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Article

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EMPOWERING SMALL BUSINESSES IN GEORGIA: ACCESS TO FINANCE, ECONOMIC RESILIENCE, AND SUSTAINABLE GROWTH

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Abstract: *The role of small businesses in the global economy is pivotal, characterized by their flexibility, rapid adaptability, and significant contribution to job creation. Small businesses worldwide often need help securing funding, particularly in regions with the most pronounced financing gap. The article discusses small business financing, emphasizing the importance of capital access and the challenges posed by limited options. The COVID-19 impact underscores the critical role of financial support for small business resilience. Georgia serves as a case study, exemplifying the concerted efforts of government agencies and international organizations in promoting small business development. The article examines initiatives like "Enterprise Georgia," the Rural Development Agency, and the Innovation and Technology Agency. The banking sector's role in facilitating small business growth and the significance of financial awareness initiatives is examined. The article highlights various measures, including the credit guarantee scheme and commercial banks' role in enhancing financial access and awareness. Green banking and capital market development for sustainable economic growth are emerging priorities. Green financing initiatives and partnerships with organizations like the Fund for Green Growth exemplify a growing commitment to sustainability. However, the article also emphasizes the need for a comprehensive approach to capital market development in Georgia to diversify financing sources and reduce reliance on the banking sector. In summary, this article underscores the indispensable role of access to finance in sustaining small businesses worldwide, focusing on the proactive efforts and collaborative endeavors in Georgia, providing a blueprint for enhancing small business development and financial sustainability.*

Keywords: *access to finance, Small businesses, financial awareness, green banking, capital market development.*

INTRODUCTION

Small business is the driving force of the market economy; it plays an essential role in developing the global economy. Small businesses' flexibility and decision-making autonomy allow entrepreneurs to respond to changes in the environment quickly, expand to new markets, consider customer requirements, quickly change directions, and ensure the creation of new jobs because they are the leading employers in developing countries. It is the beginning of the process of stabilization of the economic situation. Improving access to finance for small businesses is a topic of great interest to policymakers and academics.

The government, financial institutions, and donors invest in programs to finance small businesses. The priority direction of the development of the economic system of Georgia should be the creation of appropriate conditions for starting a small business and its development. The existence of the mentioned vision will be reinforced by the coordinated actions of the public and private sectors in crises, which stimulate the growth of access to finance for businesses and the mobilization of finance, in particular, during the Covid-19 pandemic, on the one hand, banks offered the opportunity to borrowers to benefit from the condition of deferring the fulfillment of obligations (National Bank of Georgia 2023), on the other In turn, the government provided tax subsidies, which would allow businesses to reduce costs (Government of Georgia, 2020).

In order to increase access to finance, the Ministry of Economy and Sustainable Development of Georgia created development-oriented agencies. These are Georgia's Innovation and Technology Agency, Enterprise Georgia, and Rural Development Agency, whose primary goal is to promote small and medium-sized businesses and strengthen competitiveness. Agencies provide financial support to small businesses. Starting a business in Georgia is easy, as the World Bank's 2020 study shows. Georgia ranks 7th among 190 countries regarding ease of business, while Georgia's neighboring countries are far below this indicator. For example, Armenia ranks 47th in the rating. Due to the ease of business in Georgia, the number of startups is high. According to the results of the July 2023 survey of the National Statistics Service of Georgia, a total of 949,779 enterprises are registered in Georgia, of which 233,864 enterprises are active, including 198,812 registered small businesses. Accordingly, small and medium-sized enterprises in Georgia make up 97% of economic entities. A significant part of the population of Georgia is employed in small businesses. The number of employees is 313,125, which is 43% of the total number of employees. These indicators confirm that small business plays a significant role in the development of the economy and employment (Geostat, 2023).

For business, it is necessary to mobilize a certain amount of money for development. For the smooth functioning of current business activities, it is crucial to pay off the current obligation quickly, purchase technologies, establish a modern entrepreneurial culture, and introduce international quality standards. These factors are related to business sustainability, measured by one of the indicators, financial leverage, which means financing assets with debt. Proper cash management and the ability to meet current liabilities on time can contribute to the financial sustainability of a company and reduce its dependence on short-term debt. Although modern entrepreneurial culture is not directly related to financial leverage, it can indirectly affect a company's ability to attract investors or secure financing. A strong entrepreneurial culture that encourages innovation can make a company more attractive to lenders or investors, increasing the financial sustainability of the business. Modern technologies contribute to the adequate performance of small and medium-sized businesses. Due to a lack of cash flow, they must use outdated technologies, affecting their competitiveness.

Unlike Georgia, external financing sources, especially bank loans, are more accessible to small businesses in Poland. In Poland, at the end of 2020, the percentage of firms that did not have liquidity problems reached a historical high. More than 62% of companies reported that they had cash liquidity at least at a safe level (i.e., 20%), and more than 94.5% of enterprises paid their credit obligations on time. There is also a relatively sustainable growth trend in the volume of long-term loans for small and medium-sized businesses (OECD-library 2023).

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It should be noted that today's world is actively discussing issues of sustainable development, the main component of which is eliminating environmental damage. The green economy model, which reduces environmental risks and ecological problems, aims at sustainable development and reducing negative environmental impacts. Green economy financing programs are becoming more relevant. Currently, banks do not separate green loans in their analytical data. A taxonomy of sustainable financing was created under the leadership of the National Bank of Georgia, which involves granting loans according to the classification of activities, which means that business activities will be classified according to green, social, or sustainable development criteria. The sustainable financing taxonomy aims to provide financial support to businesses.

Small businesses can use financing methods such as a loan from a bank or obtain grants from various donor organizations to accumulate the necessary funds. There are no diversified sources of access to finance in Georgia, and the primary way for business is bank loans or leasing. It is also worth noting that bank credit for entrepreneurs is minimal; as a rule, the smaller the business, the more it cannot meet the credit requirements for securing the loan; it cannot even confirm the income. Entrepreneurs are forced to apply to microfinance organizations and take loans with high interest rates, which hurts their current and future development dynamics. Small businesses need help attracting investments necessary for their activities and further development. Access to finance is seen as one of the most critical constraints to firm growth. Access to external finance is positively related to the growth of small businesses and the dynamics of their development. Entrepreneurs need knowledge, skills, and experience to help them obtain finance from formal and informal sources.

When entrepreneurs are unsatisfied with bank credit, they are deprived of opportunities for business development, expansion, and digitization because innovative technologies, acquiring new markets, and raising quality standards in production require financial resources. Although there are ways to raise funds related to the state, they need more knowledge or often the resources to raise grants. That is why the starting point is informing entrepreneurs about the proper communication methods. Deciding on financing in a small business is a crucial step, during which entrepreneurs must evaluate different sources of financing and be able to select the most relevant source of financing for their business.

The paper aims to study, analyze, and evaluate the challenges and prospects of access to finance to ensure the sustainable development of small businesses in Georgia, which includes loans and grants issued by institutions responsible for mobilizing finance: banks, microfinance organizations, and state and donor organizations. They are responsible for creating an effective financing system as the promotion of the SME sector develops small businesses.

The research questions are as follows:

1. What are the reasons why entrepreneurs cannot get financial support?
2. What is the role of banks in small business development?
3. How easy can entrepreneurs find information about financing projects in their region?

The Crucial Role of Access to Finance in Sustaining Small Businesses Amidst Economic Challenges

Access to finance is vital for small businesses, playing a crucial role in their startup, operation, expansion, and development. In an international context, small and medium-sized enterprises (SMEs)

significantly contribute to economies, employing millions of people and generating a substantial portion of the GDP. Small businesses often need help accessing finance, and this constraint can hinder their growth potential. In particular, regions like Latin America, the Middle East, and North Africa face a significant financing gap, with nearly half of small businesses in need of assistance in securing loans (OECD, 2022).

Access to capital for small businesses can take various forms, including debt financing and equity financing, and the availability of such financing options varies across countries. Small businesses resort to debt financing in countries where equity financing is limited. However, even debt financing options can be limited, pushing small entrepreneurs to seek informal sources of financing from friends, family, or community savings and loan associations, known as ROSCAs (Durst, 2021).

Overcoming information asymmetry is critical in increasing access to financial resources for small businesses. Timely, accurate, and complete information empowers entrepreneurs to explore different avenues for business development, ensuring they are independent of bank credit.

The COVID-19 pandemic had a profound impact on small businesses worldwide. Lockdowns, social distancing, and business closures led to a sharp contraction in global economic growth, affecting small businesses that lacked financial resources the most (Maglakelidze, 2021). Governments and banks were crucial in supporting these businesses through low-interest loans and other financial relief measures. Many countries, including Georgia, implemented payment deferrals, income tax deferrals, and debt restructuring measures to alleviate the financial burden on small businesses.

Collaborations with international organizations like the World Bank and the European Union provided additional support to small businesses, helping them weather the economic challenges posed by the pandemic. Proactive support allowed many small businesses to survive and adapt creatively and innovatively to overcome the crisis. While the pandemic created challenges, it spurred resilience, adaptability, and innovation among small businesses worldwide. Governments, international organizations, and financial institutions have played a crucial role in supporting these enterprises, highlighting the importance of facilitating access to finance and providing assistance during economic hardship (Guenther, 2021).

In conclusion, small businesses are essential components of economies globally, and access to finance is pivotal to their growth and survival. Policymakers, international organizations, and financial institutions must work together to eliminate barriers to accessing finance, ultimately strengthening small businesses' resilience and growth potential.

Government Support for Small Businesses in Georgia: A Comprehensive Overview

Small businesses in Georgia encounter multifaceted challenges, but government-sponsored programs play a pivotal role in supporting their growth. These initiatives aim to stimulate local entrepreneurship, enhance competitiveness, and foster innovation across various sectors, focusing on access to finance, real estate provisioning, and consultancy services.

"Enterprise Georgia," initiated in 2014, serves as a cornerstone agency in the country, offering substantial support to small businesses. It includes facilitating access to credit, leasing options, and utilizing international brand names, helping entrepreneurs surmount financial obstacles. Moreover, the program extends grants for technology adoption, product development, research, and the

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promotion of exports. "Enterprise Georgia" has been crucial in cultivating a dynamic business environment, spurring growth, and attracting investments (Enterprise Georgia, 2023).

The Rural Development Agency, founded in 2012, directs its efforts toward providing resources and assistance to rural entrepreneurs, particularly in the agricultural sector. Initiatives like the "preferential agro-credit program" subsidize loan interest, enhancing entrepreneurs' access to financial resources (Rural Development Agency, 2023).

Georgia's Innovation and Technology Agency (GITA) supports startups and businesses by providing grants and educational programs. GITA's involvement has been instrumental in fostering the growth of innovative businesses in Georgia, with over 600 startups benefitting from their initiatives (Innovation and Technology Agency, 2023).

To facilitate the integration of Georgian small businesses into the European market, the EU4Business - EBRD credit line assists in technology investment, aiding local companies in meeting European standards (EU4Business, 2023). The United States Agency for International Development (USAID) has long advocated for business development in Georgia. Their "Business Development Program," in collaboration with Gazelle Finance, extends interest-free loans and grants to small businesses. Additionally, USAID, along with the Kristal Foundation, supports women's entrepreneurship through programs such as "Supporting Youth and Women's Entrepreneurship in Georgia" (YES-Georgia) (USAID, 2023). These government-backed programs play a pivotal role in supporting small businesses in Georgia, enabling them to access financial resources, foster innovation, and contribute to economic growth (OECD, 2022).

Banking Sector Support and Financial Awareness Initiatives for Small Businesses in Georgia

A well-functioning banking system catalyzes small business development and overall economic growth by providing liquidity and credit. Banks play a vital role in lending to small enterprises, but they often need more information, leading to limited lending, high-interest rates, and collateral requirements. To bridge this gap, fostering strong relationships between small entrepreneurs and banks is essential (National et al. of Georgia, 2023).

One critical measure is the state-developed credit guarantee scheme, which enables entrepreneurs with insufficient collateral to access loans from commercial banks, agencies, or microfinance organizations with state guarantees. This scheme addresses the financing deficit small and medium-sized enterprises (SMEs) face. It mitigates market failures, a particularly pressing issue in developing countries like Georgia (National et al. of Georgia, 2023). Interest rates on loans significantly affect small businesses' access to finance. Georgia faces higher interest rates than some other countries, affecting the growth of small businesses. High bankruptcy rates further deter banks from lending to this sector (Rakhmonovna, 2022).

Commercial banks dominate Georgia's financial sector, and while alternative financing sources exist, their market share remains limited. Access to bank credit is crucial for SMEs, and ongoing efforts to increase their financial capabilities and knowledge are essential. Several banks in Georgia offer free business courses covering topics like entrepreneurship, management, finance, and digital marketing. These courses aim to enhance financial awareness and strengthen the relationship between entrepreneurs and financial institutions (Rakhmonovna, 2022). Innovative services like TBC Bank's "Business Guide" and Liberty Bank's "Business Dialogue" provide small entrepreneurs

valuable information on financial and non-financial products, training, and business opportunities. These initiatives foster strong relationships between banks and small business owners (Rakhmonovna, 2022). Collaborative efforts between banks and international organizations have also played a significant role in alleviating challenges faced by SMEs. These partnerships have helped banks secure funding to support small and medium-sized businesses and encourage the adoption of modern technologies and EU standards (FIF - Basisbank DCFTA loan, 2020; Credo Bank, 2023).

The proactive stance of Georgian banks and their dedication to increasing financial awareness and education reflects their commitment to eliminating financing barriers for small entrepreneurs and promoting business growth in the country (Netekoveni, 2019).

Green Banking and Capital Market Development for Sustainable Economic Growth in Georgia

Green banking, encompassing environmental and social protection elements, has become a growing priority in financing programs. While only a few Georgian commercial banks have embraced green goals and strategies, the importance of green financing is recognized in international markets. In 2022, seven out of 13 commercial banks provided information on green loans, with "The Bank of Georgia" and "TBS Bank" leading the way by presenting Environmental, Social, and Governance (ESG) strategies to align with British requirements (Aslanishvili & Omadze, 2019).

Procredit Bank has demonstrated a solid commitment to the green economy by establishing an eco-department and obtaining the ISO 14001 certificate. This bank funds small enterprises investing in energy-efficient, renewable energy, and environmentally friendly projects. Their initiative fosters awareness and training on the significance of entrepreneurship in the green economy, offering valuable support to environmentally conscious entrepreneurs.

The collaboration between the Base Bank and the Fund for Green Growth in Georgia is noteworthy. This partnership focuses on financing initiatives to enhance energy efficiency and reduce carbon emissions. The joint projects have already yielded substantial energy savings and emission reductions, contributing to sustainable development (Jishkariani, 2021). Developed countries, like the European Union, actively support climate-related programs through various financial instruments such as grants, guarantees, and loans. Sustainability initiatives, including creating the High-Level Expert Group (HLEG) and developing a sustainable development taxonomy, foster the transition to a resource-efficient economy. EU4Business, in collaboration with the EBRD, prioritizes green business financing, aiming to reduce energy consumption and increase production efficiency (EU4Business, 2023). However, Georgia's capital market development strategy for 2023-2028 has some things that could be improved. It does not adequately address external market factors or risks, such as geopolitical events, economic trends, and regulatory changes, which can impact market development. Furthermore, more emphasis on market infrastructure and regulatory framework improvement is needed. A robust regulatory framework is vital for investor protection and overall market growth. While the strategy recognizes the importance of the non-government bond and stock market, it needs comprehensive plans to diversify the range of financial instruments available. Diversification can attract a broader range of investors and stimulate market growth, reducing the reliance on the banking sector.

Overall, capital market development in Georgia is essential for creating a diversified source of financing, attracting investment, and reducing the dominance of the banking sector. Initiatives that support small businesses, like venture capital funds and the development of green financing, can

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contribute to economic growth and business sustainability (Strategy for the Development of Small and Medium Enterprises of Georgia, 2021-2025).

RESEARCH METHODOLOGY

Qualitative research: Qualitative research is an important part, within the framework of which information was collected through interviews with representatives of banks operating in Georgia that provide business loans to small entrepreneurs. Five bank representatives were interviewed. The existing research results are valid because, in Georgia, eight commercial banks are operating in this segment, and the bank with the most extensive small business portfolio has been selected.

RESULTS

A qualitative study assessed access to finance for small businesses operating in Georgia. According to the Tax Code of Georgia, a business is called a small business if its annual combined income does not exceed 500,000 GEL (Parliament of Georgia, 2010). Qualitative research included interviews with representatives of five Georgian banks that provide loans to small entrepreneurs, which provides valuable information. The objective of the qualitative research was to explore the opinion of bank representatives about the challenges and opportunities faced by small businesses in Georgia in accessing finance. They assessed the barriers that prevent entrepreneurs from getting a loan and their level of awareness of various business opportunities.

One respondent cited a need for more information and effort in collecting documents as a barrier to accessing finance. Small businesses may need help to collect the necessary information banks require. The respondent perceives proper communication and cooperation between the bank and small entrepreneurs as critical. The second and fourth respondents highlighted insufficient solvency, sloppy accounting, unsound plans, and poor credit history as barriers to accessing finance (Surmanidze, 2018). The mentioned respondent states that the most common reason among the barriers to access to finance is the insufficient financial situation of the entrepreneur, which leads to the inability to repay the loan on time. A third respondent highlighted several challenges: insufficient revenue, limited collateral, negative environmental impacts, and unfavorable business structures. The respondent noted that entrepreneurs are most often refused a loan due to insufficient collateral. The factor in which small business operates is also essential; whether business activities hurt the environment or human health, such areas are considered risky, and banks avoid financing. "Business activity, for example, if it hurts the environment, human health (production of chemicals, bitumen, petroleum products, processing-extraction of high-risk inert material, etc.)

A fifth respondent cited "excessive loan demand, expectations, and risk-taking." Small businesses that request loan volumes beyond their revenue-generating capacity may need help obtaining financing. In addition, the lack of adequate risk assessment and analysis can prevent loan approval. Entrepreneurs need to match the loan request with their financial capabilities and assess the risks associated with the loan (Financing SMEs and Entrepreneurs,2022).

The respondents' responses reveal that banks significantly emphasize the borrower's financial ability to fulfill loan obligations. Although banks are trying to promote financial literacy by providing various programs and training and helping small businesses strengthen their financial management capabilities, the study revealed that this factor still exists as a barrier to access to finance. These

factors determine small businesses' financial stability and viability, which is crucial for banks. Common factors that hinder the ability to secure financing for small businesses have been identified. Among them are lack of information, insufficient solvency, unorganized accounting, unsound business plans, insufficient income, collateral limitations, lousy credit history, excessive liquidity, and inattention to risks. In almost all of the reasons listed, respondents' answers highlight the multifaceted nature of small businesses' challenges.

All five respondents indicated that their bank loan helps small entrepreneurs expand their business and emphasized that this is one of the ways to use the received funds for improvements, such as upgrading the infrastructure, introducing new technologies, or improving the product/service offering. Also, by investing in the business, entrepreneurs can increase efficiency, competitiveness, and customer satisfaction, ultimately leading to improved business profitability. In "business expansion," "business development, access to money." The fourth respondent called the loan a cheap resource for development. It indicates that the bank representatives believe that the availability of loans at low-interest rates allows small entrepreneurs to obtain the necessary funds for the growth of their business at an affordable price. This availability can facilitate investments in new equipment, expansion of production capacity, and other development initiatives. Thus, respondents believe bank loans are crucial in providing cash to entrepreneurs.

The study reveals the green financing policies of five banks operating in Georgia and examines whether small businesses have an advantage in seeking green financing. Four respondents indicated that there are special green financing programs in their banks. It shows that these banks recognize the importance of financing environmentally sustainable projects and have specific initiatives to support such enterprises. Another respondent pointed out that green financing offers lower fixed and effective interest rates than standard financing. Moreover, low-interest rates lower the cost of borrowing and increase the financial viability of green projects, making them more attractive to small businesses looking for financing. "For the most part, the benefit for the entrepreneur is expressed in lower fixed and effective interest rates compared to the standard."

The fifth respondent said that banks encourage businesses to use green loans. Accordingly, the bank actively supports small entrepreneurs to implement environmentally friendly practices by encouraging green loans. One respondent emphasized that the bank prioritizes financing energy-efficient and environmentally friendly projects, as they positively impact the environment. In the answers of the bank representatives, several opinions were highlighted regarding the advantages of loan approval, which are available to small entrepreneurs who have grants from the state or donor organizations. However, some respondents emphasized that grant holders do not have an advantage. One respondent noted that small entrepreneurs who received government grants benefit from co-financing benefits, especially regarding interest and collateral requirements. The existence of a grant allows entrepreneurs to obtain financing with a reduced financial burden, potentially improving their financial situation. Reduced interest expenses can improve cash flow and profitability, which creates favorable conditions for the financial stability of the entrepreneur. On the contrary, one of the respondents mentioned that small businesses are not in an advantageous position if they own state grants because there are not enough conditions to meet the bank's requirements when taking a loan. "No, because it is not enough," one of the bank's representatives said that small entrepreneurs who received state grants enjoy relatively high trust in the bank. The grant acts as a form of guarantee, reducing the perceived risks of financing such entrepreneurs. This confidence can foster a more

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favorable credit environment, allowing entrepreneurs to access finance more efficiently and with better loan terms. Also, small businesses that have received grants from donor organizations are at an advantage, as having an organization that oversees the funds can enhance transparency and accountability, ensuring the bank's confidence in the proper use of the funds. Such monitoring can further reduce the risks for the bank, potentially leading to more favorable credit terms for the entrepreneur. "Yes, they are. As the project financing involves an organization that monitors the goals of spending funds", the existence of a grant-supported project can provide an additional guarantee of the bank, which will contribute to the entrepreneur's favorable position in seeking financing.

The study also included examining the loan application behavior of grant entrepreneurs. Analysis of their answers provides essential information about the practical frequency of loan requests by small entrepreneurs with grants. The answers of the bank representatives indicate that requests for loans with grants from small entrepreneurs are relatively rare. Several respondents expressed that these entrepreneurs often do not seek additional funds through bank loans. "I have had contact with only one organization. Therefore, organizations with grants have less frequent loan requests than other entrepreneurs." Once entrepreneurs receive a grant, they can rely on the funds provided and do not need other resources to support their business activities.

The responses of bank representatives about the ways and level of awareness of small entrepreneurs emphasize that banks use different methods to provide information about projects and loan opportunities to small entrepreneurs. Bank representatives named such methods as posting information on the bank's website, personal communication with entrepreneurs, advertising campaigns, telephone offers, promos, use of Internet banking platforms, and involvement in marketing activities. Direct communication through channels such as social media and conferences/meetings are also mentioned as ways to provide information to entrepreneurs. The responses indicate that banks use multiple communication channels to connect with small businesses. This multi-channel approach ensures that information reaches the entrepreneur through various means, allowing for greater awareness and access. The combination of online platforms, direct communication, and marketing activities reflects the banks' efforts to ensure the dissemination of comprehensive and diverse information. Bank representatives gave different assessments about the level of information among small entrepreneurs regarding how to obtain financing. Some respondents rated it around 6-7 on the scale. "Compared to previous years, the population is more aware of grant projects. which naturally increases the number of project beneficiaries". Accordingly, according to the bank's representatives, the level of information among small entrepreneurs is moderately satisfactory, and some improvement has been observed over the years. However, banks should raise the level of information among entrepreneurs. Continued efforts to educate and inform small business owners about financing opportunities can support their ability to make informed decisions and access the resources they need to grow and develop their businesses.

The study will also examine the view of bank representatives regarding how business can be developed in Georgia. The answers highlight several key factors contributing to the development of small businesses in Georgia. According to one of the respondents, diversification of the economy is an essential factor. The development of various sectors and branches of the economy is considered a decisive factor for the growth of small businesses. A diversified economy gives entrepreneurs more opportunities to identify niches, explore new markets, and expand their businesses. "With the

development of various branches of the economy, with the development of diverse sectors." According to the third respondent, practical business and development-oriented management practices are essential for small business success. Emphasis is placed on acquiring the right skills, transferring new technologies, and applying global best practices. Small businesses should adopt effective management strategies to improve their operations, productivity, and competitiveness. The fifth respondent was "competition, seeking more information about the business." Competition plays a vital role in the development of small businesses. By actively seeking more information about their business sector, market dynamics, and customer preferences, entrepreneurs can identify areas for improvement and implement strategies to remain competitive.

Accordingly, taking into account these factors, small businesses in Georgia can strengthen their competitiveness, expand their activities, and contribute to the country's overall economic growth. It is important for stakeholders, including government agencies, financial institutions, and business support organizations, to collaborate and create an enabling environment that supports small business development and success.

CONCLUSIONS

Small business development has played a crucial role in the socio-economic progress of Georgia since its independence. The growth of small businesses led to the creation of jobs and a significant increase in the number of employees, and the growth helped to improve the overall level of wages, which reflects the positive impact of small businesses on the livelihood of the population in Georgia. Access to capital continues to be a significant barrier for small businesses, as Georgia's Capital Market Development Strategy (2023-2028) must explicitly address market infrastructure development, such as stock exchanges. There needs to be more focus on the regulatory framework and more detailed information on improving it. The COVID-19 pandemic has highlighted the vulnerability of small businesses and the importance of accessing finance in times of crisis. Governments, financial institutions, and international organizations have implemented various measures to support small businesses during these difficult times. These initiatives, such as low-interest rates, loan programs, payment deferrals, and tax relief, were intended to ease the financial burden and ensure the continuity of small businesses. In Georgia, specific programs and initiatives have been implemented to meet the needs of small businesses, resulting in positive results such as reduced liquidation procedures and increased demand for loans. Various agencies in Georgia create an entrepreneurial environment that promotes business development. Commercial banks mainly dominate the financial sector in Georgia. Therefore, banks are the main financiers of small businesses when receiving financing.

According to the banks, the barriers that make it difficult for entrepreneurs to secure financing are lack of information, insufficient solvency, unorganized accounting, unsound operating systems, insufficient income, collateral limitations, lousy credit history, excessive liquidity, and risk inattention. The research revealed that banks have specific green financing policies and programs that enable small businesses to benefit from low-interest rates and favorable terms. Small entrepreneurs who have received grants from donor organizations or state grants have an advantage in accessing bank loans; that is why it is essential to have a project supported by a grant, which represents an additional guarantee for the bank. Based on the findings, the paper can give some recommendations to improve access to finance for small businesses in Georgia.

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They are strengthening financial education: developing and implementing comprehensive financial literacy programs for small entrepreneurs by the state and banks. Banks should support credit improvement initiatives and provide financial education and advisory services. These programs should focus on increasing the business education of entrepreneurs, which includes learning about finance, marketing, management, and the loan application process. Small businesses, on the other hand, should focus on improving their financial management practices. Promotion of sustainable practices: Banks should encourage businesses that engage in sustainable activities to minimize adverse environmental impacts. Accordingly, it is essential to develop the supply of green loans further. They should conduct informational training because entrepreneurs will understand how much priority green business is today. The initial ETPA banks need to give loans at interest-free rates because, in this respect, the environmental impact will be eliminated, as well as to promote the development of entrepreneurial activities in this regard.

Raising awareness: Banks need to raise awareness in the regions, giving small entrepreneurs a voice about their opportunities because as their awareness increases, so does their involvement in programs and entrepreneurial activities. Banks should create activities through which they can reach small entrepreneurs directly and provide comprehensive information about projects, as well as lending requirements and procedures, and small businesses should make a concerted effort to collect and submit the necessary documents. Development of the capital market: The state should develop the capital market and consider factors such as geopolitical events, economic trends, and regulatory changes. Significant attention should also be paid to developing market infrastructure, such as stock exchanges. Diversifying the financial instruments available in the capital market is also essential, which can attract a broader range of investors and stimulate market growth.

In conclusion, solving the challenges of access to finance for small businesses in Georgia requires a multifaceted approach involving various stakeholders. By implementing the above recommendations, policymakers, banks, and small entrepreneurs can work together to create an enabling environment to support small businesses' growth and development. It, in turn, will contribute to the overall economic prosperity of Georgia and create relevant business opportunities.

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