

Main Directions of State Support for Small Business

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Abstract. Small and medium-sized businesses are the cornerstone of formations and development of a market economy. It plays a determinant role in operating the country's resource potential, development of stable, dynamic economy, employment of population, rising income levels and in solving other real-world problems.

The process of small business formation in Georgia is complex, contradictory and it is associated with significant social expanses. This is due to many global causes, among them the main are: market imperfection, low levels of investment and credit attractiveness, bureaucracy and etc.

Keywords: small business, business service, tax code, tax legislation, regulating.

Promoting small business is a main effector factor of economic policy in EU, and for the last 10 years, there has been special action in this regard, which is definitely a consideration for Georgia's small business.

In the first decade of the 21st century, significant steps have been taken in business development in Georgia. During the last three years, the procedures for registering and starting a business have greatly simplified. Therefore, Georgia has shown the best results against such indicators as "Procedures for Starting a Business" and "Number of Days to Start a Business." At this stage in Georgia we consider it inevitable to strengthen the legislative and administrative foundations of small and medium-sized businesses. Changes in the legislative base for small business development in Georgia. At the same time, it is necessary to introduce in practice the small and medium-sized enterprises test, i.e. real impact assessment, which implies as a result of legislative changes analyzing the expected economic, social and environmental impacts, making appropriate political choices based on cost-benefit assessment. The best way to implement these actions is to allow the small and medium-sized enterprises test (SME Test).

The use of Regulatory Impact Analysis (RIA) is also essential for the successful development of small business in Georgia. In order to increase internationalization measures of small businesses in Georgia, it is necessary to first of all study what the interceptive circumstances of Georgian small business are in terms of handling in

international markets. In improving the internationalization measures of small enterprises in Georgia special role belongs to the state to promote the implementation of actions.

For today in Georgia co-operation of various institutions is at very low level and virtually none, besides a few exceptions. Exactly such situation provides for the vacuum of technological transfer in the country, which impedes the development of small business and consequently the economic growth of the country. In addition, small enterprises experience an acute deficit of financial resources (see, for example, www.tekes.fi/en, www.vinnova.se/en, www.enterprise-ireland.com), its function is to facilitate the commercialization and adaptation/adoption of innovative solutions (products) with the help of grants, vouchers and technical assistance to small and medium-sized enterprises, universities and research organizations. This is a relatively expensive but very effective mechanism. Establishing such a structure is a necessary and urgent measure. At the same time, the implementation of measures to strengthen the innovation system (infrastructure) in the country will significantly contribute to small business development. In terms of state support it is very important to facilitate coordination of export production in small enterprises.

Significant results have been achieved in Georgia in last decade in terms of implementing E-government. As a result of these activities, small entrepreneurs were able to implement electronic communication forms in practice and use available governmental services.

The importance of business services is well recognized and much has been done in recent years in organizing special programs that purposes improving the technological capabilities of small businesses. As for information security, today many websites operate which help small business to get different kind of information, however, the problem with providing information is the fact that there is no any address in the internet space where a small entrepreneur would be able to receive complete, comprehensive and renewed information about all interesting matters of business industry.

In last years, many programs have been implemented by the Government of Georgia and international organizations aimed at assisting of startup small enterprises. These programs have been implemented through a network of local provider organizations that often receive support from donor organizations. As

practice shows us, startup enterprises are increasingly interested in such services. Accordingly, the assistance program does not fully meet the existing requirements and only a small number of startups are satisfied with such services in Georgia. In the coming years, it is necessary to strengthen the information and consulting component for startup small entrepreneurs in order to support as many startups as possible at an early stage of activity.

Amendments in tax legislation in Georgia towards physical persons who have micro and small business status should be improve on. According to the law, tax authorities have the right to implement tax control measures such as: (vetting purchase of goods service, comply with usage rules of check-cash registers, time-keeping, inventory), which enable tax authorities to determine income of persons who have micro and small business status with indirect methods, conduct a timing and determine on a weekly basis the annual income of a person with a small business status, which as the practice proves in many cases causes artificial increase of total income and imposes appropriate penalty sanctions.

The results of our research confirm that one of the major vital problem that is necessary to be solved for small business development is the simplification of tax-financial accounting and control procedures that are overly tight and creates greenhouse conditions for the formation of the oligopoly market. Current tax and financial administration procedures in any field require high costs, highly qualified staff, implantation of modern management accounts, control and information systems. Unfortunately, there is no explained in the tax code weighted average valuation method, however, in the second standard of financial accounting-"stock accounting" there is mentioned that using the weighted average method is appropriate when the goods are used for the same purposes, but it is unclear to whom it's for customer or business. Because the international standard of accounting is the standard of business accounting, production and customer accounting, i.e. if the organization only has goods for sale. Therefore, it is possible to spread the usage of weighted average valuation method to all commodities that's for the same purposes.

So, there are several important problems to be solved in the way of development of small and medium-sized enterprises.

➤ Tax accounting procedures on the basis of current bylaws cost very expensive, especially for processing industry enterprises;

➤ Bylaws concretely about conducting ongoing control procedures, writing off inventory, implementation of ensuring measures of tax debt payment, approval of offenders' proceedings rule.

In our opinion, it is necessary to make appropriate changes in the tax legislation and in bylaws normative in direction of supporting small and medium-sized business. It should be noted, therefore, that the country's tax system should focus not only on budget revenue growth, but also it should facilitate employment of population and overcome poverty, for which the newly opened small enterprises should be exempt from taxes during the first two years. Moreover, there should be liberalization of fines and penalties on small enterprises and should clearly be established simplified procedures for financial accounting for small and medium-sized businesses in the Tax Code.

In order to operate perfectly economic and social factors of small business, it would be the good will of the state to pass a new law "on small business", that will determine the real status of a small business and regulate all legal issues. It is desirable that the new legislative base to be underlie the Small Business Development Promotion Strategy. The Government of Georgia should make some changes to the current small and medium-sized businesses development policy, this attitude should include an unhurried implementation of state support for small and medium-sized businesses through gradual changes. In our opinion, small business promotion policy should be established allowance the specifics of each stage of economic development and from the socio-economic situation that's created in the country. The hasty changes to small and medium-sized businesses development policy will cause the abandonment of the system that has been formed for years, weakening fiscal discipline and a sharp deterioration of the business environment. The revival of small and medium-sized businesses requires a multiple preparation of relevant preconditions from the state and permanent implementation of well thought out activities. The world experience of small and medium-sized businesses development shows that with the active involvement of the public and business circles in the initial phase of preparation of state policy changes in this field, should be done a strategy for small and medium-sized businesses development and gradually fulfill activities for its implementation. The strategy should include improving of state-owned bank-credit policy and legislative base, access to entrepreneurial advisory-information services, and more.

The main priority of Georgian economy today is to support the development of small entrepreneurship, which actually has the ability to change the socio-economic picture of the country's development.

Georgian government should solve three main issues to support small business development: a) Encouraging small entrepreneurship; B) Training of small entrepreneurs; C) Assisting small entrepreneurs in sales.

Encouraging small entrepreneurship: A) The power of example is very important. B) The second important issue is to provide ideas in this area. C) Third, it is also important to set up an information-consulting center.

Training of small entrepreneurs: A) Necessary competence for starting and conducting business, that is, the acquisition of managerial and technical competence from small entrepreneurs' side. B) Preparation of newsletters.

Assisting small entrepreneurs in sales: A) The main factor of this program should be to assist small entrepreneurs in early sales. Today the best prerequisite for such assistance is - "Buy national product, help the economy, and develop small entrepreneurship in Georgia." B) The second important factor is the organization of special markets, trading areas for small entrepreneurs and the preparation of advertising catalogs.

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