

Small and Medium-sized enterprises (SMEs) in the EU and Georgia: Institutional Analysis, Pathways to Development, Opportunities, and Future Perspectives

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Abstract

Business entities' successful activities are depended on a variety of factors, but the most important among them is a favourable economic environment, which includes a positive international image of the country, a stable political environment, attractive business regulations, the inclusion of a business-supporting component in state programs, and smooth operation of state institutions. Georgia faces similar problems to many other countries in terms of enhancing the business environment and developing small and medium-sized businesses. It should be noted that, although having the highest number of small and medium-sized enterprises among running businesses, their contribution to GDP remains quite low. Georgia became an EU candidate nation in 2023. In order to meet the requirements for full membership, the country will have to make significant institutional and regulatory changes. The hypothesis of the paper is following: the regulations for business entities operating within the European Union differ greatly from those in force in Georgia, which may cause challenges to the process of integration of business entities into the European Union economic space. The aim of this study is to look at the expected challenges for business entities operating in Georgia from the perspective of EU membership status including standards, certification, organizational structure, financial accounting, and institutional development. As Georgia aspires to join the European Union, it is important to study the expected positive and negative scenarios for the business segment, as well as develop key conclusions and recommendations, that will serve as an important document for state institutions and the business sector for full and prepared integration of business entities into the European Union. The paper is based on the analysis of official documentation, empirical research of business entities, in-depth interviews, and comparative analysis of regulations. The theoretical basis of the paper is the research conducted by Georgian and foreign researchers.

Keywords: SMEs; EU; Georgia; Development; Opportunities