BUSINESS ENVIRONMENT IN SAMEGRELO REGION

(Description)

The study is conducted by the Civil Society Institute in frames of the project “Supporting Small Business Development and Employment”, funded by Oxfam Great Britain in Georgia.

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BUSINESS ENVIRONMENT CONDITION IN SAMEGRELO REGION (DESCRIPTION)

CHAPTER 1 RESEARCH DESCRIPTION

The below study contains the outcomes of interviewing the business entities operating in the region, the basic purpose of which was to determine the difficulties which the business organizations might have for running their own businesses. One of the purposes of the research was to identify the structures of business organizations, quantity of their employees, demographic picture of the employed, and also to determine the expenses related to the staff keep up. The study was also interested in identifying the attitudes of business organizations towards the qualification of their employees, in identifying if they are having a qualification raise system, what kind of recruitment procedures they are having. One of the purposes were connected with the same topic – to define the awareness level of business organizations about the State Agency of Social Aid and Employment, and to determine if they were using this agency for acquiring the workforce.

Together with the description of the organizational structure, report includes the attitudes of business organizations towards the different factors, affecting their business (warrants, registration, licensing, and government's attitudes).

Businessmen were interviewed via the questionnaire, consisting of 144 questions. For elaborating the methodology has been used the first basic research-report of Small and Medium Business Sector Survey, held by the International Finance Corporation, funded by Canada International Development Agency[1] ("Business Environment in Georgia, in terms of Small and Medium Business Support"), which has been modified in correspondence with the objectives of this research.

Selection:
The study has been conducted involving 99 organizations from 4 cities of the region. For the selection the region's Tax Department's statistical data of running business organizations in the cities of Poti, Zugdidi, Khobi and Senaki have been used.

In every city, top management officials (owner, executive director, financial director, chief accountant etc.) from respectively 38, 41, 15 and 5 enterprises have been interviewed.

[1] www.ifc.org/pep

CHAPTER 2 KEY FINDINGS

1. According to the juridical form, the interviewed organizations could be allocated thus: 1) Limited Liability Company, 2) Individual Enterprise, 3) Joint-Stock Company, 4) Co-operative, 5) Joint Trust Company.
2. Foreign capital is represented in very few enterprises (4%), mainly in the reproduction industry.
3. Classification of activity fields of the enterprises operating in the region: Wholesale and retail trade, reproduction industry, agriculture, service.
4. The annual turnover of the majority of companies (54%) does not exceed 100 000 GEL, 15% of companies are having the turnover of up to 200 000, 14% - up to 500 000, and only 6% up to 500 000 -1 500 000.
5. 62.6% of companies have the contract agreements signed with the employees, 20.2% have no job descriptions, 10.1% say they have orally defined the authorities and responsibilities with the employees.
6. 3037 are totally employed in the respondent companies.
7. Mainly the people of 26-55 are serving in the business organizations.
8. In 26.3% of companies the staff quantity is being increased, in 6% being decreased.
9. The applied form of recruitment in the business structures is the searching for the needed cadres within the friends and relatives, and the assistance of the State Agency of Social Aid and Employment is factually unused.
10. Only 16% of companies care for the raise of qualification of their employees. Entrepreneurs prefer to recruit a qualified worker, rather then to recruit an inexperienced one what requires the further training.
11. The level of organizational-structural development of the studied companies is not high. The majority of entrepreneurs do not realize the functions and purposes of different organizational structural units. Day-to-day decisions are made by the founder of the organization – 55.6%. Executive director who is the hired manager is given the authority to make independent decisions only in 19.2% of companies.
12. The majority of respondents (69.7%) consider that the documentations of their organization are always in order.
13. The most accepted salary value in the companies is up to 101-200 GEL.
14. Operations of only 6% of companies pass the borders of Georgia; companies are mainly operating within the scope of their own cities.
15. The majority of the companies (52.5%) plan to expand their activities for the next year.
16. According to the previous year, the annual turnover has increased in the one third of the respondent companies.
17. One third of the entrepreneurs think that the turnover will increase in future.
18. 7.1% of respondent companies were unprofitable for the year of 2004, 24.2% have had the 5% profit, 8.1% had 20% profit. 30.3% think to have 5% profit, 25.3% consider they will have 10% profit. Expectation of the bigger profit, as in 2004, has a very small part of the companies.
19. The biggest quantity of the studied companies, 18.2%, was registered in 1996. The registration dates of other companies are allocation evenly from 1994 to 2005 period.
20. The part of the companies, registered in 1995, 1996 and 1999 (20.8%), did not start their activity from the moment of the registration, the reasons of which are named to be the difficulties with the credit receipt, political instability in the country and severe criminogenic background.
21. Because of the multitude of registration documentations, inaccessibility of the information about the registration, bureaucracy and elongated procedures.

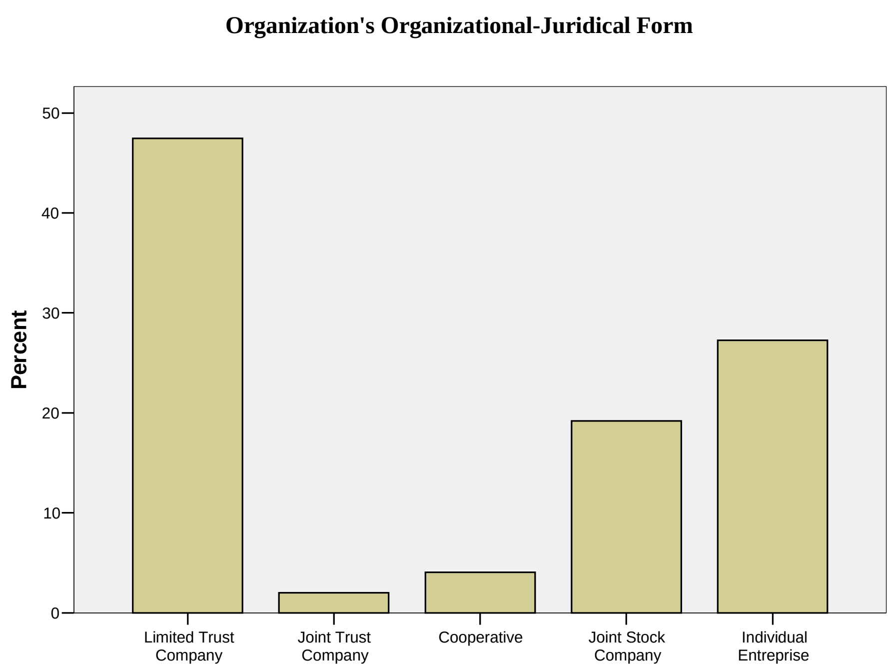
22. 44.4% of interviewed entrepreneurs had to acquire some kind of warrant for performing the activity. Entrepreneurs, who possess the warrants, licences and/or certificates, consider that for receiving the warrants, licences and certificates they have to pay the unofficial taxes.
23. 34.1% of the entrepreneurs, who possess the licences, had to take the licence the second time in 2005, and their majority 73.3% give the better estimation to the procedures of receiving the licences the second time.
24. Entrepreneurs, who received any kind of licence during the years of 2004-2005, consider that in 2004, it was much more difficult to receive the full information about licensing than in 2005.
25. Entrepreneurs most frequently name the multitude of the documentations required to present and high expenses as the major problems while acquiring the warrants, licences and certificates.
26. Half of the entrepreneurs, 50%, had problems because of the obsoleteness of the standards of the Georgia Standards State department, and their compatibility with new products.
27. To the opinion of the exporter entrepreneurs, among the macro factors, the most affecting factor for the exporting operations is the dynamics of the exchange rate. From the internal administrative factor, the affects of export product certification and sanitary-veterinarian control procedures are important. From outer administrative factors, entrepreneurs name the import taxes and quotas of the importing country. Among the micro factors, especially important are the concurrence on the foreign market, existing opportunities to insure the export contract agreements and the inaccessibility to research the foreign market.
28. 72.7% of respondent sell 100% of their production on Georgian market.
29. While performing the import operations, entrepreneurs consider the issues related to the customs service to be most problematic: customs pass procedures and definition of customs tariffs for several productions. Less problematic are the high customs tariffs, requirement of certificate/standardization, warrants and licences.
30. The majority of inspections in the respondent companies were conducted by the Tax Department of the Ministry of Finance. 94 inspections were performed in 2005 by this department in 99 interviewed companies.
31. Quantity of inspections performed by various controlling agencies in a single business organization varies from 0 to 10. It should be mentioned that in 19 respondent companies the inspection has never been performed.
32. An array of issues, related to the taxation makes a significant, frequently the negative influence on the business development the most significant of which are the factors related to the tax legislation and tax tariffs. 91.9% of entrepreneurs consider the instability of the tax legislation to be one of the negative factors for the business development, 79.8% the complexity of the tax legislation.
33. The tax avoidance level in the region is very high. According to the opinion of the entrepreneurs, business organizations were hiding the significant part of the profit from taxation in 2004. Only 6.1% of respondents think that the companies, similar to them, never used to hide incomes from the government.
34. Entrepreneurs' confidence level in banks in keeping the right of confidentiality of the bank accounts is low. Entrepreneurs consider that the banks are mainly providing the government with the information about the accounts.
35. The main sources of the performed investments are the internal resources of the enterprise (58%). Two times less (26 %) is the investment, performed using the bank credits, and five times less (12%) using the personal savings. Investments are very rarely performed via leasing and foreign investor funding (2%).

36. In spite of the fact that the majority of entrepreneurs, 53.5%, are aware of such mechanisms of fundraising as the micro funding is, only 11.1% of entrepreneurs have used such form of funding.
37. While estimating the business environment, entrepreneurs consider the processes of receiving foreign funding and performing the export-import operations to be especially problematic.
38. The majority of the entrepreneurs are superficially or poorly aware of the business activity regulatory legislation. 50.5% of respondents have mentioned that they are superficially aware of the legislation, 16.2% have estimated their awareness as poor. 31.3% of entrepreneurs consider that they are well enough acquainted with the legislation.
39. 88.3% of interviewed entrepreneurs are not the members of any business/professional association.
40. The main reason for not participating in business/professional associations, as said by the entrepreneurs, is the lack of information about such organizations. More than the one third of the entrepreneurs cannot see any practical sense in the membership of the associations of such kind.
41. Among the amendments made in the legislation and the state policy, entrepreneurs consider the simplification of the Tax Code to be the most supportive factor for the business.
42. The biggest impeding problem for entrepreneurs is the high taxes. Also impeding factors are considered to be the growing prices and absence of support of the small and medium businesses.
43. In spite of unsatisfactory business environment and existing difficulties for the business development, the majority of the entrepreneurs are optimistically tuned, the proof of which is the fact that their 69.7% is ready to start the business anew.
44. Entrepreneurs are also optimistically tuned towards the future: their only small part considers that the business environment in the region and country will worsen, respectively 17.2% and 11.1%. Two times more respondents – 37.4% in the region and 39.4% in the country – consider that the environment will improve.

CHAPTER 3 STRUCTURE

The organizational-legal form of the majority of studied companies were the Ltd (47%) and individual enterprise (27%), the least part of them (2%) was the Joint Trust Company. (Diagram N1).

Diagram 1



The property of the majority of the companies (93%) is 100% owned by local entrepreneurs, only in 4 cases is the significant share of the property owned by the foreign holder (75%, 65%, 49%, 48%). It should be mentioned that the field of activity of all 4 companies is the reproduction industry.

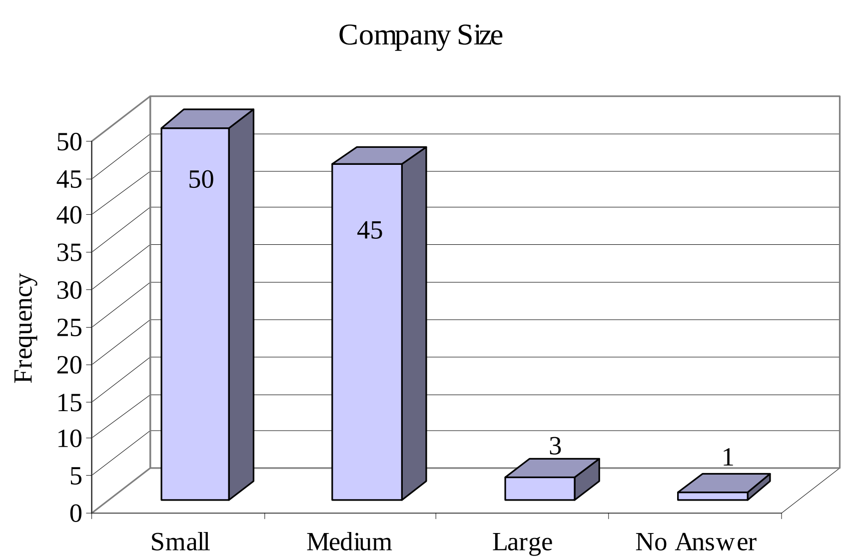
The majority of studied companies operate in trade (wholesale and retail sale) and remount service (31.3%), also the number of companies, operating in the reproduction industry is significant (25.3%). (Table N1).

N	Activity Field	%
1	Reproduction Industry	**25,3**
2	Agriculture, Hunting, Forestry	**13,1**
3	Fishery	**3**
4	Mineral Resource Industry and Quarrying	**0**
5	Building	**7,1**
6	Wholesale and Retail Sale; Repair of vehicles, living goods and the goods for the personal utilization.	**31,3**
7	Hotels and Restaurants	**8,1**
8	Transport, Warehouse Service	**1**
9	Financial Intermediary Activity	**1**
10	Operation with immovable property, renting and communal service	**1**
11	Education	**1**
12	Healthcare and Social Service	**3**
13	Other Communal, Social and Personal Service	**4**

Table 1

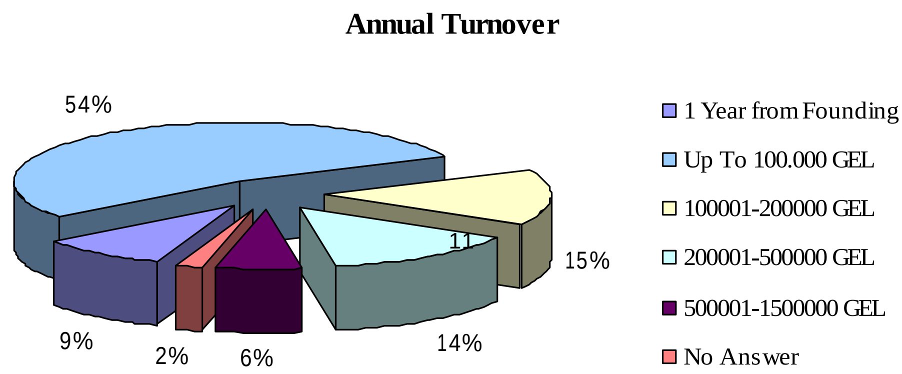
The sizes of companies are small or medium according to the evaluation of the respondents. Only three have estimated their companies as the large business. (Diagram N2). All of these 3 companies operate in the reproduction industry.

Diagram 2



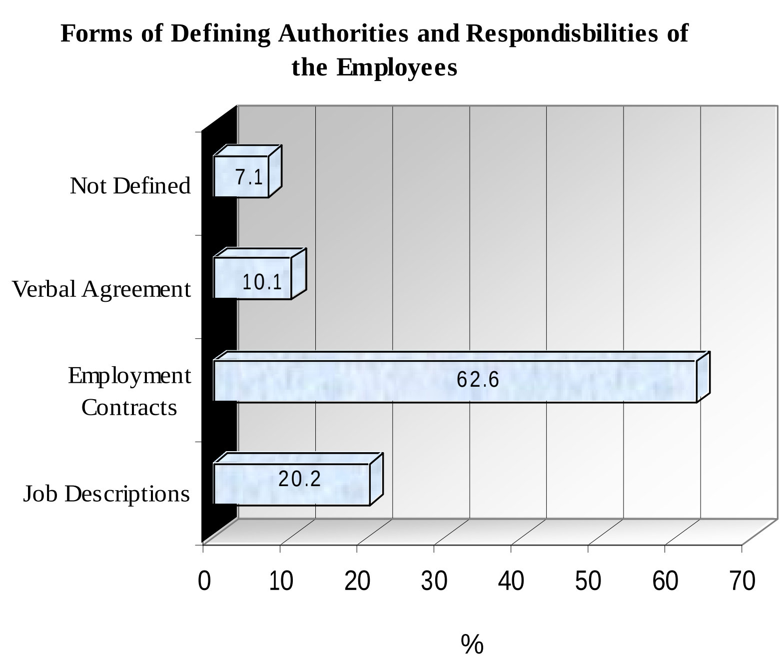
The above mentioned is also certified by the turnover of the companies: turnover of the majority of companies (54%) is up to 100 000 GEL, up to 200 000 and 500 000 respectively 15% and 14%. Only 6% have the turnover between 500 000 – 1 500 000.

Diagram 3



Mainly the relationships between the employer and employee are formalized in the companies. The most applied form of defining the authorities and responsibilities of the employees is the employment contracts (62.6%). Much more frequently may be met the description of those authorities and responsibilities via the job descriptions – 20.2%. In the small part of the companies authorities and responsibilities are agreed verbally (10.1%), or is not defined at all (7.1%). (Diagram N4).

Diagram 4



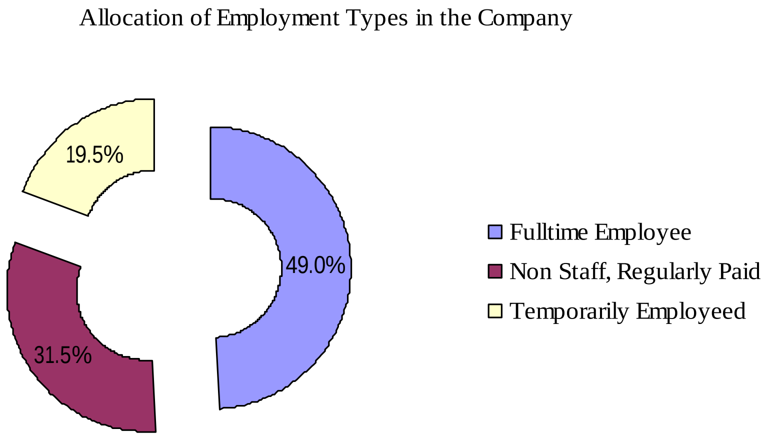
One of the criteria of institutional development of the companies is the existence of different types of the employees in the companies. As the study has shown, totally 3037 people are employed in the interviewed companies. The allocation according to the sex and employment type is given in the table N (2).

	Men	Women	Total Quantity of Employees
Fulltime employees	851	637	1488
Free Lance, Regularly Paid	301	201	592
Periodically Employed	589	368	957
Total:	**1741**	**1206**	**3037**

Table 2

Data summarization enables us to create the model of the company according to the types of the employments which are spread in the region recently. Diagram N (5).

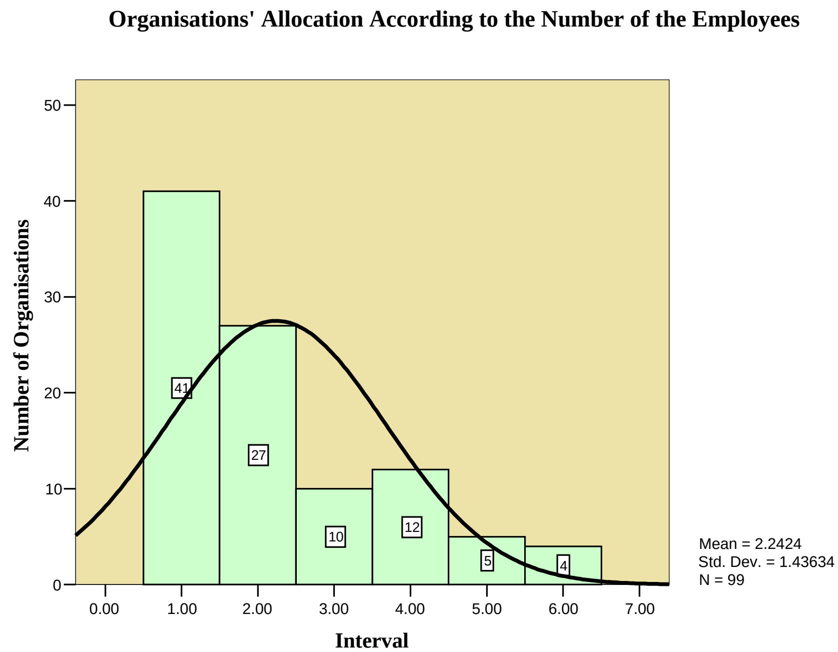
Diagram 5



The diagram N (5) gives the allocation of the companies according to the quantity of the employees. The majority of the organizations (68 organizations) have up to 20 employees, 41 companies have up to 10, and only 27 have 11-20 employees. It should be mentioned that in qualitatively big and small organizations the difference exists in employees' structures. In small organizations the major share comes on the fulltime employees 71.9%, and in big companies the share of fulltime and the temporarily employed employees is nearly evenly represented, respectively 44.75 and 37.4%. The difference is statistically important.[2]

[2] Sig. (2-tailed)<0.005

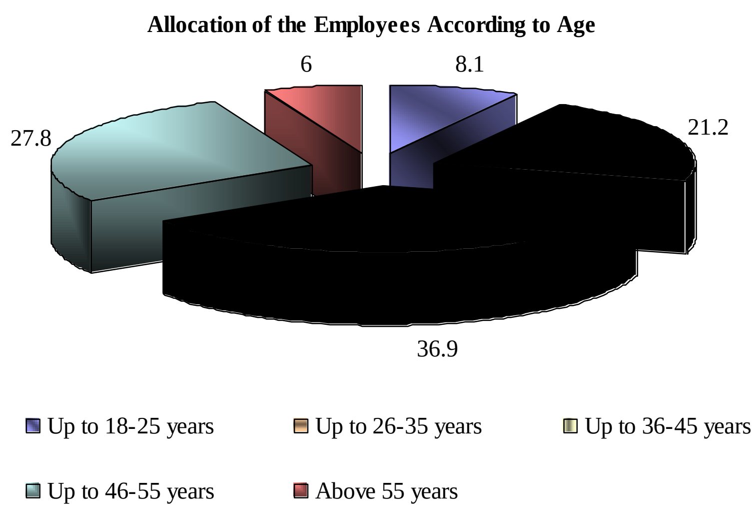
Diagram 6



Interval: 1- up to 10 employees, 2- up to 11-20 employees, 3 – 31-50 employees, 4 – 51-80 employees, 5 – 81-110 employees, 6 – from 110 and above.

The allocation of the respondents companies' employees according to the age is given in the diagram N (7). As it can be seen from the diagram, mainly the people of 26-56 age serve in the business organizations, employees of 18-25 and above 55 are rarely represented in the interviewed organizations.

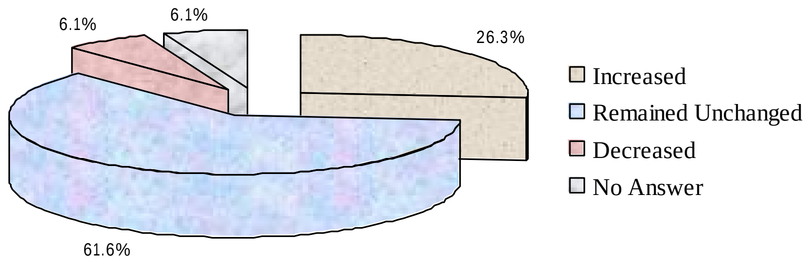
Diagram 7



Intense dynamics of the employees' quantity in the companies cannot be seen. In 61.6% of the companies, the quantity of the employees is permanent, in 26.3% of the companies, increase in the employees' quantity was seen, and reduction in 6% of the companies.

Diagram 8

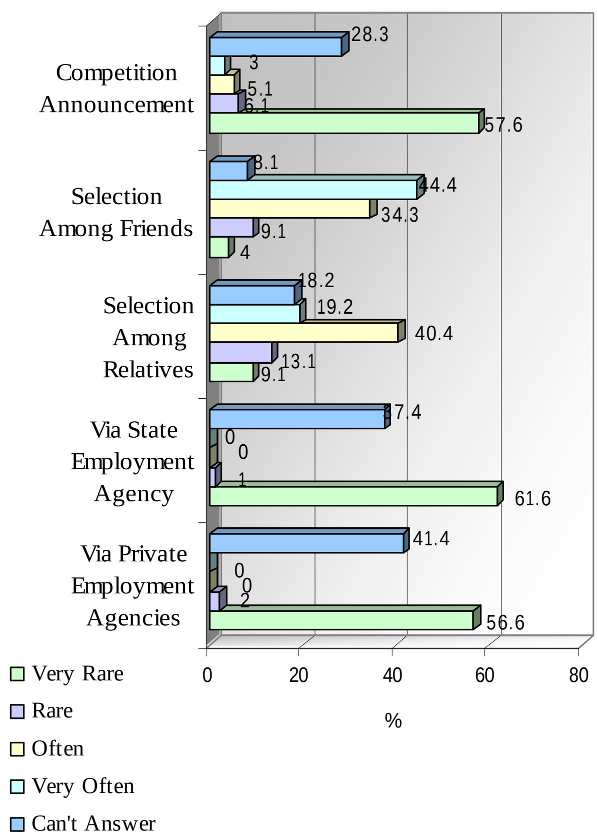
Dynamics of the Quantity of Employees during the Last Year



The applied form of recruitment in the business organizations is the searching for the needed workers within the friends and relatives. Rarely are used the competition based forms of recruitment. The assistance of the State Agency of Social Aid and Employment is factually unused. The diagram N9

Diagram 9

Forms of Recruitment



The basis for such attitude towards the service of the State Agency of Social Aid and Employment is on the one hand created by the lack of the information about its activities (one fourth of the respondents (25.3%) have no information about the agency), and on the other the absence of needs for such service (30.3%). At the same time, one third of the respondents declare that in case of need, they will address the state agency. (Table N3).

Information on State Agency of Social Aid and Employment	***%***
Have no information	**25.3**
Have heard, but am unaware about its functions	**5.1**
Am aware, but do not trust	**5.1**
Am aware, but never have had the need	**30.3**
Will address in case of need	**34.3**

Table 3

The majority of the entrepreneurs, 86.8%, are not aware of the private agencies of employment existed in the region (Table N4). Despite the lack of the information about the functions and services of the private agencies of employment, 75.8% of interviewed entrepreneurs, consider that the business organizations, existing in the region, will address the private agencies, rather than the State Agency of Social Aid and Employment.

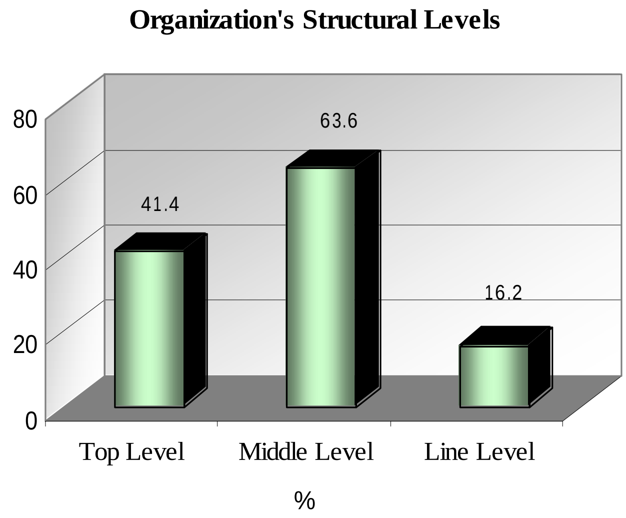
Information on Private Agencies of Employment	***%***
Have no information	**86.9**
Am aware, but never have had the need	**7.1**
Am aware, but do not trust	**1.0**
Will address in case of need	**5.1•**

Table 3

Only 16% of companies care for the raise of qualification of their employees. Usually the employees are trained within the walls of the enterprise (28.3%). 11.1% of organizations send their employees to the free training courses, and much less are the facts of sending the employees on paid training courses – 7.1%. Received outcomes show that entrepreneurs prefer to recruit a qualified worker, rather than to recruit an inexperienced one, what requires the further training. The majority of respondents (56.6%) declare that the employees are having enough qualification for working in their organizations, 38.4% think their employees are of a satisfactory qualification and only 5% are dissatisfied.

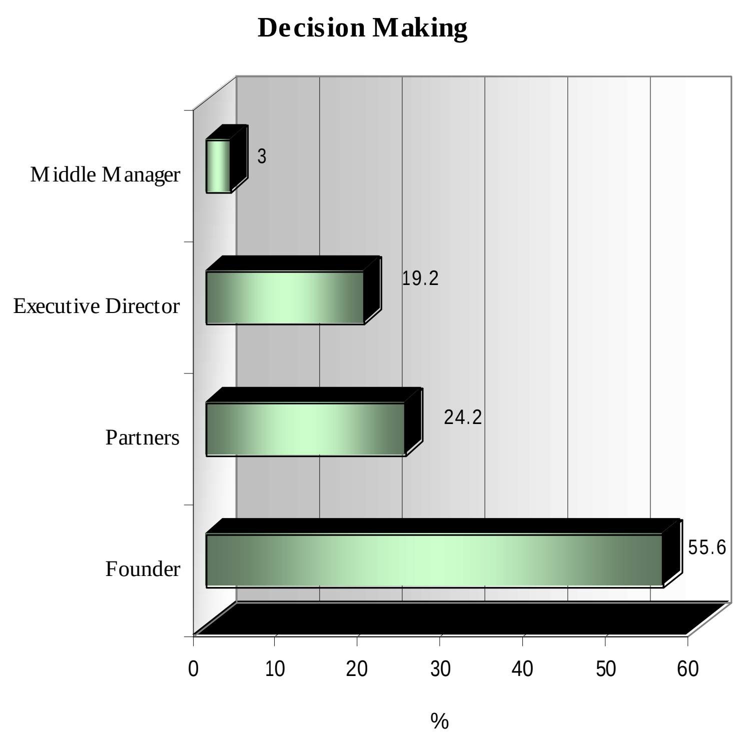
The level of organizational-institutional development of the studied companies is not high. As usual, the bright division of functions and authority-responsibilities does not exist, majority of the entrepreneurs do not realize the functions and purposes of different units of organizational structure: according to them, 16.2% of companies are having the line management level, in most cases (63.6%) is named the middle management level, and much rarely the top management – 41.4%.

Diagram 10



45. One of the weaknesses of the management could be considered the fact that the day-to-day decisions are made by the founder of the organization – 55.6%. The executive manager, who is the hired manager, is given the authority to make independent decisions only in 19.2% of companies.

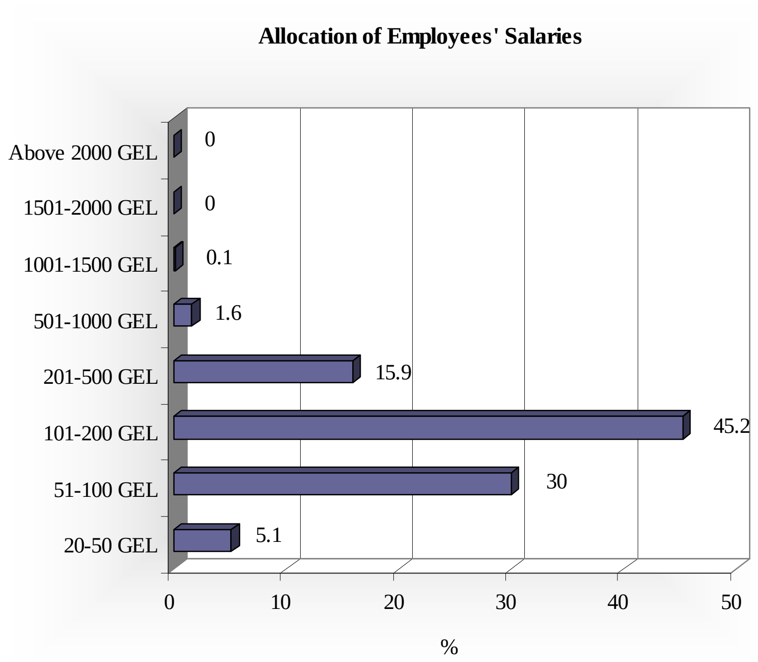
Diagram 41



The majority of the respondents (69.7%) consider that the documentation of their organization is always kept in order. Only the least part confesses that the documentations are being put in order only before the inspection (5.1%), or before submitting the report (8.1%). 16.2% are not content with the level of the order of documentations.

In the diagram N (12) is given the allocation of average values of employees' salaries in the respondent companies. As it can be seen from the diagram, the most accepted salary value is up to 101-200 GEL. The dependence between the annual turnover of the organization and the quantity of the employees has not been approved.

Diagram 52

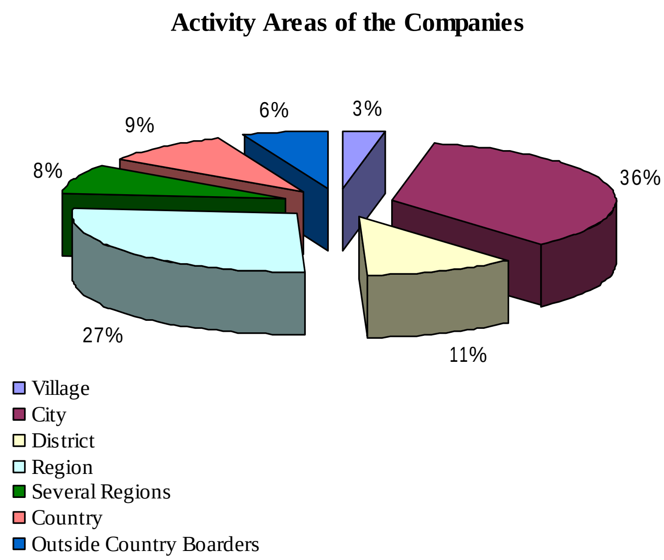


Activities are planned in 84.8% of the companies.

CHAPTER 4 ACTIVITY SPREAD

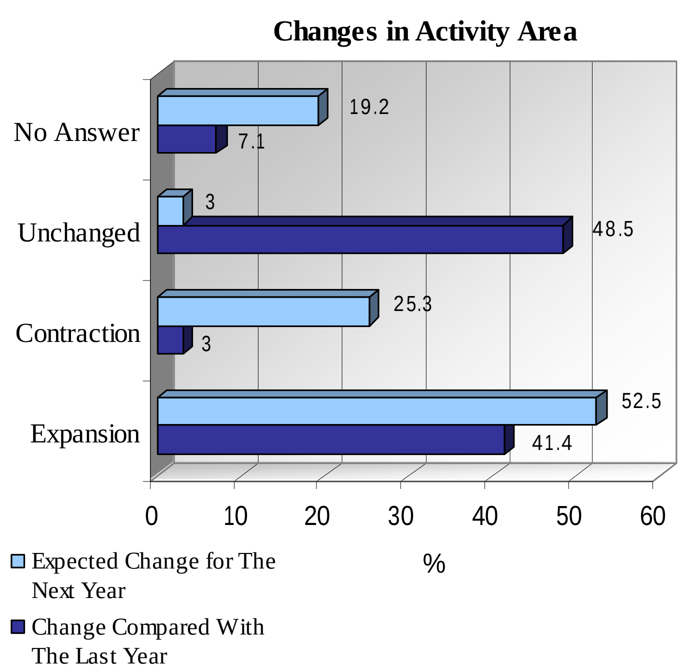
Activity area of the respondent companies is mainly the city (36%) and region (27%). Small part of the companies operates in several regions and on country level, respectively 8% and 9%. Activities of 6% of the companies pass the boarders of the country. (Diagram N13).

Diagram 63



Activity spread of 41.4% of companies has increased in comparison with the previous year, have remained the same for 48.5% of the companies, and 3% have condensed the spread. Regarding the future plans, it should be mentioned that only 3% think that their area of activity will remain unchanged: 52.5% plan to increase the spread, and 25.3% think that the spread will condense. (Diagram N 14).

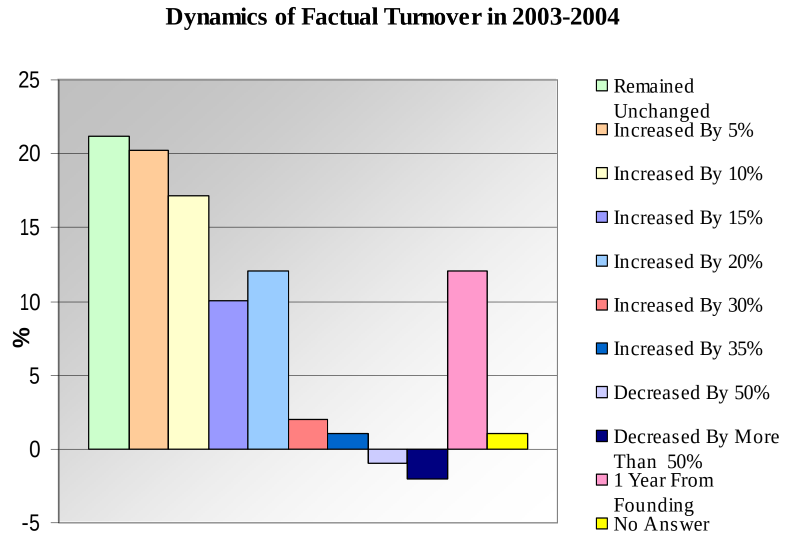
Diagram 74



CHAPTER 5 BUSINESS ACTIVITY AND BUSINESS OPTIMISM

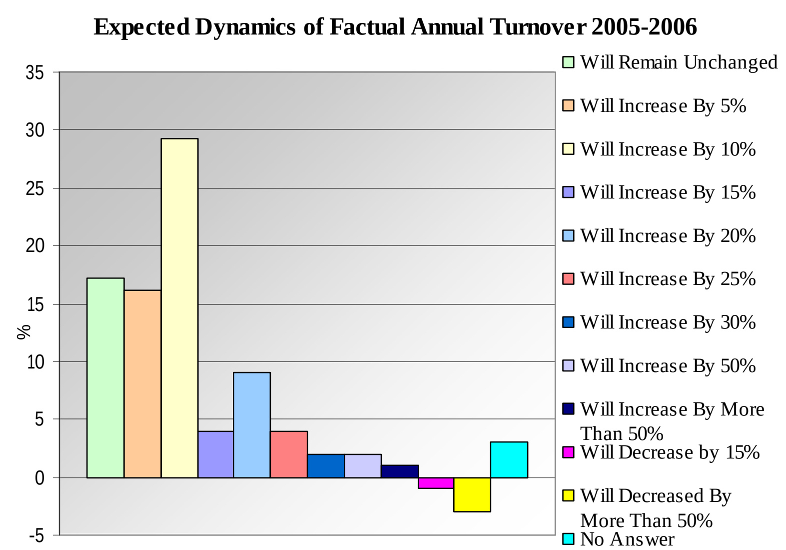
Dynamics of the factual annual turnover in comparison with the previous year is characterized with the expansion tendency. Annual turnover of the companies increases by 5, 10, 20 percents. Annual turnover of 21.2% of the companies remained unchanged and the turnover of only the small part has decreased, but significantly – with 50% and more. (Diagram N15).

Diagram 8



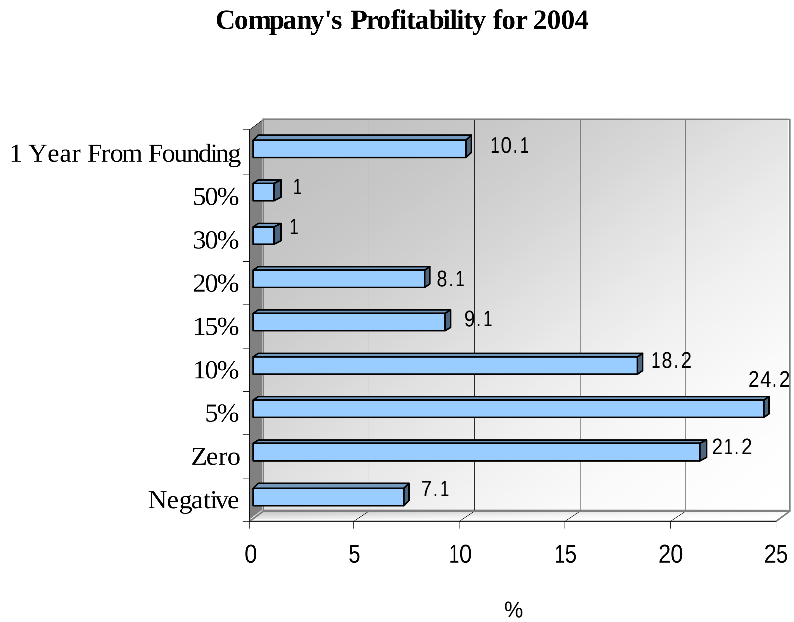
One third (29.3%) of the representatives of the companies think that they turnover will increase by 10% for the next year, much less is the quantity of those, who think that their turnover will increase by 15, 20 and more percent.
The most optimistic part of the respondents considers that the turnover will increase by 50%, or more, but their number is too low – respectively 2% and 1%. (Diagram N 16). Also very small is the number of those companies, which expect the turnover to decrease for the next year (Diagram N 16).

Diagram 16



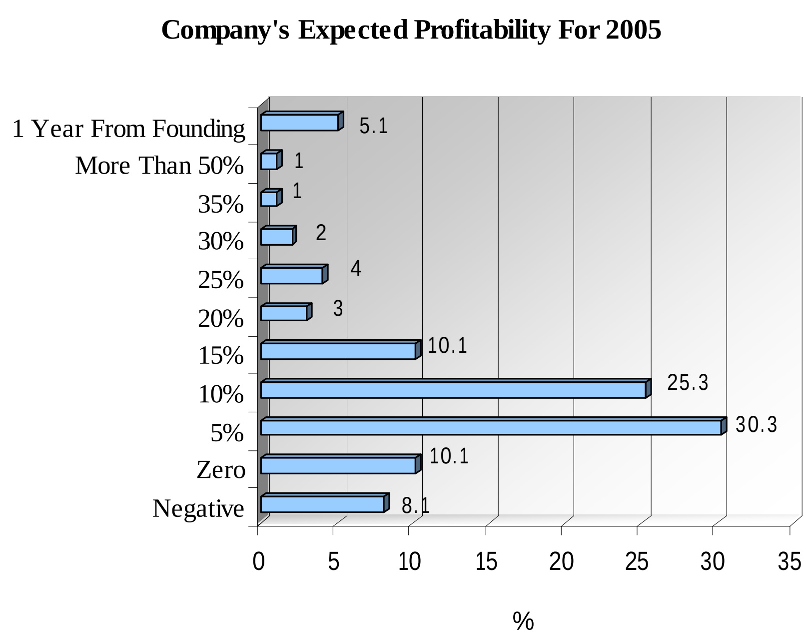
Profitability of the 21.2% of the companies was worth of zero for the year of 2004. Biggest group of the companies (24.2%) had the 5% profit. Companies' number with the growing profit decreases: only 8.1% had the 20% profit, and 30% and 50% - only 1%. 7.1% of the companies have been unprofitable. (Diagram N 17).

Diagram 17



Entrepreneurs are much more optimistically assessing the profitability of their companies for the year of 2005. The number of those entrepreneurs has increased who await the increased profit compared with the previous year: 10.1% consider, that the profitability of their companies will equal to zero, 30.3% expect to have the 5% profit, 10% await the 25.3% profit, but as is in the previous year, a very small part of the respondents has the expectation of a bigger profit.

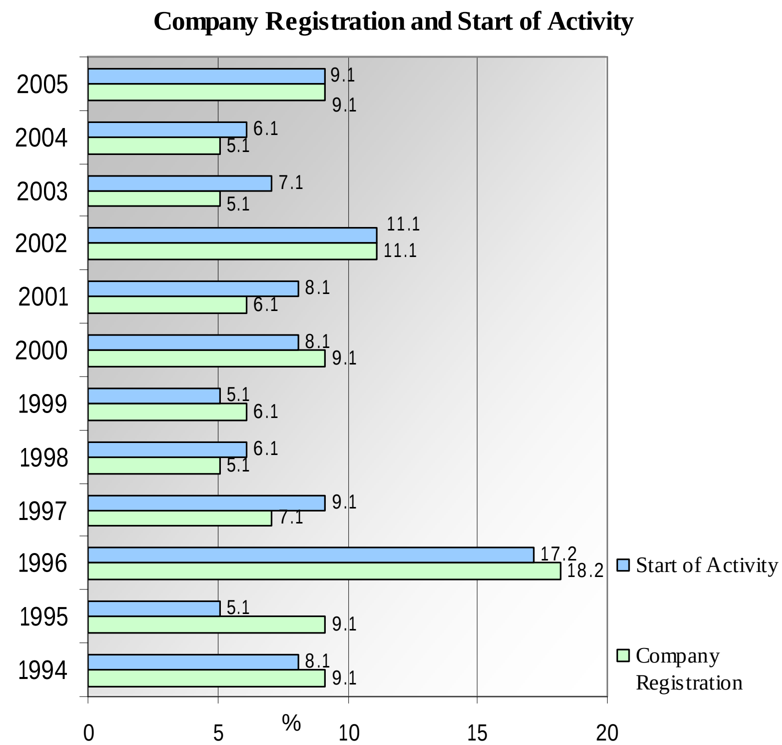
Diagram 98



CHAPTER 6 REGISTRATION

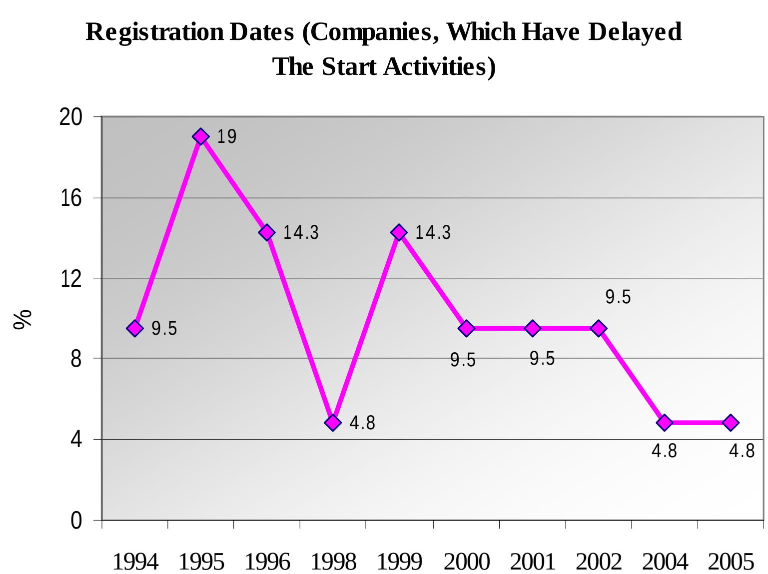
The biggest part of the studied companies, 18.2%, has been registered in 1996. Registration of other companies is evenly allocated from 1994 to 2005 year period.

Diagram 109



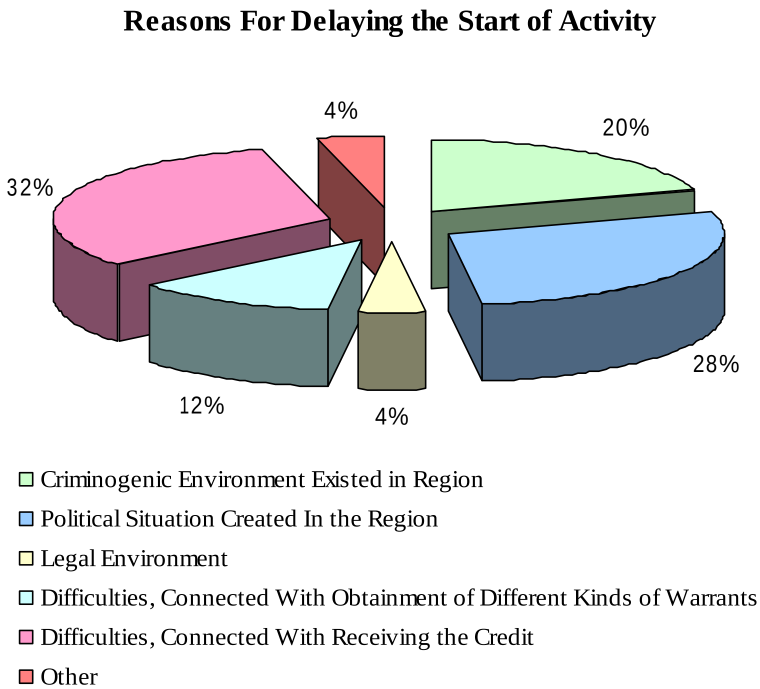
Part of the companies (20.8%) have not started the production from the moment of the registration, the majority of the companies who have delayed their activity, were registered in 1995, 1996, 1999 years, respectively 19%, 14.3% and 14.3%.

Diagram 20



The reasons for the delay of the activity are named to be the difficulties existing in the credit receipt (32%). Also the delay has been frequently occurred due to the political (28%) and criminogenic (20%) situation in the country. Part of the employees (12%) has been impeded by the difficulties with acquiring the warrants and licenses. Small part names the legal environment of the country as the reason for the delay – 4%.

Diagram 11



Significant part of the entrepreneurs (42.6%) have passed the registration via the mediator, and much bigger part, 57.4% have had a need for intermediation for anew registration.
Needed time for registration on different levels varies from 1 to 50 workdays, but these are the ultimate cases. For the registration in the court mostly 5 (10.1%) or 10 (15.2%) days are needed, the registration is much quickly performed in the state tax department, enterprises are registered within 1-3 days: 21.1% of the companies have been registered in one day, 16.2% in 2 days, and 24.2% in 3 days. The same situation is in the case of the state department of statistic (register in log), enterprises are registered mainly in 1-2 days: 42.4% have been registered in 1 day, 27.3% in 2 days.

Receipt of the information about the registration terms of the registration agencies (list of needed documentations, prices, dates etc.) is one of the most difficult stages of registration process. For 4% of respondents it turned very difficult to receive this information, more or less difficult for 69.7%, and easy for 25.3%.

35.4% of respondents mention that the business organizations have to pay different unofficial fees in the process of registration. Registration in court, including the official and unofficial payments, costs to the entrepreneurs from 5 to 500 GEL, but these are the cases of exception. Entrepreneurs are mostly paying from 100 to 200 GEL. 11% of respondent entrepreneurs have paid 100 GEL, 8.1% have paid 150 GEL, 9.1% - 160, and 9,1% have paid 200%.

Money to pay in the tax administration varies from 10 to 200 GEL, but mainly entrepreneurs pay 20 (20.2%), 30 (8.1%), 35 (8.1%) and 50 (6.1%) GEL.

Much less is the amount of money, needed to pay at the department of statistics: from 10 to 70 GEL: entrepreneurs have to pay mostly 10 (8.1%), 15 (6.1%), 20 (13.1%), 30 (7.1%) GEL. Besides the above mentioned, according to several entrepreneurs, they have to pay other payments too (from 10 to 796 GEL).

For the majority of the entrepreneurs (64.6%) consider the expenses, spent on the registration, to be acceptable, 20% consider it to be a heavy load, and 4% consider it to be unacceptably high.

In the process of the registration, entrepreneurs are mainly having problems with the multitude of the registration documentations, inaccessibility of the information about the registration, bureaucracy and elongated procedures.

Problems of the Registration Process	*%*
Inaccessibility of the Information about the Registration	16
Unknown Requirements	8
Multitude of Registration Documentations	19.8
Elongated Procedures	11.8
Need for Unofficial Payments	6.5
High Official Fees	5.3
Bureaucracy	14.8
Had no difficulties	17.9

Table 5

CHAPTER 7 WARRANTS

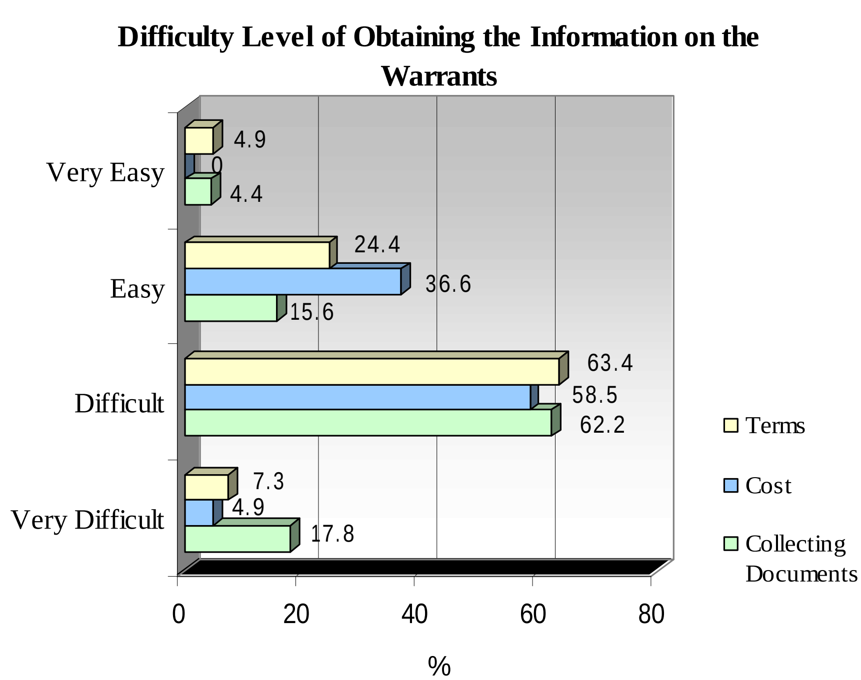
44.4% of respondent entrepreneurs had to acquire a warrant for performing their activity. In Table 6 are given the types of warrants acquired by the entrepreneurs

Warrant Type	*%*
No Answer	**13.6**
Trade with Oil Products	**6.8**
Construction	**13.6**
Trade with Agricultural Product	**2.3**
Production	**11.4**
Trade	**15.9**
Certificate for Sanitary Monitoring	**4.5**
Building Exploitation	**2.3**
Activity	**25**
Forestry	**2.3**
Fishery	**2.3**

Table 4

The majority of the entrepreneurs have received activity (25%), trade (15.9%) and production warrants. For those entrepreneurs, who have acquired any kind of the warrant, it turned difficult to receive the information about the terms of acquiring the warrant. The diagram N 22.

Diagram 122



52.3% of the entrepreneurs, who possess the warrant, mention that the business organizations have to pay the unofficial fees for obtaining the warrant. According to the opinion of 36.4% of those respondents, the unofficial payments are needed for fastening the warrant receipt processes, 15.9% think that the entrepreneurs have to pay them because of non-complete documentations, and much bigger part, 47.7% have refused to answer.
34.1% of the entrepreneurs, who hold the warrant, had to obtain the warrant anew in 2005, and their majority, 73.3%, estimate the process of anew obtainment of the warrant to be improved, 13.3% - worsened, 6.7% - the same.
The majority of the entrepreneurs consider the reason for these changes to be the simplification of the procedures of warrant obtainment.

Results of Changes in Warrant Obtainment Procedures	*%*
Simplification of Warrant Obtainment Rules	**72**
Reduction of Official Fees	**4**
Reduction of Unofficial Fees	**6**
Complication of Warrant Obtainment Rules	**10**
Growth of Official Fee	**2**
Growth of Unofficial Fee	**6**

Table 5

CHAPTER 8 LICENSING

46.5% of interviewed entrepreneurs have obtained the licenses for activity performance.

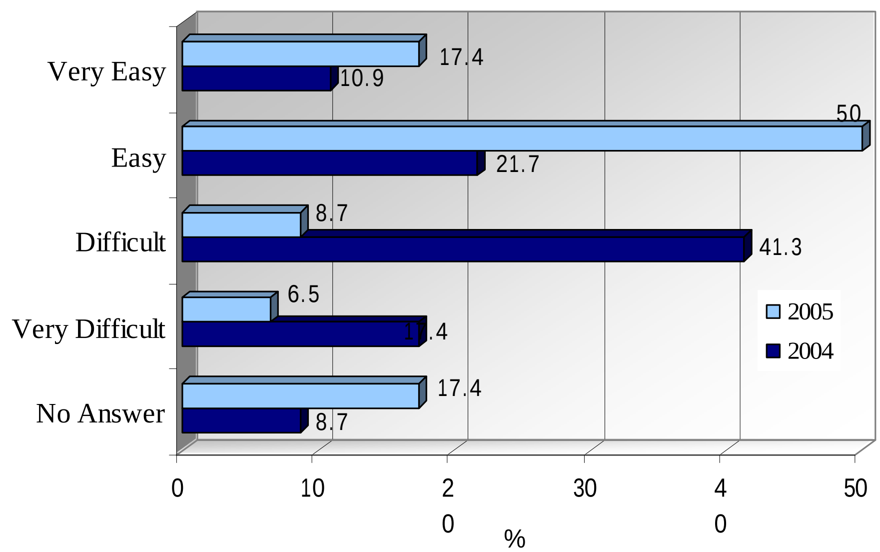
License Type	*%*	
	Until 2004	**2005 y.**
No Answer	19.6	54.3
Compliance	2.2	4.3
Veterinary Drugstore	2.2	0
Activity	17.4	10.9
Trade with Medications	8.7	4.3
Trade with Oil Products	4.3	2.2
Fishery	4.3	2.2
Bakery	6.5	0
Grain Production	10.9	6.5
Georgian Standard	2.2	2.2
FM Broadcasting	4.3	2.2
Trade with Distillers	4.3	4.3
Wood Production	2.2	2.2
Production Import	2.2	0
Nuts Reproduction	2.2	2.2
Exporting	2.2	2.2
Utilization of Minerals	2.2	0
Education	2.2	0

Table 6

Those entrepreneurs, who obtained any kind of the license in 2004-2005, consider that in 2004 it was relatively difficult to obtain the complete information about the terms of acquiring the licenses, rather than in 2005: for the half of the entrepreneurs (50%) it was easier to obtain such information in 2005, and for 17.4% it was very easy. It should also be mentioned that only 21.7% of these entrepreneurs have addresses the consulting agency for assistance in the process of acquiring the license, what indicates that the process has really simplified.

Diagram 133

Difficulty Level of Obtaining the Information on the Terms of License Receipt



43.5% of respondents mention that the business organizations have to pay the unofficial fees in the process of acquiring the license, what to the opinion of their majority (65.9%) is caused by the incompleteness of the documentation, required to present for obtaining the license. 29.3% think, that the reason for paying the unofficial fees is the desire of fastening the process of license obtainment.

58.7% of entrepreneurs consider the new rules of obtaining the license to be simplified. Nearly equal quantity of the respondents considers the new rules of obtaining the license: to be complicated (15.2%) or can't see any difference from the previous (17.4%).

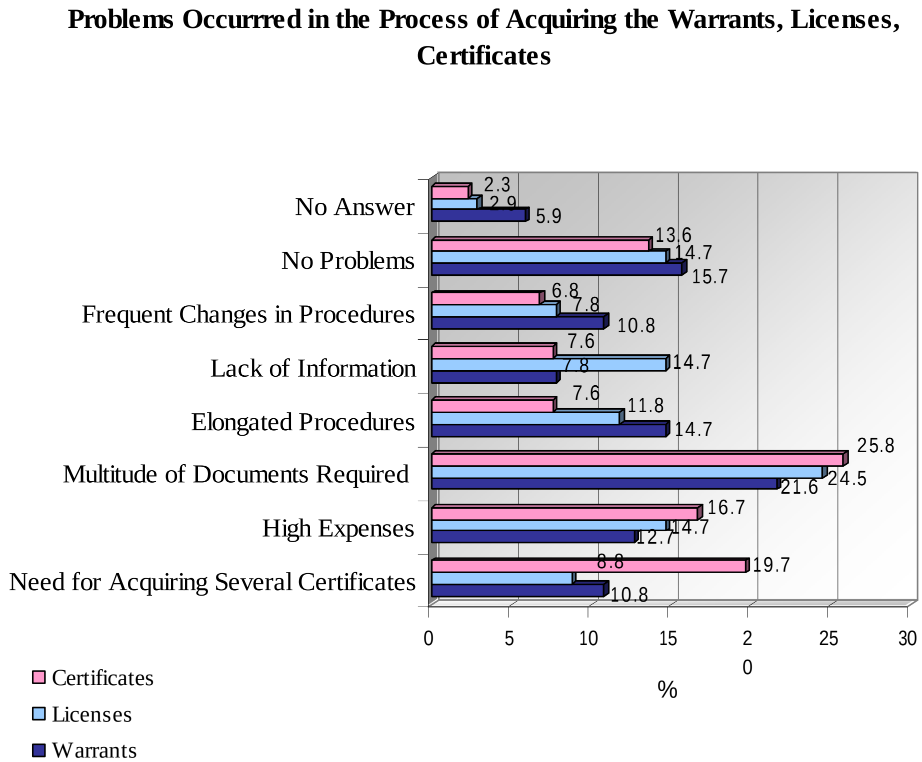
CHAPTER 9 CERTIFICATION

48.5% of interviewed entrepreneurs have received some kind of certificate. One part has obtained the certificates deliberately, for another part it has been obligatory to obtain the certificate for performing the activity.

Entrepreneurs, who possess any kind of the certificate, evaluate the process of acquiring the certificate as more or less difficult (54%). Obtainment of the certificate has turned easy or very easy for respectively 20.6% and 3.2%. 15.9% preferred to give no answer.

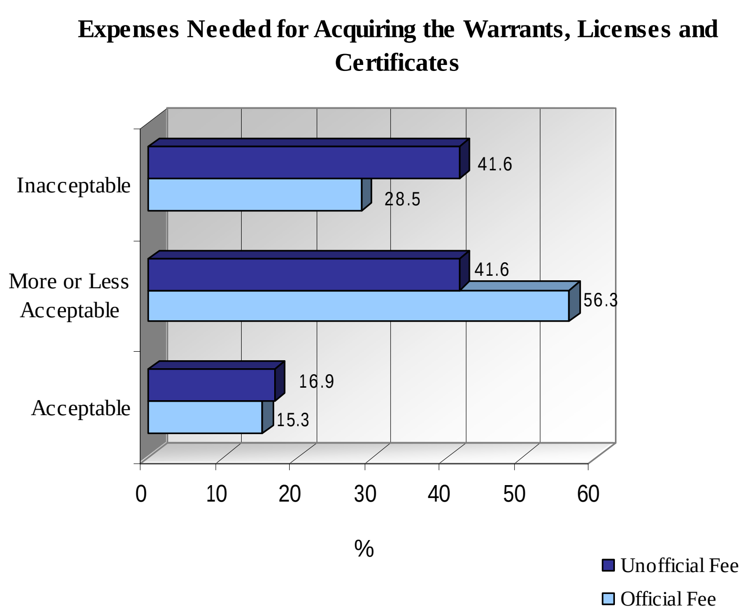
Among the problems occurred while acquiring the warrants, licenses and certificates, entrepreneurs most frequently name the multitude of the documentations required to present and high expenses.

Diagram 144



Entrepreneurs, who have obtained any kind of warrant, license, certificate for performing the activity, consider the official and unofficial expenses to be more or less acceptable or unbearable. Official fees are more or less acceptable for 56.3%, unofficial for 41.6%. Official fees are considered to be unbearable by 28.5% of respondents; unofficial fees are unbearable for much bigger quantity of entrepreneurs – 41.6%.

Diagram 155

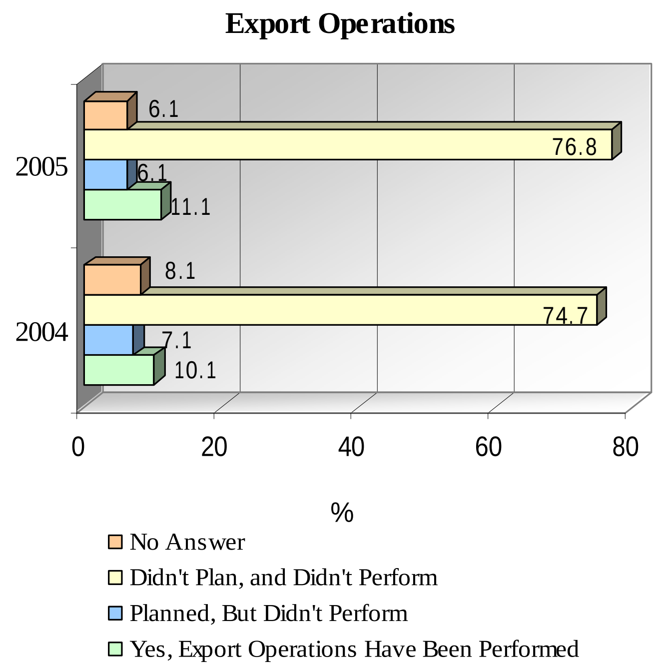


Half of the entrepreneurs, 50%, have had problems due to the obsoleteness of the standards of the Georgia Standards Department and their incompatibility with the products.

CHAPTER 10 EXPORT OPERATIONS

The majority of the companies, participating in the study, have not performed the export operations during the last two years. In 2004, 74.7% and in 2005 76.7% of companies didn't plan and respectively didn't perform the export operations. The quantity of exporting companies has increased only by 1 percent for the year of 2005, from 10.1% to 11.1%. Also the quantity of the companies who planned but didn't perform the export operations has decreased by 1 percent.

Diagram 166



According to the opinion of the exporter entrepreneurs, among the macro factors, the most affecting factor for the export operations is the dynamics of the exchange rate. From the internal administrative factors, the impacts of export production certification and sanitary-veterinary control procedures are important. From outer administrative factors, entrepreneurs name the import taxes and quotas of the importing country. Among the micro factors, the concurrence on the foreign market is especially important, also the existing opportunities to insure the export contract agreements and the inaccessibility to research the foreign market and product presentation. Table N 9.

Factors Affecting the Export Operations	%
Macro Factors	
Dynamics of the Exchange Rate	**90,9**
Georgia's Image Abroad	**54,6**
Inner Administrative Factors	
Export Licensing Procedures	**63,7**
Export Production Certification Procedures	**72,8**
Customs Control Procedures (Including the Documents Validation)	**63,6**
Sanitary-Veterinary Control Procedures	**72,8**
High Percentage Fee for Credit	**63,7**
Outer Administrative Factors	
Quotas of the Importing Country	**45,5**
Import Fees of the Importing Country	**45,5**
Antidumping Procedures Against the Georgian Products	**18,2**
Micro Factors	
Product Quality	**63,6**
Concurrence on the Foreign Market from the side of Other Producers	**90.9**
Existing Opportunities to Insure the Export Contract Agreements	**81.9**
Absence of Quality Certificate, Appreciated Abroad	**54.6**
Lack of Opportunity to Research the Foreign Market and Product Presentation	**81.8**[3]

Table 7

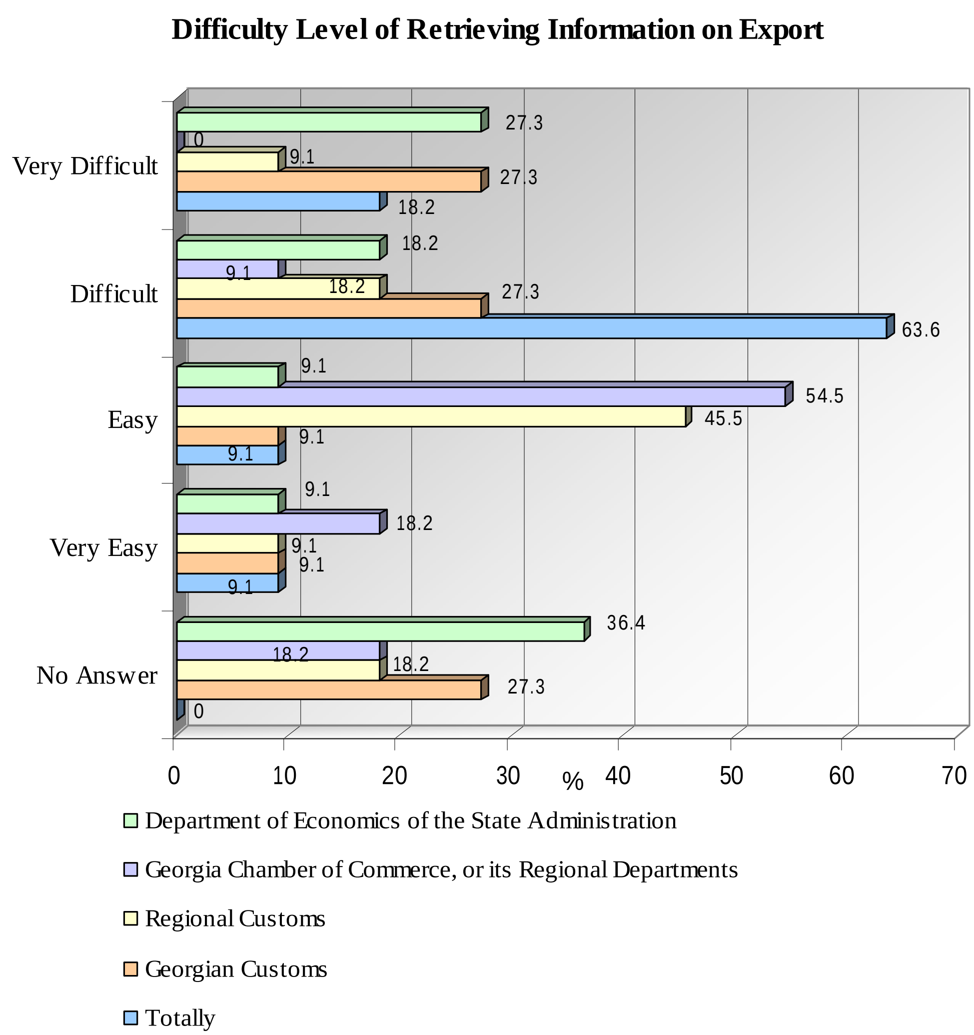
72.7% of respondent sell 100% of their production on Georgian market. 3% have mentioned, that do they do not sell their production on Georgian market. 9% sell their production on the Post Soviet area – 4% of respondents sell 11-30% of their production on the Post Soviet Area market, and 5% - 1-20% of their production. 2% and 1% of the companies sell respectively 10% and 31-40% of their production on American market. 1% of the interviewed entrepreneurs sell 100% of their production on Asian market, and 1% sell 1-10% of their production in Africa. Among those

[3] Summarized value of answers – "Affects" and "Severely Affects"

respondents, who do not sell their production on Georgian market, are exporting the production to Post Soviet area and Europe. Difference in terms of annual turnover, between the groups of the entrepreneurs who export and do not export their productions, has not been approved. Also the difference in the same groups in evaluation of own businesses does not exist.

Generally (63.6%), it is quite difficult for the entrepreneurs to obtain the information about different issues related to the export (documents, terms, cost etc.). But this index significantly changes in relation with different agencies related to the export. Much easier is to obtain the information from the Chamber of Commerce and Production (54.5%) and regional customs (45.5%). The most difficult is to obtain the information on Georgian boarder (27.3%). (Diagram N27).

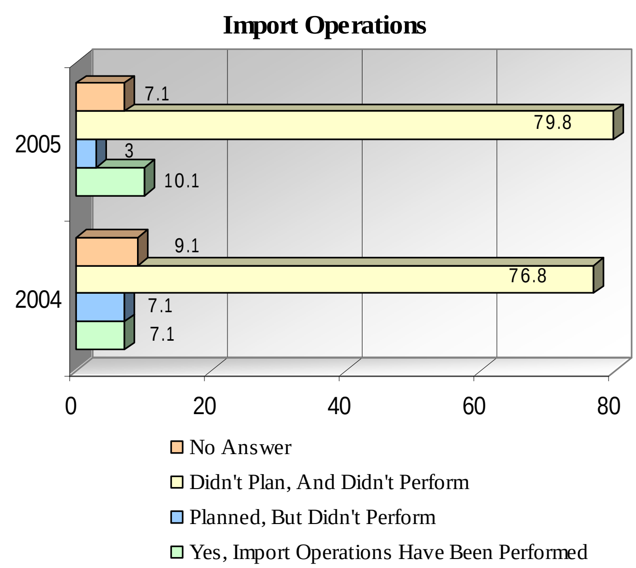
Diagram 177



CHAPTER 11 IMPORT

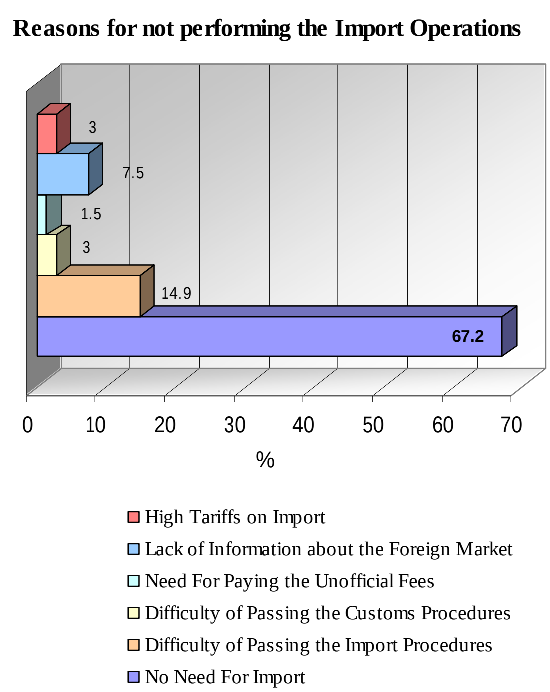
In 2004 import operations were performed only by 7.1% of entrepreneurs; the same amount has been planning, but didn't perform the import. 14.6% of them discuss the possibility of starting importing in 2006. For 2005, the number of importer companies increased by 10.1%. All of them plan to continue importing operation for the year of 2006.

Diagram 188



The major reasons, due to which the import operations are not performed, besides the absence of the need of importing (67.2%), are named to be the difficulties in passing the import procedures (14.9%), and the absence of information about eh foreign market (7.5%).

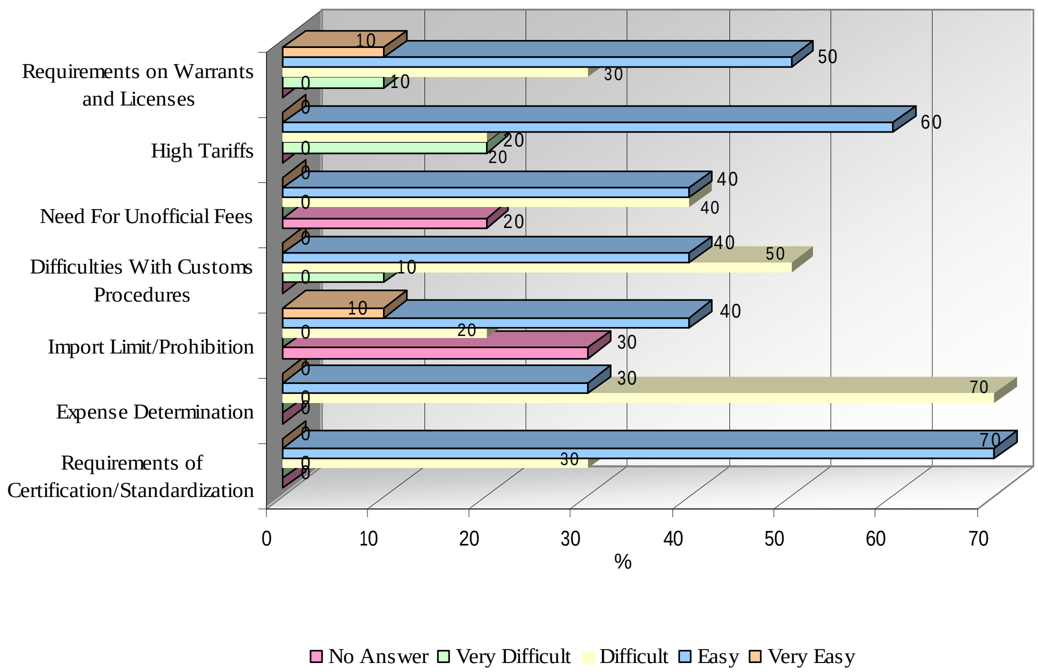
Diagram 199



Importer entrepreneurs consider the issues connected with the customs service, to be the most problematic while performing the import operations: difficulties in passing the customs procedures and the identification of the customs tariffs for the different types of the production. Less problematic are the customs fees, certificate/standardization requirements, necessity of warrants and licenses. Diagram N 30.

Diagram 30

Level of Uncertainty of the Import Procedures



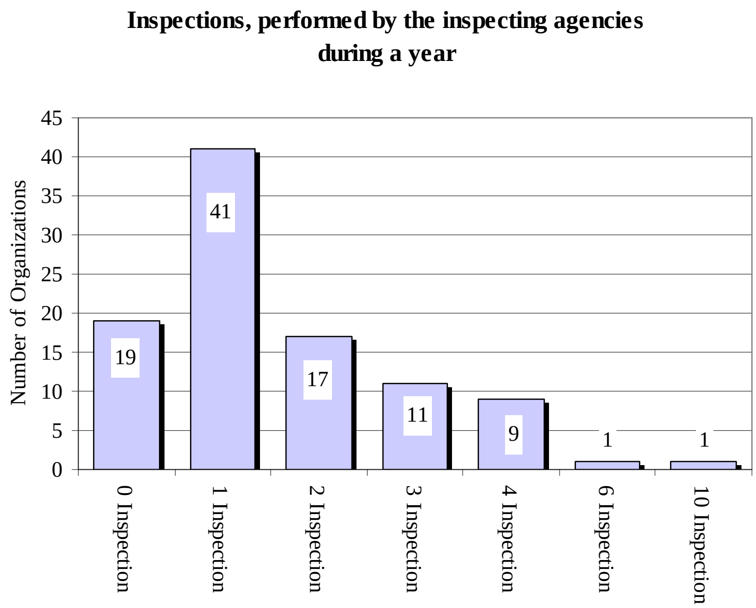
CHAPTER 12 INSPECTIONS AND CONTROL

The biggest number of the inspections in the interviewed business organizations was conducted by the tax department of the Ministry of Finance. Totally 94 inspection were conducted by this agency in 99 interviewed organizations during the year of 2005. Among the interviewed organizations, inspection has been conducted 3 times in 5 organizations by the tax department, 2 times in 4 organizations, twice in 11 organizations, and only once in 49 organizations. Tax department has never inspected 31 organizations.

Also the big number of inspections has been conducted in the respondent organizations by: Labor Inspection of the Sub-Department of the Ministry of Labor, Health and Social Security– 5 inspections. The Ministry of Labor, Health and Social Security, Sanitary-Hygienic Norms and Rules State Monitoring Inspection – 13 inspections; the Ministry of Labor, Health and Social Security, Sanitary Monitoring Service for the boarder pass points - 8 inspections, the Ministry of Internal Affairs, Fire Service – 5 inspections.

Number of the inspections conducted by various control agencies in the business organizations varies from 0 to 10 inspections. It should be mentioned, that 19 interviewed organizations have never been inspected.

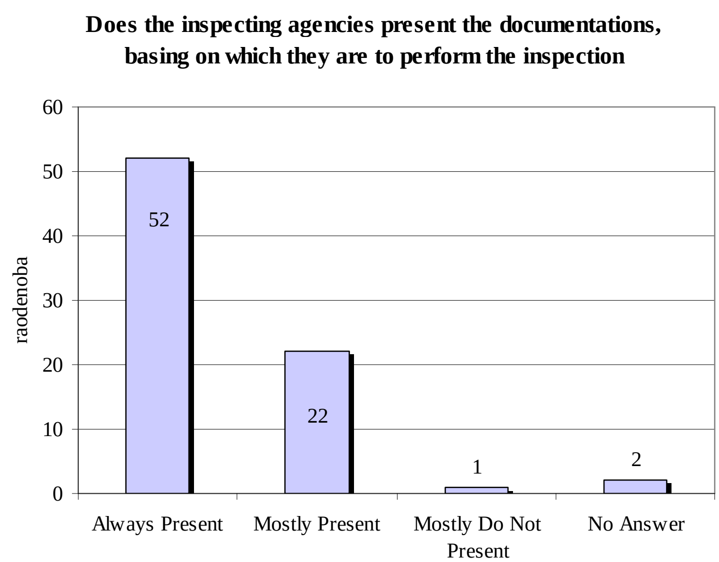
Diagram 20



25.74% of the interviewed organizations had to pay the unofficial fee during the inspection to different control agencies[4].

According to the outcomes of the research, business organizations in 90% case require the appropriate documentations from the control agencies, basing on which the inspection should be held. And in most cases, the inspecting agencies do present this documentation to the objects of the inspection. Diagram N 32.

Diagram 21



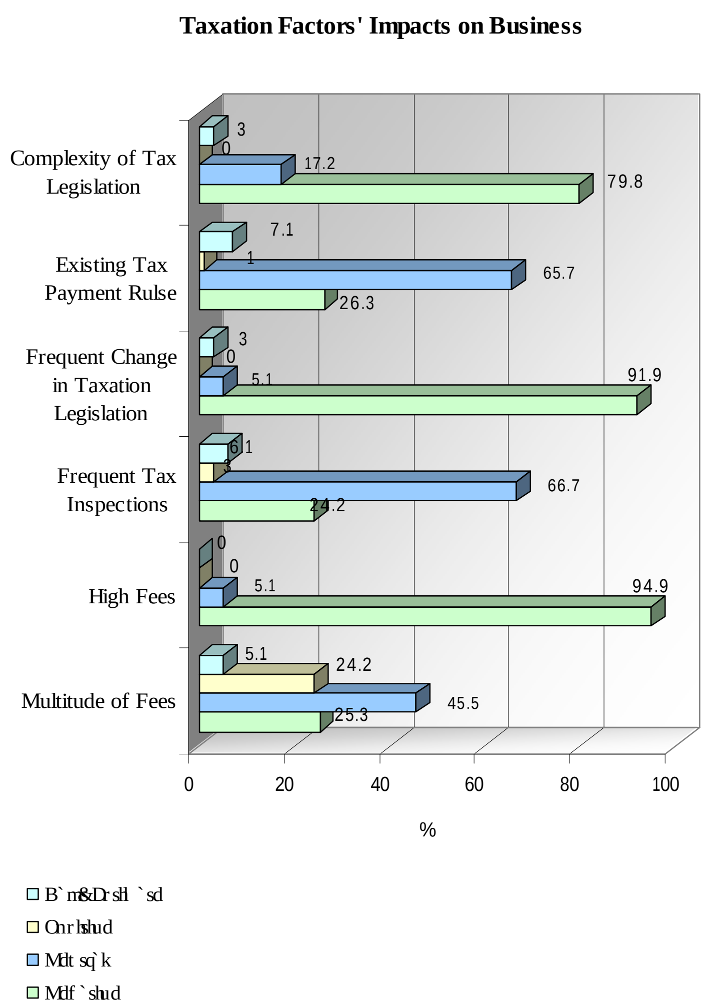
[4] This information is received discerning from the outcomes of the business organizations' interviewing and the Civil Society Institute has not checked its rightness using any other channels and facilities.

51.3% of interviewed organizations consider that the amount of money, spent during the inspection in forms of official and unofficial fees, is acceptable, 23.8% think that the cost has become a heavy load, and 5% think that the expenses have been unacceptably high. 20% of respondents preferred to live this question unanswered. Among those, who have passed the inspection at least once, 12.5% (10) organizations have protested the illegal activities of the inspecting agencies towards their organizations. 5 of them have achieved the success on different instances. Among those, who have not protested the illegal operations of the inspecting agencies, 31.4% have not been certain in the positive report of the inspection, 5.7% think that such action could worsen the relationship with the inspecting agency for the future, 2.9% it could reflect in more expenses, 5.7% use other kind of mechanisms for influencing the inspecting agencies, and 47.1% preferred not to answer.

CHAPTER 13 TAXATION

An array of the issues related to the taxation, make a significant, frequently the negative influence on the business development. The most significant of which are the factors related to the tax legislation and tax tariffs. 91.9% of entrepreneurs consider the instability of the tax legislation to be one of the negative factors for the business development, 79.8% the complexity of the tax legislation. Businessmen, 94.9%, consider the most impeding factor for the business development to be the high tax rates.

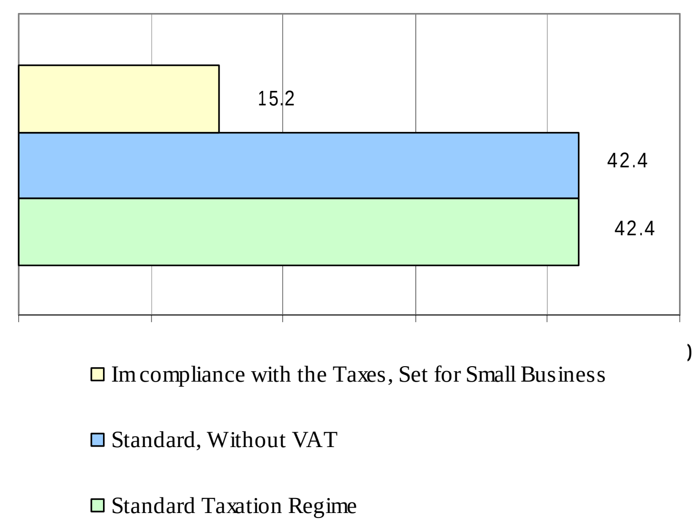
Diagram 22



Entrepreneurs are mainly paying the taxes according to the standard taxation regime (42.4%) and standard taxation regime without VAT (42.4%). 15.2% are taxed with the rates, set for the small business.

Diagram 23

Taxation System

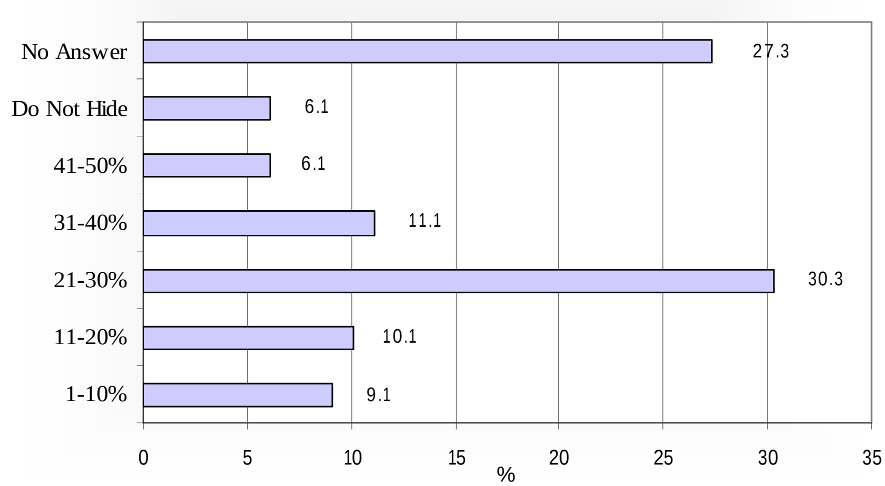


The level of bypassing the taxes in the region is very high. According to the opinion of the entrepreneurs, business organizations have been hiding the significant part of the profit from taxation in 2004. Only 6.1% of respondents think that the companies, similar to them, never used to hide incomes from the government.

Their 30.3% thinks that 21-30% of profit was being hided. Nearly equal quantity – 9.1% and 10.1% consider that the much less part of the profit was being hided, respectively 1-10% and 11-20%. 11.1% suppose the much bigger part of the profit to be hided – they consider, that the 31-40% part of the profit was being hided. 27.3% of entrepreneurs avoided the answer.

Diagram 24

Income Share, Hidden from Taxation in 2004



CHAPTER 14 ENTREPRENEUR AND FINANCIAL INSTITUTIONS

While using the bank accounts, entrepreneurs mainly face the problems with delivering the cash to the bank via the collector (35.4%) and with converting GEL to freely convertible currencies (24.2%). Entrepreneurs also face the problem of high commission fees (17.2%), elongated payment operations (9.1%) and the multitude of bank requirements for performing these operations (7.1%).

Existing Problems with the Bank Accounts	*%*
Problems With Receiving the Cash in National Currency	**1.0**
Multitude of Bank Requirements for performing the Payment Operations	**7.1**
Elongated Procedures of Payment	**9.1**
High Commission Fees	**17.2**
Difficulties with GEL Convertation	**24.2**
Bank Bureaucracy	**1.0**
Cash Deficit in Banks	**3.0**
Problems With Cash Withdrawal From the Bank Account	**2.0**
Difficulties with delivering the cash to the Bank via the Collector	**35.4**
No Answer	**7.1**

Table 8

Among the criterions of selecting the banks by the entrepreneurs, most frequently is named the fast service (43.4%). Financial condition and reliability of banks is the criteria for selection for 20.25% of respondents. Low tariffs and low credit fees are important factors for equal quantity of entrepreneurs (12.1%).

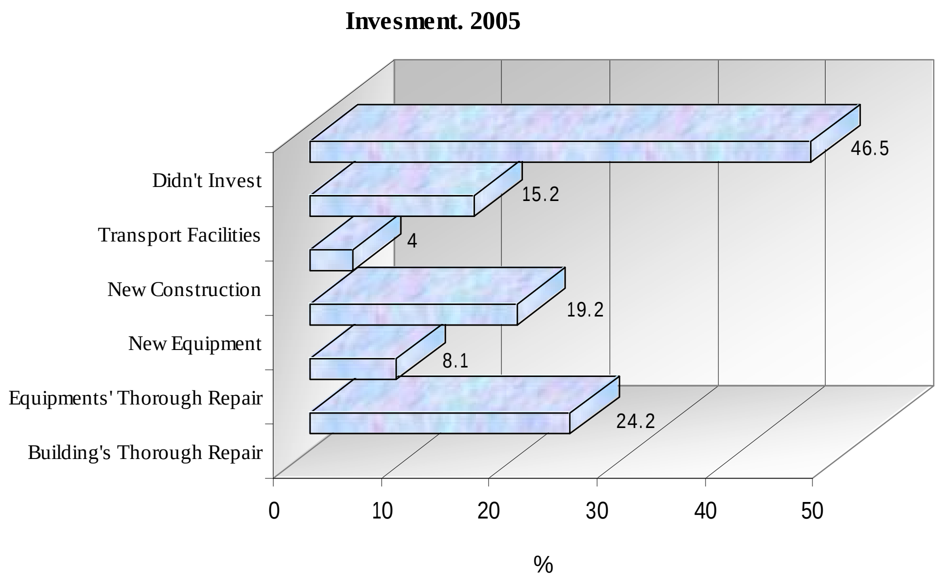
Criterions for Bank Selection	*%*
Fast Service	**43.4**
Personal Contacts	**3.0**
Foreign Capital in Bank	**1.0**
Friend's Recommendation	**2.0**
Low Credit Fee	**12.1**
High Percentage Fee on Deposit	**1.0**
Financial Stability/Reliability	**20.2**
Low Tariffs for Service	**12.1**
Long-Term Credit Availability	**1.0**
No Answer	**1.0•**

Table 9

Entrepreneurs' trust level towards the banks in keeping the rights of confidentiality of their bank accounts is low. Entrepreneurs consider that the banks are mainly providing the government with the information about the accounts. 54.1% think that the banks are presenting the information about the bank accounts (turnover, balance etc.) to the tax inspection, much less respondents, 26.1%, consider that the reports are presented to the prosecutor's office. Only 18% think that the banks are not presenting any kind of reports to any organization.

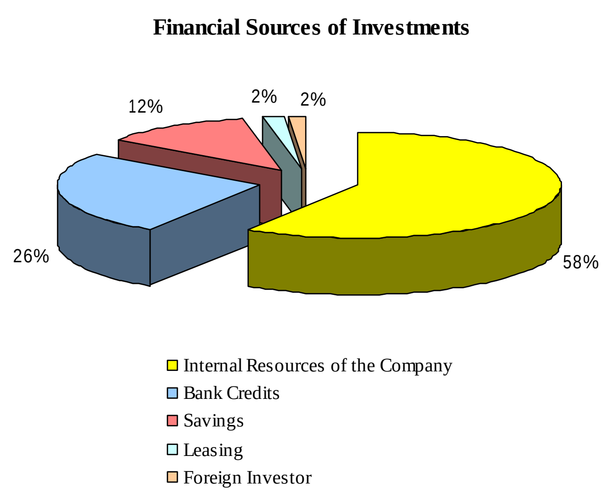
In 2005, 46.5% of companies did not perform any investment. Performed investments mainly included the thorough repair of the buildings (24.2%), new equipment (19.2%) and transport facilities (15.2%).

Diagram 256



The main source of performed investments is the internal resources of the enterprise (58%). Two times less (26.%) is the investment, performed using the bank credits, and five times less (12%) using the personal savings. Investments are very rarely performed via leasing and foreign investor funding (2%).

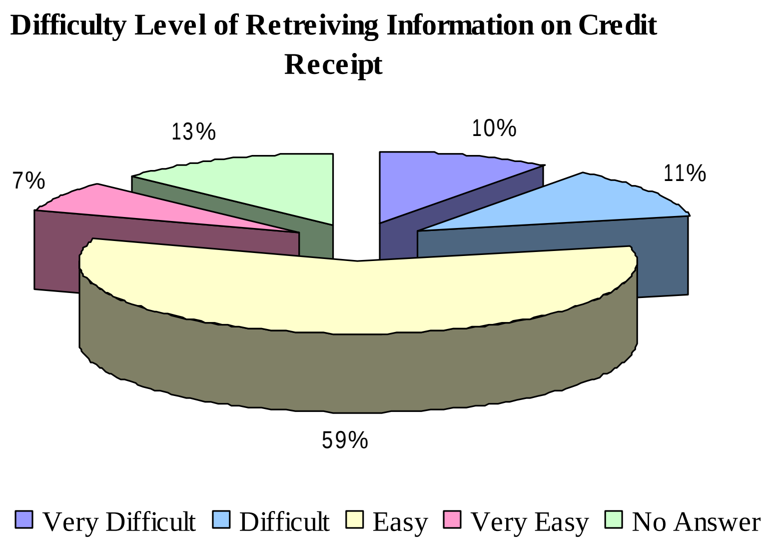
Diagram 26



In 2005, 58.6% of respondents addressed the bank for credit. In 2004, 70.7% of interviewed companies had the need for external funding. 65.7% from them have addressed the banks for credit in 2005. 48.6% of interviewed entrepreneurs have received the credit. Commonly it is not the difficulty to receive the complete information about the bank credits. (Diagram N 38).

Those entrepreneurs, who have had the need for external financing but didn't address the banks for credits, have mentioned the high percentage fees (13.6%) and unavailability of long-term credits (13.6%) to be the major reasons, because of which the companies do not use the bank credits.

Diagram 27



The major reasons, for which the banks do not grant the credits, is the non payability of the presented project (46.2%), insufficient completion of the credit requirements (deposit, guarantee) (13.5%) and the absence/insufficiency of own resources for co-financing the project (13.5%).

Majority of the companies are applying for the credit in national currency mainly for purchasing the basic facilities (52%) and commercial activities (24%). Credits are granted usually with the term of 12 or 24 month, respectively 38.1% and 35.7%.

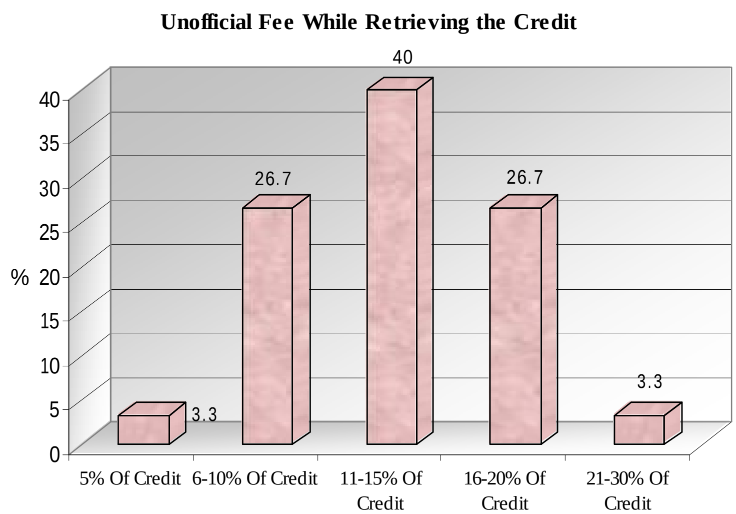
Deposit requirements vary from 50% to 350% of the credit amount. Most applied is the requirement of 200% deposit. (19%).

Deposit, in Correspondence with the Credit Amount (%)	%
50	**4,8**
60	**7,1**
65	**2,4**
70	**2,4**
75	**4,8**
80	**2,4**
85	**2,4**
100	**7,1**
130	**2,4**
150	**4,8**
180	**2,4**
200	**19,0**
240	**2,4**
250	**4,8**
300	**14,3**
350	**7,1**
999	**9,5**

Table 10

33.3% of respondent entrepreneurs think that the business organizations have to pay the unofficial fees in the process of acquiring the credit.

Diagram 28



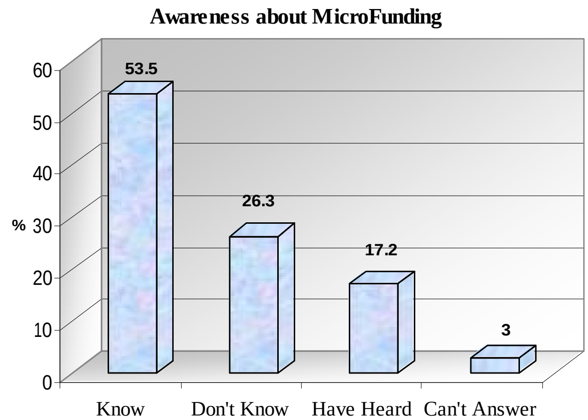
It should be mentioned, that the 69.7% of respondents refused to reveal the required unofficial fee. Among those, who have answered this question, 40% think that the required amount of money equals to 11-15% of the credit, equal quantity – 26.7%, say that it equals to 6-10% and 16-20%, also the equal quantity – 3.3% thinks that the required money equals to 5% and 21-30%.

Every entrepreneur, who has received the credit, declares that has had no problems with the credit payback.

CHAPTER 15 FUNDING FROM MICRO FINANCE INSTITUTIONS

Despite the fact that the majority of entrepreneurs, 53.5%, is aware of such mechanisms of fundraising such as the micro financing is, only 11.1% of them have used it.

Diagram 40



Entrepreneurs, who haven’t addressed the microfinance institutions, together with the absence of such need (31%) and unawareness about such institutions (14.9%), name the little size of the micro credits (16.1%), and high percentage fee (11.5%), as the reasons for not addressing these institutions.

Information on the credit retrieve procedures (list of needed documents, credit terms, percentage fee etc.) from the commercial bank is fully acceptable for entrepreneurs (63.1%). Banks have approved only 16.7% of the micro funding applications submitted by entrepreneurs. Entrepreneurs, who didn’t receive the credit, think the unsatisfying assurance to be the reason for the decline (deposit, support, guarantees, group support) (34.2%).

Reasons of the Bank’s Decline To Grant the Micro Credit	*%*
Absence/Lack of assurance (deposit, support, guarantees)	**34.2**
Absence of the Documentations, required by micro finance institutions to present.	**2.6**
Need for Paying the Unofficial Fee	**2.6**
Incompatibility with the Micro Financing Criterions	**13.2**
Other	**36.8**
Can Not Answer	**10.5**

Table 11

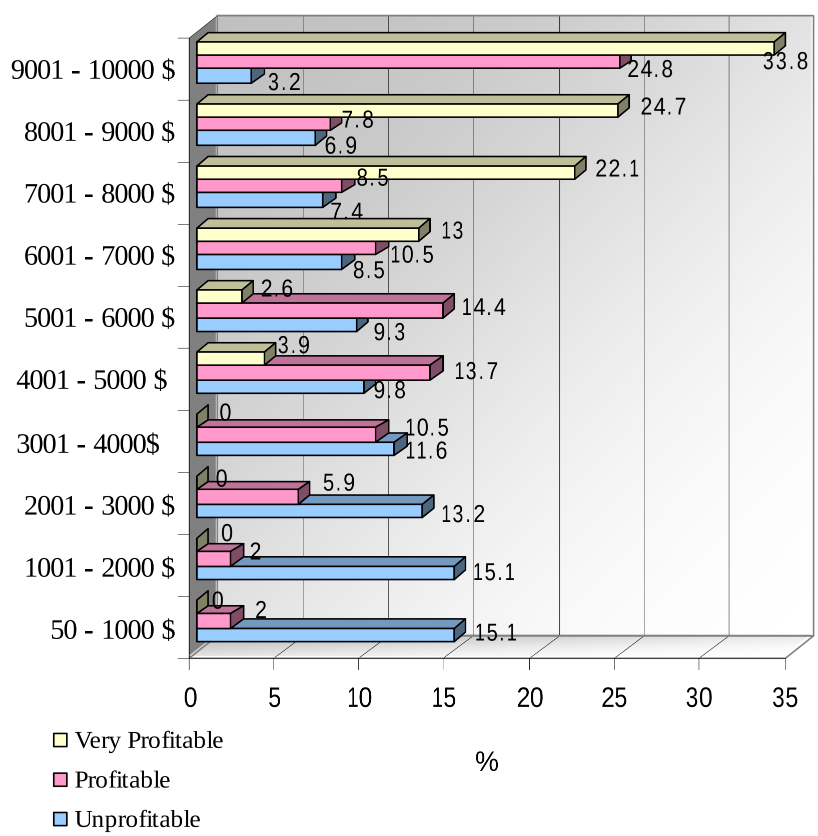
Scales of the received micro credits vary from 500 to 30000[5] GEL. Micro credits are mainly granted with the term of 12 to 24 month, and with 36% percentage fee. The most common percentage fee is 24%. As the entrepreneurs mention, they had no problems with paying back the credit.

The most important criterions for the entrepreneurs while making decision about the credit retrieve, are: credit size (90.6%), size of the percentage fee (84.9%), credit terms (77.4%), opportunity to pay the credit and retrieve the new one (66%), credit accessibility (49.1%), deposit requirement (absence of requirement) (47.2%), short procedures of the credit receipt.

Entrepreneurs think that it is not profitable to take the short-term credit (credit, the terms of which doesn't exceed 1 year) if taking the small scales credit, (from 50 to 4000 US Dollars). The credit may be profitable, if its size exceeds 6000 US Dollars. Diagram N 41.

Diagram 29

Profitability of the Short-Term Credit



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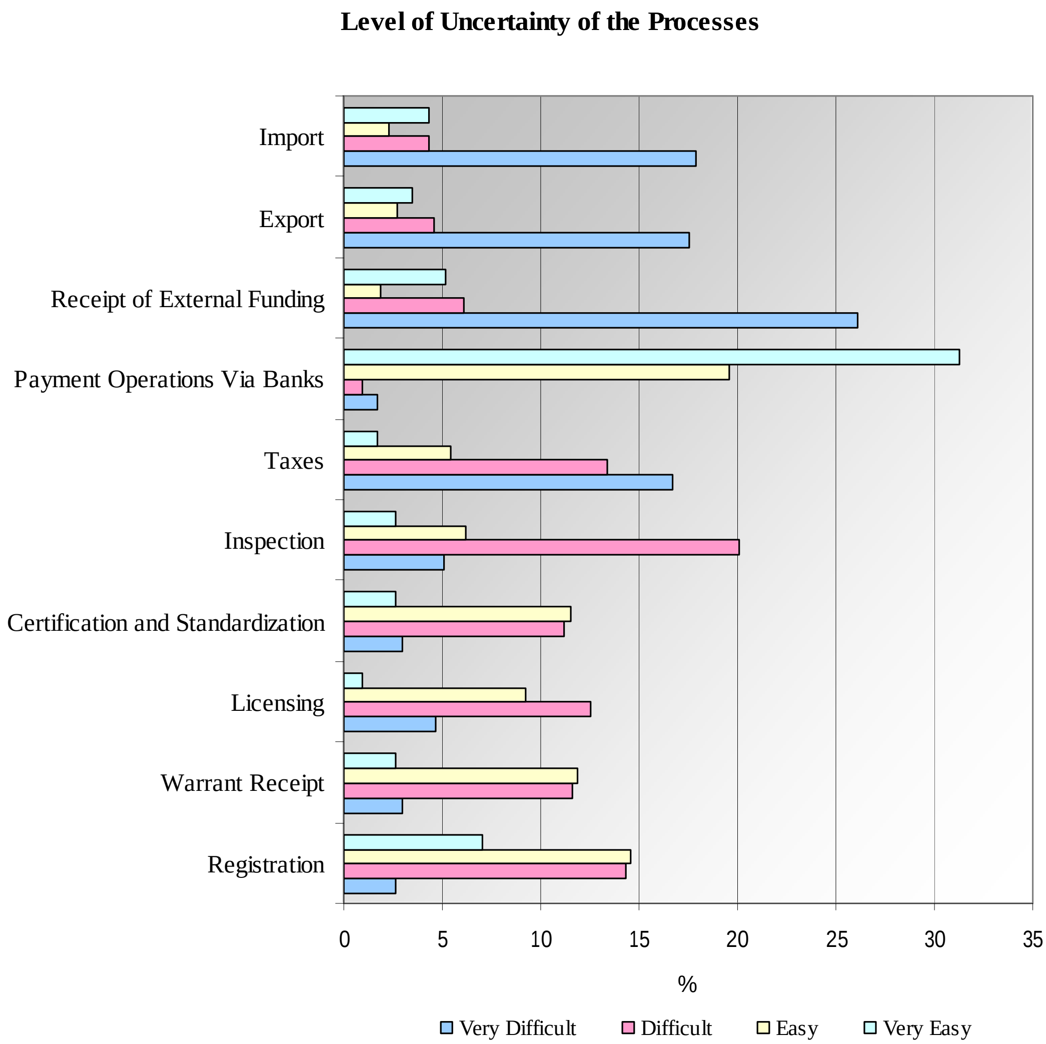
5 The study wasn't purposed to determine when did the companies receive the credit, so the scales of micro credits exceed the frames, set by the recent legislation.

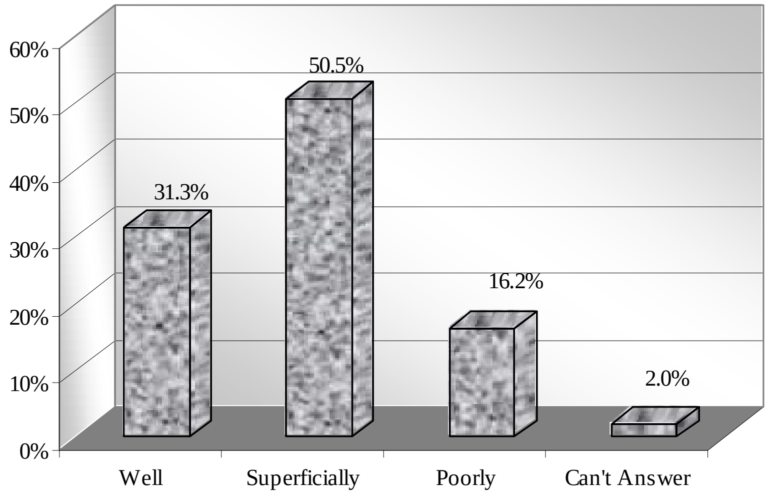
Entrepreneurs consider the processes of receiving the foreign funding and the export-import operation processes to be most problematic when evaluating the business environment. For entrepreneurs, also very problematic are the issues connected with taxation. Quite awkwardly is evaluated the inspection process. Diagram N 42. Much easily are evaluated the processes, connected with banks.

Diagram 30



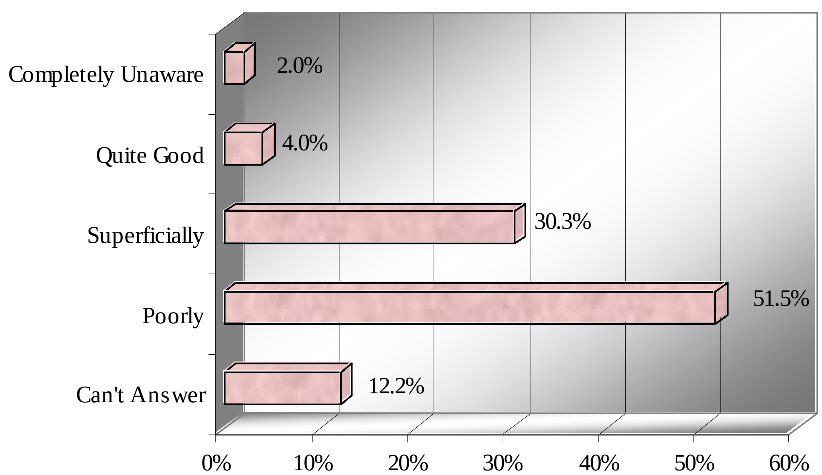
Majority of the entrepreneurs is superficially or poorly aware of the business activity regulatory legislation. 50.5% of respondents have mentioned, that they are superficially aware of the legislation, 16.2% have estimated their awareness as poor. 31.3% of entrepreneurs consider that they are well enough acquainted with the legislation.

Diagram 31



As evaluated by the respondents, the awareness of region's business organizations of the legislation is much low. According to them, 51.5% are not, and 30.3% are superficially acquainted with the legislation.

Diagram 32

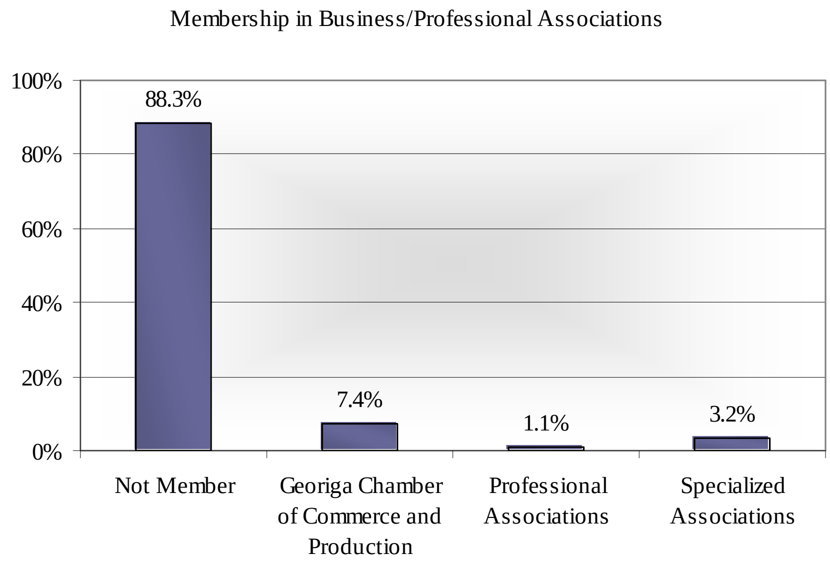


The main source of information for the entrepreneurs, from which they receive the information about the changes in the commercial activity regulatory legislation, is the mass media (43%), two times less are the governmental agencies (20%) and official printed agency "Sakartvelos Sakanonmdeblo Matsne" (19%).

Very low is the merit of juridical consulting companies (5%) and business/professional associations (4%) in terms of entrepreneurs' awareness.

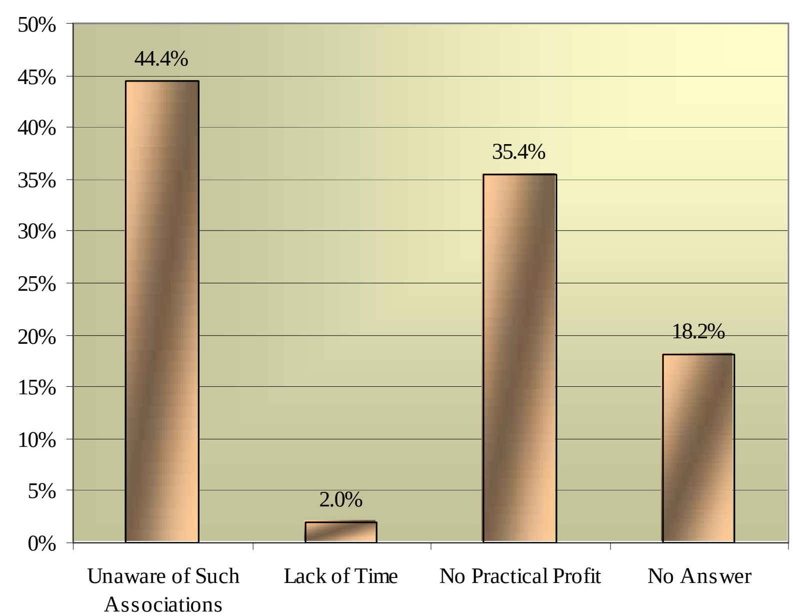
88.3% of respondent entrepreneurs do not participate in any business/professional associations. Mostly, the respondents involve in Georgia Chamber of Commerce and Production – 7.4%.

Diagram 33



The main reason for not participating in business/professional associations, as said by the entrepreneurs, is the lack of information about such organizations. More then the one third of the entrepreneurs can't see any practical sense in the membership of the associations of such kind.

Diagram 34



Entrepreneurs, participating in the business/professional association, generally received the information on juridical, informational, consulting, interest lobbying and advocacy service. The service quality is mainly evaluated is average. Table N 14

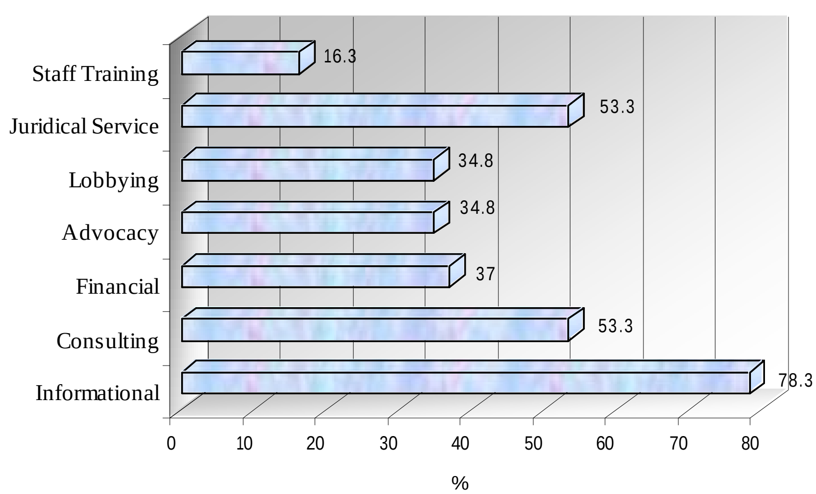
Service	*%*	*Service Quality*		
		Low	**Average**	**High**
Informational	56.3	0	43.8	18.8
Consulting	43.8	0	37.5	12.5
Financial Service	0	0	0	0
Advocacy	25	6.3	12.5	12.5
Interest Lobbying	43.8	12.5	31.5	6.3
Juridical Service	62.5	12.5	50	0

Table 12

Entrepreneurs' capacity to pay for different services is quite low. They are mainly capable to pay for the same services that the members of business/professional associations receive. (The diagram N47). What indicates that in case of higher awareness of the functions and activities of these association, much bigger would be the number of membership.

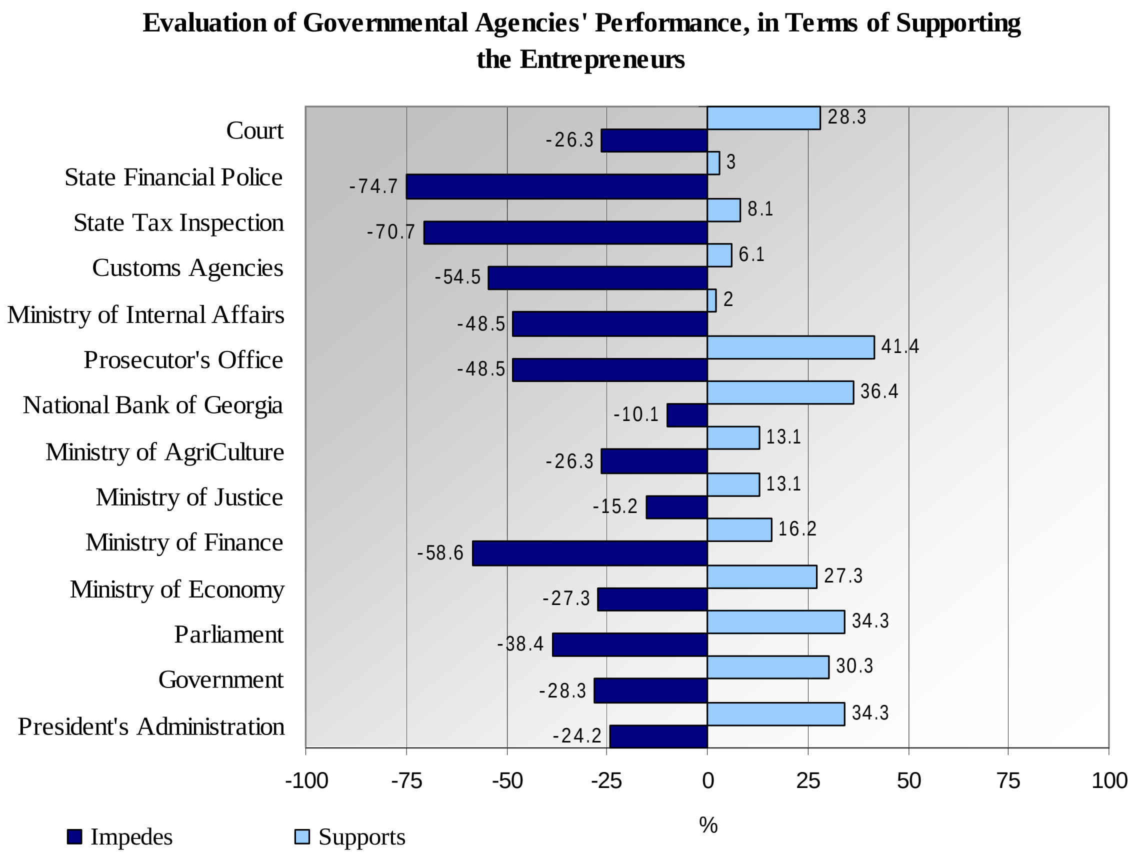
Diagram 35

Ability To Pay for Service



Entrepreneurs have poorly estimated the performance of those governmental agencies, in terms of supporting the entrepreneurs and business development, with whom they have to interact while performing the commercial activities.

Diagram 36



The biggest part of entrepreneurs' criticism has been addressed towards the local governmental agencies, what could be explained with the fact that the local governmental agencies are the first governmental units, with whom entrepreneurs have to interact mostly. See the table N15. The diagram N48.

Evaluation of Business Environment	Agree	Mostly Agree	Mostly Disagree	Disagree
Local governmental agencies accurately accomplish all the legal acts of central government	14.1	10.1	36.4	39.4
Local Decisions Do not Impede the Business Development	7.1	13.1	44.4	34.3
Local government tries to ease the business startup for citizens	6.1	6.1	37.4	48.5
The public rent is acceptable in my city for the buildings of communal and state ownership	29.3	20.2	20.2	19.2
Public rent for land is acceptable in my city	25.3	18.2	16.2	31.3
Local governmental agencies provide equal conditions for running the business	3	7.1	35.4	54.5
Infrastructure, created by the local government agencies, supports the business development.	5.1	14.1	41.4	38.4
In my city the business supporting agencies are honestly performing their functions	8.1	13.1	30.3	40.4
In my city, there is a good business environment for investments and business development	5.1	6.1	25.3	60.6
There is much better business environment in my region, than in most regions of Georgia.	1	4	22.2	60.6

Table 13

Among the business environment factors, entrepreneurs consider the high prices for the energy supplies to be the most impeding factor for their activity, also the tax administration quality, problems with fundraising for additional funds, macro economic situation and unequal terms of competition.

Among the amendments made in the legislation and state policy, entrepreneurs consider the simplification of the Tax Code to be the most supportive factor for their activity. Table N 16.

Business Activity Supporting Changes in the State Policy and Legislation[6]	*%*
Simplification of the Tax Code	**64.6**
Reduction of the Tax Load	**24.4**
Law of Warrants and Licenses	**41.5**
Stabilization in Country	**17.1**
Intensification of the War Against Corruption	**29.3**
Consolidation of Social Order in the Country	**13.4**
Reforms in Law Machinery	**15.9**
Reduction of the Required Stock Capital while registration	**3.7**
Proper Policy Towards the Business	**2.4**
Improvement of Energy Supply	**3.7**
Change of Government	**1.2**
Law of Free Trade and Concurrence	**2.4**
Government's Support to Banking System	**1.2**
Liquidation of Road Fund	**3.7**
Improvement of the Business Environment	**1.2**
Reduction of the Control Agencies	**2.4**

Table 14

Entrepreneurs consider the tax related changes to be one of the impeding factors for the business activity, especially the high tax load. Also the growth of prices and the absence of small and medium business support are considered to be the impeding factors. Table N 17.

[6] According to respondents' phrases

Business Activity Supporting Changes in State Policy and Legislation[7]	*%*
High Tax Load	**43.5**
Price Growth	**33.9**
Absence of Small and Medium Business Support	**30.6**
Complication of the Customs Terms	**14.5**
Revolution	**1.6**
Systematic Change of the Government	**6.5**
Incapability of the Local Government	**3.2**
Institutional Disorder of the Country	**4.8**
Registration Disorder in the Country	**3.2**
Law of Land Privatization	**1.6**
Absence of Independent Court	**8.1**
Liquidation of the Arbitration Tribunal	**1.6**
New Law of the Fishery	**9.7**
Law of Advertisement	**3.2**
Law of Broadcasting	**3.2**
Law of Amnesty and Non-Declared Tax Responsibilities	**6.5**
High Prices for Energy Supplies	**16.1**
Decadency of the Social Background	**1.6**
Decadency of the Criminogenic Situation	**3.2**
Complexity of the Tax Administration Mechanisms	**12.9**
Incompliance between the legal acts.	**8.1**
Logging the Material Resources	**1.6**
Multitude of Registration Documentations	**1.6**
Liquidation of the Anti-Monopoly Service	**8.1**

Table 15

For the further business development, entrepreneurs consider the most desirable to be the amendments in the taxation, such as the discharge of the small and medium business from the taxes, and reduction of the tax load. But the credit policy issues are also very important – credit fees, low percentages. The table N 18.

[7] According to respondents’ phrases

Changes, Which Could Greatly Support the Business Development [8]	*%*
Releasing the Small and Medium Business from Taxes	**36.4**
Reduction of the Tax Loads	**34.1**
Reduction in Price Growth	**10.2**
Reunion of the Country	**5.7**
Improvement of the Relation With Russia	**2.3**
Releasing From VAT under 200 000 GEL	**2.3**
5 Employees for Individual Entrepreneur	**2.3**
Development of the Agriculture	**5.7**
Simplification of the Customs Rules and Reduction of Fees	**5.7**
Bringing Back the Taxation Department to Zugdidi Administrative area	**4.5**
Creating the equal conditions for National and Imported Production	**3.4**
Simplification of the Tax Code	**11.4**
Supporting the National Production and Trade	**3.4**
Change of Government	**1.1**
Annulment of the Agricultural Enterprises' Old Debts	**3.4**
Liberalization of the Investment Environment	**4.5**
Restoration of the Arbitrage Tribunal	**2.3**
Simplification of the Customs Procedures	**2.3**
Regulation of the Prices for the Energy Supplies	**14.8**
War Against Corruption	**4.5**
Law of Advertisement	**1.1**
Law of Broadcasting	**1.1**
Restoration of the Anti-Monopoly Service	**2.3**
Development of the Infrastructure	**3.4**
Competitive Environment	**2.3**
Reduction of the Control Agencies Number	**8**
Strengthening the War Against Smuggling	**3.4**
Radical Reforms for Restoring the Economy	**1.1**
Political Stability	**2.3**
Investment Environment	**4.5**
Obstinacy of the Legal Environment	**1.1**
Independent Court	**6.8**
Credit Fees, Low Percentages	***29.5***
Abolishment of the Register's Log	***5.7***

Table 16

In spite of unsatisfactory business environment and existing difficulties for the business development, the majority of the entrepreneurs are optimistically tuned, the proof of which is the

[8] According to respondents' phrases

fact that their 69.7% is ready to start the business anew. Entrepreneurs are also optimistically tuned towards the future: only the small part of them considers that the business environment in the region and country will worsen, respectively 17.2% and 11.1%. Two times more respondents – 37.4% in the region and 39.4% in the country – consider that the environment will improve.

Diagram 37