial statements are limited according to IFRS for SMEs, which hinders additional capital and subsequently, the growth and development of companies;

8. Despite a number of positives in terms of business regulation lately, a number of problems need to be solved. In fact, the independence of the private sector poses the absence of an independent judiciary, which, in some cases, impedes the government's illegal interference in business activity and its vulnerability to property rights; The links between the business sector the civil society are weak;

9. An effective mechanism for active entrepreneurship can be used, such as business incubators that promote individual initiatives and rapid introduction of scientific-technological progress. Activities of business incubators in Georgia are advisable to support entrepreneurship in the field of material production and in the field of service - to develop entrepreneurship;

10. The acute lack of statistical information makes it impossible to impart an objective assessment of the "Produce in Georgia" program. We do not know whether the funds spent within this program were successful or not. Despite the fact that it is unclear exactly what the results of "produce in Georgia" it still continues.

Thus and so, the development of small and medium entrepreneurship should ensure the emergence of the country's economic crisis, middle-class formation, long-term economic growth and political stability and solving acute social problems.

List of main publications related to dissertation:

1. Entrepreneurial activity and state policy. – Journal NOVATSIA, 2012, pp. 84-90
2. A Financial Economic Mechanism for Regulation of Investment Processes. Journal NOVATSIA, 2012, pp. 90-94
3. The role of banking service in economic development (Georgia in the context of new history). Journal NOVATSIA, 2013, pp. 209-213
4. Investment innovative approaches to the development of small enterprises. Journal NOVATSIA, 2013, pp. 149-154
5. Investment – innovative approaches in the development of small enterprises. - Actual problems of economics, sociology and law - 2015 10-14 Certificate of registration of PI No. FS77-3875 dated January 28, 2007.
6. Innovative development of the region. Journal NOVATSIA, 2016, pp. 107-111
7. Challenges and prospects for small business development in the services sector – Economics, management, science yesterday, today, tomorrow- Warsaw2016pp.39-45http://xn--e1aajfpeds8ay4h.com.ua/files/txt/scientific_conference_50/zbornik_50_2_Warszawa_28.02.2016.pdf#page=39
8. Development of entrepreneurial activities in the regional context. Journal NOVATSIA, 2016, pp. 111-118
9. Innovative development and the role of science in improving the innovative potential. Journal NOVATSIA, 2017, pp. 137-142
10. Regional innovation policy (Turkey and Slovakia. Journal NOVATSIA, 2017, pp. 142-146
11. Proceedings of International Scientific-Practical Conference “Economy, Business and Tourism: Urgent Problems, Achievements and Innovations” - Conditions and prospects for integration of the national sector of entrepreneurship in global economy, 2017, pp. 190-194. Kutaisi.<https://drive.google.com/file/d/0B6LstHrbM1gzMEpSZ0lqZEpxbzF2ZWtEalZQT2IMSUpTaXQ0/view>