THE LATEST TRENDS IN GEORGIA’S BUSINESS REGISTER

Abstract. In this paper, we examine the Statistical Business Register (SBR) in Georgia, which serves as the foundation for economic statistics. To keep up with the demands of the modern digital economy, the SBR requires ongoing capacity-building efforts. It's a critical component in generating official statistics that inform evidence-based decision-making. In light of the ongoing globalization process, particularly in the wake of the COVID-19 pandemic, there's a growing demand for high-quality, comparable SBR and economic statistics at the international level. Geostat's BR is unique in that it allows for determining an entity's activity status. However, the current globalization process presents a challenge to creating a perfect SBR, increasing the need for an internationally comparable SBR in the post-COVID-19 pandemic world. Our paper highlights the significance of the SBR and investigates registered and active business entities in Georgia according to various parameters, such as economic activities, legal status, and territorial distribution by regions, and statistical trends of active companies during pre and pandemic periods. We also identify areas where COVID-19 had the most detrimental effect and where further recovery is necessary for the sustainable development of Georgia's economy. As the backbone for economic statistics, the SBR needs continued capacity-building activities in the modern digital economy. It plays a central role in producing official statistics, both in terms of how the statistics are produced and the quality of the statistics that draw on information from them. Our article, in particular, is devoted to improving the quality and modernizing the indicators of the statistical business register, which further contributes to producing high level business and macroeconomic statistics.

Keywords: Statistical Business Register - SBR, Statistics, Active business entities, Business demography, Georgian economy.

JEL Classification: M21
საქართველოს ბიზნეს რეგისტრის უმჯობესი ფორმა

ამსპინძელია, რომ სხვადასხვა საქართულმა სამართალმა ბიზნეს რეგისტრის (SBR) სამყაროში, იქნებოდა გამოყენებული სხვადასხვა სამყაროში, თუმცა, ბიზნეს საშუალებების გაღრმვალება და გაფართოება დამატებულია. SBR-ის მიმდინარე მოთხოვნა ფიქრობს პირობების განვითარების გზით. თანამედროვე წყაროებში, გახსნილია ელემენტები, რომლებიც განსაკუთრებით პამსართულია საქართველოს სავაჭრო მონაწილეობით

საქმიანობის სტატუსში, როგორც ზოგადად ეკონომიკური სატელეკომუნიკაციის სამყაროში სამთავრობო სატტელეკომომუნიკაციის სამყაროში, როგორც სამყაროში სამთავრობო სატელეკომუნიკაციაში. ბიზნეს საშუალების გაღრმვალების გზით, გამოთქვა დეპირველი საგანმანათლებლო მაცხოვრის საშუალებით. საქმიანობის სტატუსთან შემდეგ, საქართველოს ბიზნეს რეგისტრის შევიდა, რომ ის იძლევა ერთეულის საქმიანობის სტატუსი გამოვიყენების საშუალებას. თუმცა, მომხმარებელი ლამაზად გასწვრივი ძალისხმევა უმჯობესი მაქსიმალური შესაძლებლობების შესახებ. ჩვენი სტატია ეძღვნება საქართველოს სატელეკომომუნიკაციაში, როგორც სამოწმებელი, აღადგინებული საკვანძოები და მოდერნიზების გზით, როგორც ზოგადად ეკონომიკური სამყაროში სამთავრობო სატელეკომომუნიკაციაში. საქართველოს ბიზნეს რეგისტრის შემდგომში, საქმიანობის სტატუსთან შეიქმნება სამთავრობო სატელეკომომუნიკაციაში.
**Introduction and review of literature**

When it comes to making decisions about national and international economic policies, accurate statistical data is crucial for analysts, researchers, politicians, and the general public alike. As consumers, entrepreneurs, employers, or employees, the public has a vested interest in understanding the state of the economy. That's why it's essential for every country to produce high-quality official economic statistics. In Georgia, the Statistical Business Register (SBR) is the primary source for economic statistics, providing information about registered and active economic entities. The SBR not only ensures consistent production processes for indicators but also develops effective processes for the production of statistics. Its traditional purpose is to form a population of business subjects, which is then used to generate a selective group in statistical studies and monitor the workload of respondents.

As the backbone for economic statistics, the SBR needs continued capacity-building activities in the modern digital economy. It plays a central role in producing official statistics, both in terms of how the statistics are produced and the quality of the statistics that draw on information from them (United Nations Guidelines on Statistical Business Registers., 2020).

SBR is the primary source for economic statistics and in particular, it’s vital for producing Structural Business Statistics. Structural Business Statistics (SBS) describes the structure and behavior of businesses in a country. In Geostat's practice, the population of business statistics includes all active enterprises whose economic activity is not related to the National Statistical classification of economic activities, second edition, with the following sections of 2: K – Financial and Insurance activities; O – Public administration and defense; compulsory social security; T – Activities of households as employers; undifferentiated goods and services - producing activities of households for own use; U – Activities of extraterritorial organizations and bodies.

As for European business statistics, it combines sections B - N of NACE Rev.2 and section 95 of section S, including industry, construction, Wholesale and retail trade; repair of motor vehicles and motorcycles and most other services, and excludes economic activities such as: agriculture, forestry and fishing; public administration; education; health and social work; Arts, entertainment and recreation. Financial and insurance activities are also excluded due to their specificity. Also worth mentioning is the European short-term business statistics (abbreviated STS), which is the earliest operationally published statistics and reflects the latest trends in business statistics. The main advantage of STS is that these data are available at the end of the reporting month. As a rule, STS indicators are published on a monthly basis, although some indicators (labor costs, service turnover, service prices) are available on a quarterly basis.

Geostat is only now starting to produce short-term statistical indicators. The calculation of monthly and quarterly indices of business sector turnover volume is one of the priority activities determined by the 2020-2023 strategy of the official statistics system of Georgia, which was carried out within the framework of the EU Twinning program project (Dzebisauri, L.; Mindorashvili, M., 2023).

Another role of SBR is that it is tightly linked to the development of sector accounts within the system of national accounts (SNA). SNA is high on the Development Strategy of the National System of Official Statistics of Georgia and the global policy agenda as well. SNA is a comprehensive, consistent, and flexible set of macroeconomic accounts to meet the needs of government, policy-
makers and private-sector analysts. National accounts provide information to analyze the structure of economies and their development over time. SNA promotes the integration of business and related statistics in a system that is based on consistent economic and statistical concepts and methods. As such, it allows domestic and international comparative analysis and helps economists to measure the level of economic development and the rate of economic growth, the change in consumption, saving, investment, debts and wealth for not only the total economy but also each of its institutional sectors. Institutional sector accounts present a complete and consistent set of data for sectors, which combine institutional units with broadly similar characteristics and behavior. The role of sector accounts is extremely important in constructing the comprehensive system of national accounts of any country. As Georgian statistics is at its starting point to developing sector accounts, it needs to share the best practice of the EU countries in the compilation of sector accounts and making comprehensive analysis. Furthermore, the progressive alignment of the statistical system of Georgia with the European Statistical System is defined by the EU-Georgia Association Agreement in order to ensure the integrity and comparability of official statistics at the global level (Dzebisauri, L.; Mindorashvili, M., 2022).

Also worth noting is the role of the business register in the study of employment and wage statistics. It should be noted that Georgia is in the leading position in the world in terms of the ease of starting a business activity and doing it. This means that doing business in Georgia is possible in a relatively simplified and free environment. All of these have a positive impact on the implementation of foreign direct investments in the business sector, the creation of additional jobs and the improvement of employment indicators (Ease of doing business rankings., 2020).

Despite the fact that it is quite easy to do business in Georgia, against the backdrop of the Covid pandemic, Georgia, like other countries, faced great challenges. It became necessary to study labor market issues in detail from different points of view, in particular, taking into account the form of ownership, legal forms, size of enterprises and demography. In this case, the use of business register data is essential. In 2021, the number of employees in the business sector decreased by 1% compared to the pre-pandemic year of 2019; As it turned out, in 2021, most people are employed in agriculture, forestry and fish farming, trade and car repair, as well as in industry; The largest number of employees are employed in limited liability companies, but the number of employees in joint-stock companies and cooperatives is also increasing dynamically. The conducted analysis makes it possible to draw the following main conclusion: in the conditions of the Covid-19 pandemic, the business sector in Georgia managed to maintain the trend of continuous growth of the absolute index of employment and average salary, both in terms of sectoral and enterprise sizes. But despite the trend of decreasing wage inequality, the convergence of wages between individual business sectors and different sizes of enterprises remains a problem (Gelashvili, S.; Abesadze, N.; Mindorashvili, M.; Dzebisauri, L., 2022).

Using the SBR database, the conducted analysis makes it possible to draw the following main conclusion: in the conditions of the Covid-19 pandemic, the business sector in Georgia managed to maintain the trend of continuous growth of the absolute index of employment and average salary, both in terms of sectoral and enterprise sizes. But despite the trend of decreasing wage inequality, the convergence of wages between individual business sectors and different sizes of enterprises remains a problem (Gelashvili, S.; Abesadze, N.; Mindorashvili, M.; Dzebisauri, L., 2022).

In modern times, SBR plays two other vital roles. First, it is crucial to integrate and use data from administrative and other sources. Second, a complete list of well-developed SBR enterprises and other statistical units and information about their characteristics can be used as an essential source of economic statistics. The growing demand for high-quality and more detailed economic statistics, as well as the need to increase the efficiency of statistical processes, primarily focuses on the role of SBR in producing statistics, improving existing statistics, and calculating new statistical indicators.
The Statistical Business Register, or SBR, is created by the National Statistics Office of Georgia (Geostat) (Business Register data of Georgia, n.d.) and relies on two types of sources: external and internal. External sources come from administrative sources provided by the National Agency of Public Registry (NAPR) of the Ministry of Justice and the Revenue Service (RS) of the Ministry of Finance of Georgia. Meanwhile, internal sources come from surveys conducted by Geostat, including quarterly and annual business statistics surveys and monthly computerized telephone interviews (CATI). These surveys serve as a vital foundation for improving administrative sources. Geostat's BR is unique in that it allows for determining an entity's activity status. However, the current globalization process presents a challenge to creating a perfect SBR, increasing the need for an internationally comparable SBR in the post-COVID-19 pandemic world.

**Methodology**

The research is based on the works of Georgian scientists published in local scientific publications, United Nations guidelines on statistical business registers, World Bank reports and statistics from the National Statistical Service of Georgia. In the process of research, methods of descriptive statistics are used. Our estimations are based on the official data of the National Statistical Service of Georgia.

**Results**

The SBR is a comprehensive database of all registered business entities in the country. It provides users with insights into the progress of various economic sectors, details about business demographics, and information on the operations of each business entity. With the SBR, users can also perform geographical and spatial analyses. The database contains up to 25 parameters about each business entity, including their registration date, legal and actual addresses, economic activity type, turnover, accrued wages, number of employees, and key demographic indicators such as enterprise births and deaths by activity type, branches, and regions.

It is crucial to know the number of registered enterprises and active business entities among them to assess the state of the economy and business. An economic entity is active if it meets at least one of the following criteria:
- turnover > 0 (VAT, monthly income, and other declarations);
- salary or number of employees > 0 (monthly income and other declarations);
- has profit or loss (profit declaration);
- paying any tax, except only property tax.

According to the official statistics, at the end of 2021, 807,000 business entities were registered in Georgia, and only 21.9% were active (chart 1).

According to Figure 1, there are very few active business entities in Georgia compared to all registered enterprises. However, the number of active enterprises in 2021 was the highest ever recorded. On the other hand, when we analyze the share of active business entities in total registration, we observe a continuous decline since 2016, which is the opposite of the quantitative indicator. This means that the share of active companies hit an all-time low of 21.9%.

Looking at the data in light of the pandemic, we can see some peculiar effects of Covid-19. The percentage of active businesses among all registered enterprises decreased more sharply in the pre-pandemic period than during the pandemic.
Figure 1. Registered and active companies in Georgia, 2012-2021

Source: Based on Geostat data.

So, what do these contradicting facts signify? Well, the ease of business registration in Georgia has led to a faster increase in the number of registered businesses than active ones. In fact, Georgia ranks seventh out of 188 countries in terms of ease of doing business according to the 2020 World Bank data (Table 1). However, the aforementioned fact highlights the facade of simplified registration procedures in the country. To improve the situation, we need more effective measures to increase the share of active businesses and make their activities more sustainable and efficient.

Table 1. Easy of doing business ranking, 2020

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>DB score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Zealand</td>
<td>86.8</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
<td>86.2</td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong SAR, China</td>
<td>85.3</td>
</tr>
<tr>
<td>4</td>
<td>Denmark</td>
<td>85.3</td>
</tr>
<tr>
<td>5</td>
<td>Korea, Rep.</td>
<td>84.0</td>
</tr>
<tr>
<td>6</td>
<td>United States</td>
<td>84.0</td>
</tr>
<tr>
<td>7</td>
<td><strong>Georgia</strong></td>
<td><strong>83.7</strong></td>
</tr>
<tr>
<td>8</td>
<td>United Kingdom</td>
<td>83.5</td>
</tr>
<tr>
<td>9</td>
<td>Norway</td>
<td>82.6</td>
</tr>
<tr>
<td>10</td>
<td>Sweden</td>
<td>82.0</td>
</tr>
</tbody>
</table>

Source: Based on Geostat data.

Results of analysis of registered business entities by types of economic activity (classifier of
types of economic activity - NACE Rec.2) that the highest rate is recorded in the field of trade and share in the total registration, as of 2021, is 14.9%. It should be noted that the field of trade in Georgia has historically been in the leading position since 1995, and during 2010-2021, it is represented by an average of 21.2%, which is quite a high share. Construction is the next type of activity in the ranking, with 3.7% on average during the same period. An average of 3.5% determined the share of transport and warehousing. The average share of the processing industry in the period is 4.5%; however, according to the data for 2021, its share is 3.2%. The fifth position is occupied by accommodation and food supply (hotels and restaurants), and its average share is 3.1%.

The COVID-19 pandemic has had a negative impact on businesses worldwide, including those in Georgia. The government of Georgia implemented several restrictions to curb the spread of the virus, which also affected the registration of new businesses. Consequently, many businesses have had to halt operations or close down completely. In 2020, compared to the previous year, there was an 18.3% decrease in the total number of new business registrations. Additionally, the number of registered entities in the accommodation and food supply industry (hotels and restaurants) decreased by 47.4% (Figure 2). This decline was mainly due to the cancellation and later restrictions of international flights for personal purposes, as well as limitations on domestic travel.

Figure 2. Changes in registration by economic activities of enterprises, 2011-2021, (%)

![Figure 2](image)

Source: Based on Geostat data.

The total number of registered units has seen a significant increase of 26.8% in 2021, reaching a historical peak of 52.5 thousand units in the period between 2010 and 2021. In 2019, the number of registered entities in the construction sector increased by 64.8% as compared to the previous year. Despite an 11.0% decline in the number of registered entities in the construction field in 2020 due to the pandemic, it was the only sector where the share of registered entities in the total registration increased, rising to 6.4%.

In 2021, there is a decreasing trend in registered entities in almost all activities, except for a few areas like arts, entertainment, and recreation, which experienced an unprecedented growth of 115.9%. This growth can be attributed to the activation of tourism, which resulted from the simplification or cancellation of pandemic-related restrictions. The information and communication sector also recorded a growth of 34.3%, followed by education (11.3%), real estate-related activities (8.8%), accommodation and food supply (0.5%), and transport and warehousing (0.1%). However, it should be noted that although these growth indicators are impressive, the number of business entities in
absolute value is relatively small in 2021.

It is interesting to note the trends in official statistical data regarding registered entities under different legal forms in Georgia. The data shows that a vast majority (95%) of registered units fall under only two legal forms: individual entrepreneurs (50%) and LLCs (44%). However, in 2020, there was a significant decrease in registration for almost all legal entities, with individual entrepreneurs seeing an 11% decrease, LLCs a 21% decrease, and JSCs a 43% decrease. Interestingly, the first year of the pandemic saw an increase in the registration of state institutions, with 29 units being registered in 2020, along with nine political organizations.

In 2021, there have been positive changes in registering entities under the largest legal form, but a downward trend is still being observed for partnerships, branches of foreign enterprises, and other legal forms. Figure 3 below illustrates the dynamics of the two dominant legal forms and their sharp decrease during the pandemic, followed by their reactivation in 2021.

![Figure 3. Number of registered units by legal forms, 2010-2021, Units](image)

Source: Based on Geostat data.

Table 2 provides the distribution of active businesses by location. The capital city has over 40% of these entities, while 14% are situated in the Imereti region, and approximately 10% are registered in the Autonomous Republic of Adjara, a coastal area. The COVID-19 pandemic caused a 0.3% decrease in Georgia's total number of active businesses in 2020, with Adjara A/R experiencing the highest decline at 2.4%. However, it is interesting to note that Racha-Lechkhumi and Kvemo Svaneti regions saw an increase of 2.7% and Shida Kartli a 1.6% increase in the same period. In 2021, all regions of Georgia show a positive trend in active businesses.

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>128,290</td>
<td>157,713</td>
<td>160,671</td>
<td>158,476</td>
<td>158,754</td>
<td>167,658</td>
<td>167,131</td>
<td>176,660</td>
</tr>
</tbody>
</table>

Table 2. Number of active enterprises by region of Georgia, 2014-2021, Units
## Of which:

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tbilisi</td>
<td>58.161</td>
<td>64.791</td>
<td>66.299</td>
<td>64.870</td>
<td>66.211</td>
<td>69.658</td>
<td>69.397</td>
<td>74.104</td>
<td></td>
</tr>
<tr>
<td>Samtskhe-Javakheti</td>
<td>2.683</td>
<td>4.487</td>
<td>4.703</td>
<td>4.783</td>
<td>4.626</td>
<td>4.984</td>
<td>4.970</td>
<td>5.245</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>768</td>
<td>1.084</td>
<td>1.130</td>
<td>1.113</td>
<td>1.109</td>
<td>1.211</td>
<td>1.248</td>
<td>1.321</td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on Geostat data.

The indicators of business demography are very interesting, in particular, the birth and death of enterprises according to various parameters. Data on the birth and death of enterprises, their survival and their role in economic growth and productivity is increasingly in demand by policymakers and analysts around the world. The birth of an enterprise is called an economic and demographic event, during which completely new factors of production are collected or the enterprise is activated after the termination of economic activity for more than 2 years, and the death of an enterprise is called a business and demographic event, during which the existing combination of production factors occurs. In 2020, the birth rate of enterprises amounted to 29.5 thousand business entities, which is 24.0% less than in the previous year. And in 2021, the birth rate of enterprises amounted to 37.7 thousand economic entities, which is 27.8% less than a year earlier. As for the mortality rate, in 2021, compared to the previous year, the mortality of enterprises was recorded by 11.4% more (Figure 4).
According to the general trend, the highest level of birth of enterprises is noted in Tbilisi. In 2021, 16.4 thousand enterprises were born in Tbilisi, which is the highest figure since 2015. The second place is traditionally occupied by Imereti with 4.7 thousand enterprises and the third place by A/R of Adjara with 4.1 thousand enterprises (Figure 5).

As can be seen from the diagram, the decline in the birth rate of enterprises during the pandemic affected almost all regions of Georgia, however, in 2020, the fact of decline was especially pronounced in the Adjara Autonomous Republic by 29.1%, in Samtskhe-Javakheti by 27.9% and in Samegrelo- Zemo Svaneti by 27.1%.

The indicators of the death of enterprises are presented in Figure 6. In 2021, the death rate of
enterprises in the country amounted to 30.7 thousand enterprises, which is 11.5% less than the same indicator in 2020. The ranking of regions by the death of enterprises is similar to the birth. Tbilisi is in first place with 12.7 thousand entities, Imereti is in second place with 4.3 thousand, and Adzharia is in third place with 3.2 thousand dead business entities.

Figure 6. Enterprise death by regions, 2014-2021, unit

Source: Geostat.

As for the birth of enterprises by industry, as can be seen from Figure 7, the largest number of enterprises are born in the field of trade and car repair. In 2021, the share of this indicator was 36.1% of the total number of established enterprises. After trade, construction has the highest share with 8.5%, while manufacturing ranks third with 7.0%. As can be seen from the Geostat data, the pandemic did not affect the sectoral structure of the establishment of enterprises.

Figure 7. Enterprise birth by industry, 2014-2021, %

Source: Geostat.
Finally, consider the sectoral distribution of enterprise mortality. According to Figure 8, in 2021 and with a trend towards the dynamics of 2014-2021. The largest share in the death of enterprises falls on trade and auto repair with 36.5%, the second place is occupied by the manufacturing industry with 7.5% and the third place with 5.4% - the accommodation Sector of provision and public catering.

As can be seen from the diagram, the structure of enterprise mortality has changed insignificantly during the pandemic. In particular, in 2020, the share of trade and auto repair decreased by 1.9%, and the manufacturing industry - by 0.6%. The share of dead enterprises, whose activity was not established, increased.

Conclusions
After analyzing various indicators in the business sector, we can conclude, that

❖ There is a high level of heterogeneity when considering factors such as activities, legal forms, regions, and more.
❖ The recent pandemic has negatively impacted Georgia's business sector, resulting in government-imposed restrictions that have halted or closed many businesses.
❖ However, there is hope as the latest statistical data shows a 26.8% increase in registered organizations in 2021, reaching a historical maximum for 2010-2021.
❖ Despite Georgia's 7th ranking among 188 countries in ease of doing business in 2020, it is crucial to implement more effective measures to increase the number of active business entities and promote sustainable development.

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