

Entrepreneurial Attitudes in Georgia (Empirical Research Results).

Ia Natsvlishvili

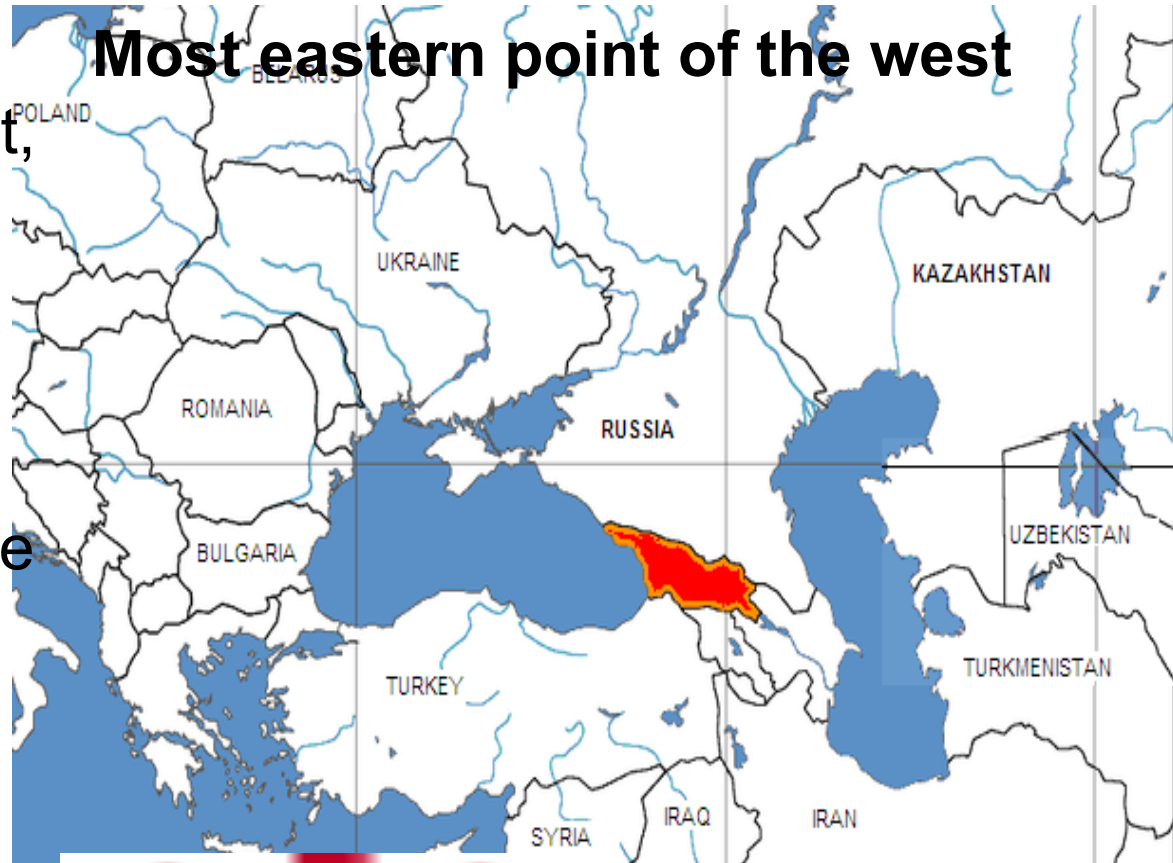
PhD, Associate Professor at Tbilisi State University,
Tbilisi, Georgia

Visiting Scholar at George Washington University,
Washington DC, USA

A Small But Important Country

Being the boundary between West and East, Georgia has been an target of geopolitical struggle of

- Persian Empire
- Byzantines (East Rome Empire)
- Arab Caliphate
- Mongols
- Turks (Ottomans Imperia)
- Russian Empire



Overview

- Facts 2008

Population, total (millions) 4.5 ml (60% residential, 40% rural)

Population growth (annual %) -1

Life expectancy, female (years) 75

Life expectancy, male (years) 68

GDP (current US\$) (billions) 13

GDP growth (annual %) 2.31

GNI, Atlas method (current US\$)
(billions) 11

Overview

- **Inflation**, consumer prices (annual %) 10
- **Foreign direct investment**, net inflows (% of GDP) 12
- **Unemployment**, total (% of total labor force) ..
- Time required to start a business (days) 3
- **Internet users** (per 100 people)-24

Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/GEORGIAEXTN/0,,menuPK:301755~pagePK:141132~piPK:141107~theSitePK:301746,00.html>

Overview

- **Facts 2009-2010 Source: IFM**
- **GDP - Per Capita (PPP) according IMF:**

2006	\$4040.96	growth rate	10.90 %
2007	\$4670.889	growth rate	15.59 %
2008	\$ 4869.064	growth rate	4.24 %
2009	\$4747.123		
		Growth rate	-2.50 %

Overview

Facts

National currency [Georgian Lari](#) \$1 =
1.75 GEL

Territory: 70.000 sq. km.

State Language: Georgian (on the
territory of Abkhazia - Georgian and
Abkhazian)

Religion: Orthodox Christians in
majority

Capital City: Tbilisi (1. 4 ml
population)

Structure of the Economy

<i>(% of GDP)</i>	1988	1998	2007	2008
Agriculture	24.4	27.6	10.7	10.0
Industry	37.4	22.9	24.3	21.2
Manufacturing	26.5	58.9	12.7	12.0
Services	38.2	49.5	65.0	68.8

Asad Alam, World Bank Regional Director for the South Caucasus

- “...This year, Georgia achieved significant progress and ranked 11th on the ease of doing business among 183 economies worldwide...”(www.worldbank.org)
- “Twin crises – the August 2008 conflict followed by the global economic downturn. As a result WB...strategy focuses on pressing post-conflict and vulnerability issues, and strengthening the foundations for competitiveness and growth in the future.”

Fighting the corruption

http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

- **Corruption Perception Index-2010**
- Georgia 3.8
- Armenia 2.6
- Azerbaijan 2.4
- Russia 2.1
- Poland 5.3
- Denmark 9.3
- Germany 7.9
- USA 7.1

Economic Growth 2010-2011

- **The economy was projected to grow by 5.5 percent in 2010 and 4-5 percent during 2011-13, although downside risks from global economic uncertainties are significant.**
- This follows a contraction of 3.9 percent in 2009 resulting from the shocks of the August 2008 conflict and the global economic crisis. **Real economic activity is picking up in 2010, with growth in exports, worker remittances, real estate transactions, vehicle registrations, and construction permits.**

Economic Growth 2010-2011

Success and Failure

Exports were up by 40 percent during the first half of 2010 and imports were up by a 12 percent. During the same period, VAT turnover increased by 27 percent (year-on-year) after being down by 7 percent during 2009. **At the same time, bank lending is only recently showing signs of a modest pickup, while FDI inflows remain far below pre crisis levels and were down significantly to \$273 million in the first half of 2010 (1 bln. Dollars were projected).**

Entrepreneurial Attitudes in Georgia

- **The present work represents description of results of the research on Georgian's attitude towards entrepreneurship conducted by the author in July-September 2010, in Tbilisi (Georgia) and analysis of empiric data derived from the survey.**

Research Hypothesis

- **Research hypothesis** was the following: due to successful reforms of last years negative attitudes toward entrepreneurship should have been less anticipated considering the high unemployment level in Georgia and difficulties arising from current economic transformation processes. Strong desire of self-employment and huge expectations of engagement in entrepreneurship in the future should have been anticipated.

Research Questions of the Survey

- Are the difficulties and problems arisen during the current reformation processes in Georgia the cause of negative attitudes toward entrepreneurship?
- Do the transformation processes in Georgia cause absence of desire of becoming entrepreneur or on contrary?
- How deeply has the population realized the risks and dangers associated with entrepreneurship?
- What are the desires and expectations of the population concerning of becoming the entrepreneur?
- What are the expectations and self-employment perspectives over nearest future?

The Object of Survey

- The object of research was individuals and families (households) residing in various districts of Tbilisi. Of course, this object is not representative for whole Georgia, but one should consider that Tbilisi is the largest city in Georgia, where one third of the country's population resides. Due to this reason moods and attitudes of Tbilisi residents should reflect main tendencies of Georgian population with adequate accuracy.

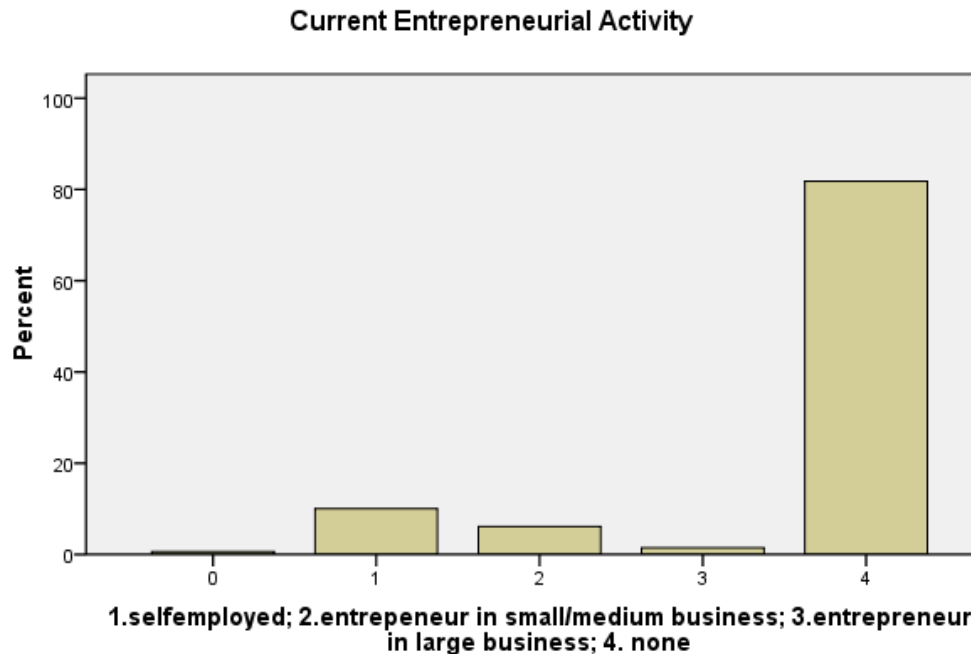
The Method of the Research

- **The method of the research was questionnaire** by means of various types of non-random selection: so-called spontaneous selection and “street selection”. Spontaneous selection in contrast to other methods is simplest, cheapest and less representative. It is impossible to generalize the results of such survey for the whole population. In case of applying “Street Selection” type, interviewers are questioning respondents in predefined locations.

Test of the Hypothesis

Research Results

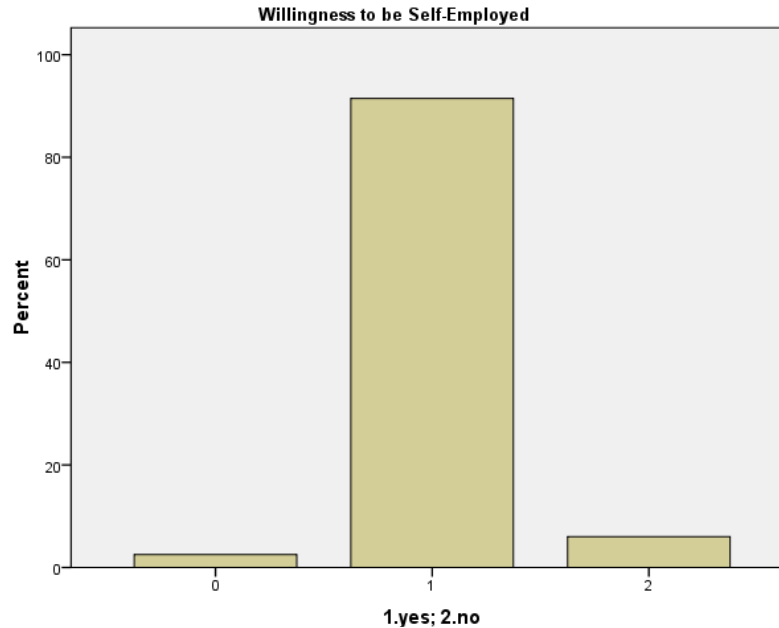
- Over the last years on the background of successful reforms in Georgia negative attitudes towards entrepreneurship are weak.
- On the background of high unemployment the desire of becoming self-employed is strong.
- Positive attitudes of the respondents in Tbilisi towards entrepreneurship indicates their self-confidence, feeling of social and political stability, expectations of success of market oriented economic reforms.



Current Entrepreneurial Activity

1. self-employed - 10.0%; 2. entrepreneur in small/medium business - 6.1%; 3. entrepreneur in large business - 1.4%; 4. none - 81.8%; 0. no data - 0.6%

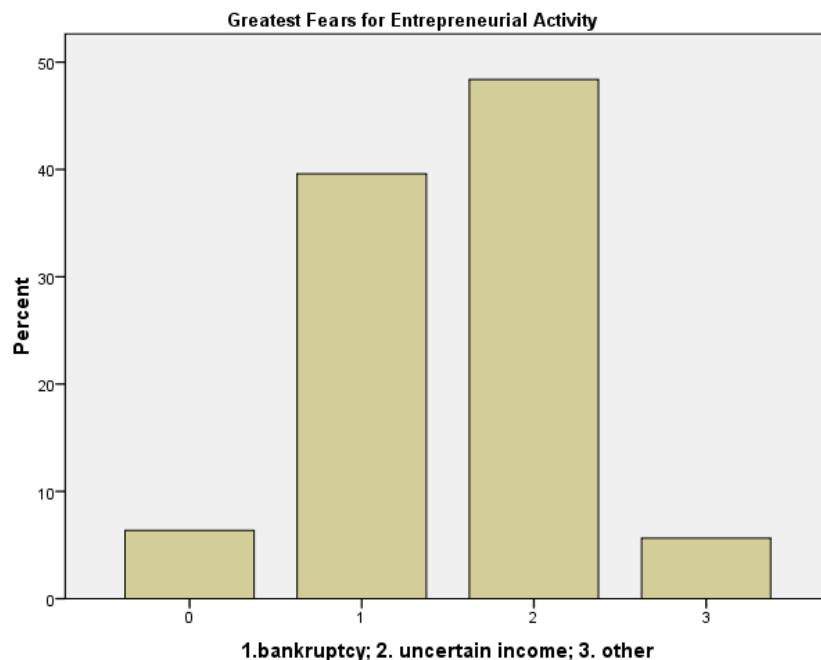
The answers of the respondents to the question - “Are you currently an entrepreneur/self employed?”- show that 81.8% of respondents do not run their own businesses.



Willingness to be Self-Employed

1. Yes - 91.5%; 2. no - 6.0%; 0. no data - 2.5%

Analysis of empiric data proves that 91.5% of respondents express willingness to be self-employed

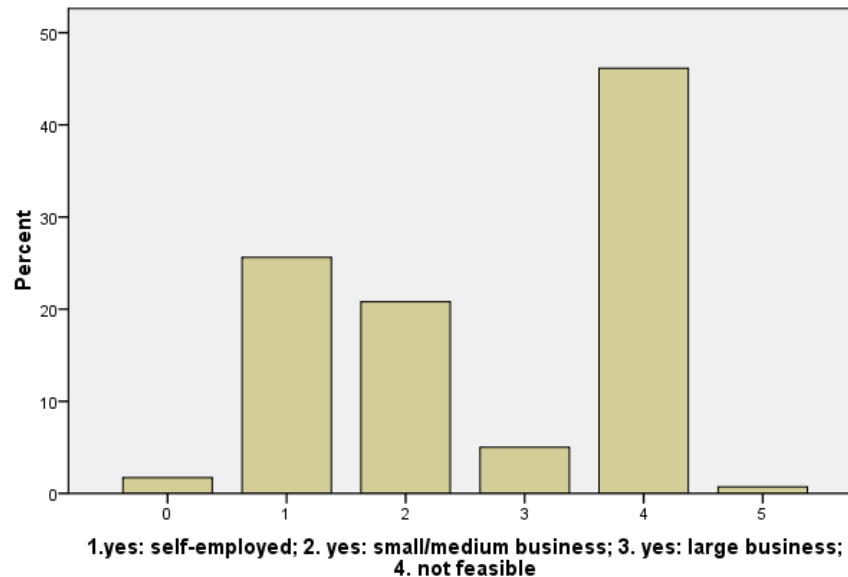


Greatest Fears for Entrepreneurial Activity

1. bankruptcy - 39.6% ; 2. uncertain income - 48.4%; 3. other - 5.6% ;
0. no data - 6.4%

**Significant part of Georgian respondents (48.4%)
consider irregular incomes as a greatest fear
associated with entrepreneurial activities.**

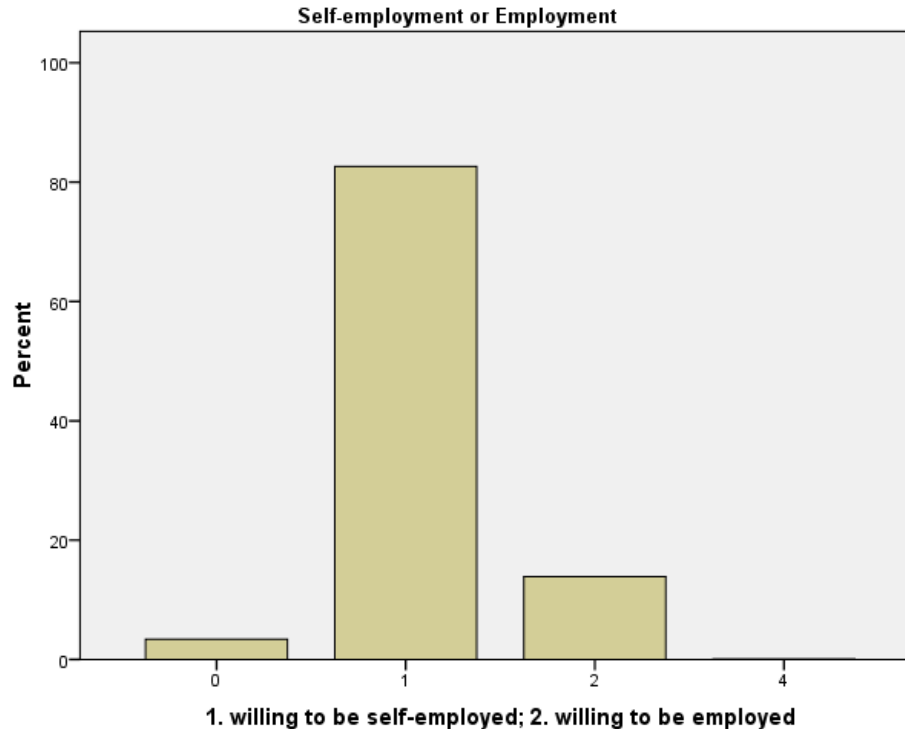
Feasibility of Becoming Self-Employed in Next Five Years



Feasibility of Becoming Self-Employed in Next Five Years

1. yes: self-employed 25.6%; 2. yes: small/medium business 20.8%; 3. yes: large business 5%; 4. not feasible 46.1% ; 0. no data - 2.4%

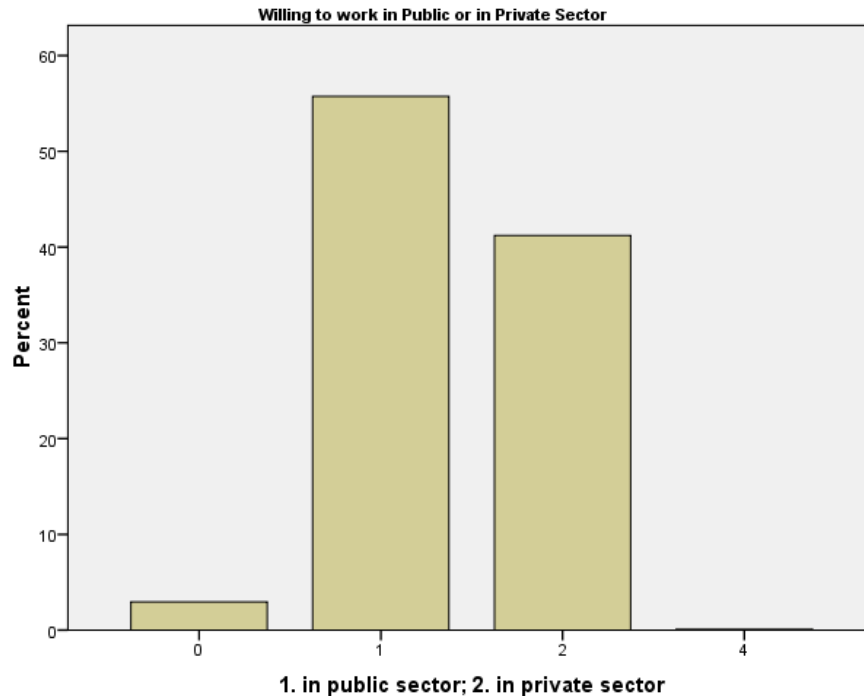
The answers to the question - “Do you see the feasibility of becoming an entrepreneur in next 5 years?”



Willingness to be self-employed

1. Willing to be self-employed - 82.6%; 2. willing to be employed - 13.9 %.
- 0-4. no data 3.5%

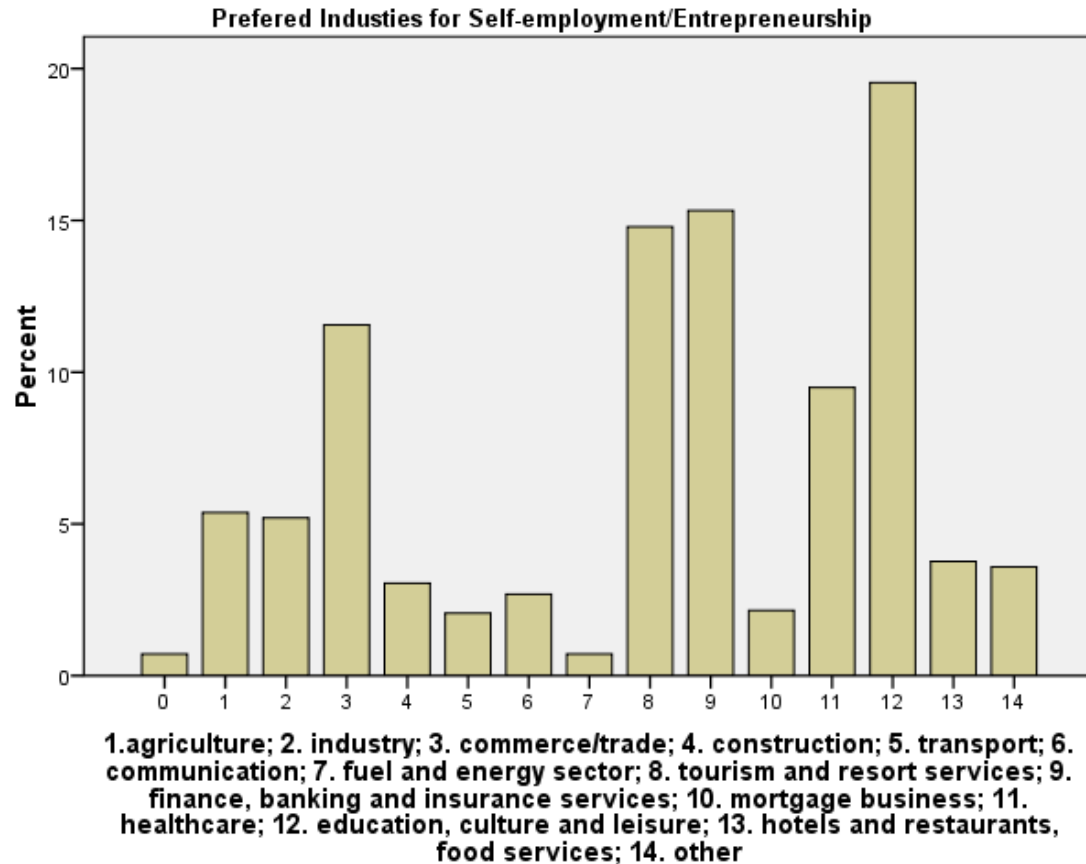
82.6% respondents prefer to be self-employed rather than to be employed by other organizations/persons.



Willingness to Work in Public Sector

1. In public sector - 55.7 % 2. in private sector - 41.2%; 0-4. no data 3.1%

Paradoxical that despite big desire to be self-employed, the significant part of the respondents prefers to be employed in the public sector rather than in private sector.



Preferred Industries for Entrepreneurship

1. Agriculture 5.4%; 2. industry 5.2%; 3. commerce/trade 11.6%; 4. construction 3.0%; 5. transport 2.1%; 6. communication 2.7%; 7. fuel and energy sector 0.7% ; 8. tourism and resort services 14.7%; 9. finance, banking and insurance services 15.3%; 10. mortgage business 2.2%; 11. healthcare 9.5%; 12. education, culture and leisure 19.5% ; 13. hotels and restaurants, food services 3.8%; 14. other 3.6%; 0. no data 0.8%

Most Preferable Industries

The subject of special interest is the respondents' answers to the question – “If you were able to choose which industry would you prefer for starting your own business?”.

It might seem surprising but the majority of the respondents (19.5%) considers that education, culture and leisure is the most desirable sector for entrepreneurship. In top five most desired sectors of entrepreneurship were finance, banking and insurance services (15.3%); tourism and resort/recreation services (14.7%); trade/commerce (11.6%); healthcare 9.5%.

What is Next-Global Trends Emerging

- **Global imbalances being corrected**
- **World prospects are diverging—US, Europe, and big emerging markets**
- **Fiscal Adjustment underway in most countries**
- **Real interest rates will likely rise**
- **Foreign inflows to emerging markets will likely be lower**
- **Risk aversion to be high**
- **Economic uncertainty to prevail for some time**

... Which imply that the patterns of growth and financing will be shifting in the South Caucasus

- **Need to find new sources of growth – agriculture, tourism, ICT –and create jobs**
- **Enhance productivity – development of skills, absorption of new technology, innovation - higher premium now on competitiveness**

The new patterns of growth and financing in the South Caucasus

- **Find new products and markets; compete aggressively for the more limited foreign capital**
- **Domestic savings and investment more important**
- **Manage risk – macroeconomic, financial, social, environmental**

Contact Information

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Ia Natsvlishvili
School of Economics and Business
Tbilisi State University
Tbilisi, Georgia

ia.natsvlishvili@tsu.ge

ianat777@yahoo.com