

RURAL SMEs DEVELOPMENT GEORGIA

PHASE I (2021-2024) EXPERIENCE





Who we are

The Rural SMEs Development Project is an initiative under the Swiss Regional Programme for the South Caucasus, funded by the Swiss Agency for Development and Cooperation (SDC).

The purpose is to increase employment and incomes for rural women and men by facilitating the sustainable diversification and expansion of rural small and medium-sized enterprises (SMEs) through improved access to finance and advisory services.

Phase I was implemented by Swisscontact (Swiss Foundation for Technical Cooperation) in consortium with Mercy Corps and The Springfield Centre. It ran from October 1, 2021, to December 31, 2024, for a total of 39 months. The budget allocated for the phase was CHF 3,839,300.

What we do

- Enhance access of rural SMEs to bank and state finance by increasing awareness on financial services, developing and piloting advisory packages for investment plans and loan applications.
- Support SMEs in increasing their financial literacy and management capacities by promoting strategies for SME management and developing advisory packages.
- Build capacity and align national agencies, business associations and consultancies with rural SME needs, as well as establishing communication mechanisms among key market players to support further development of rural SMEs.

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How we do it

Through its **Market Systems Development (MSD)** approach, the Rural SMEs Development Project promotes more effective and resilient systems of rural SME business support services based on the capacity and incentives of market actors to guide and sustain them.

The project identified systems that were most relevant to supporting the performance of rural SMEs in Georgia, focusing on improvements in their:

 **Financial Knowledge and Skills**, focusing on financial literacy and business management practices.

 **Investments in Machinery and Technology**, especially by improving access to appropriate finance.

 **Gender Equality and Social Inclusion (GESI)**, integrated as a transversal theme across interventions to ensure inclusivity and equity.

Financial Knowledge and Skills

Purpose and Context

Before the project started, the system was characterised by limited financial literacy and transactional relationships with services providers, mainly local accountants. Services were narrowly focused on basic tax compliance (submitting declarations) or producing pro-forma business plans as an input to state grant applications. Most rural SMEs had no experience at all of third-party support, with only 13% reporting previous support for loan and grant applications.¹

The project sought to transition SMEs from basic compliance-based accounting to more forward looking, strategic financial management. This shift is essential for improving their ability to access finance, manage internal operations and make data-informed business decisions.

The project (1) established new financial advisory services through regionally-based service providers; (2) developed 'after care' financial advisory services for State Agency micro-enterprise grant recipients; and, (3) introduced sector-specific financial advisory packages in collaboration with sectoral and business associations.

2,133

SMEs took up financial services that contribute to improvement of financial literacy and management capacities.

7

financial literacy practices were adopted by SMEs including profit/loss statements, cash-flow management, budgeting, inventory management, trend analyses, pricing strategies, and scenario and sensitivity analyses.



57%

of the business that took up services benefited through increased income, reduced costs, and/or improved resilience.²

8%

higher income was recorded by businesses that used the services compared to similar businesses that did not.³



Improved Financial Practices Introduced



Profit/loss statements - SMEs gained a clear view of earnings and expenses, helping them make smarter financial decisions and track progress over time.



Cash-flow management - by monitoring inflows and outflows, businesses avoided cash deficits and ensured smooth day-to-day operations.



Budgeting - SMEs began setting spending limits and allocating resources more strategically, resulting in fewer unexpected expenses.



Inventory management - by proper inventory of their assets, SMEs gained better control over their resources, leading to improved operational efficiency.



Trend analyses - analysing past performance helped SMEs identify growth opportunities and adjust to seasonal shifts or market changes.



Pricing strategies - SMEs learned to set competitive yet profitable prices, resulting in increased income.



Scenario and sensitivity analyses - by testing 'what-if' scenarios, businesses were better prepared for risks and able to adapt faster to changes in costs or demand.

¹ Impact Assessment of Rural SME Financial Literacy and Access to Finance conducted by the City Institute Georgia, 2024 – sample of 48 respondents (22 female and 26 male).

² Ibid.

³ Ibid.

Intervention Strategies

Introduction of Financial Advisory Services by rural based accountants under professional accountancy federations' network.

After-care services for Enterprise Georgia Micro Grant winners to 'graduate' from state grants to commercial finance.

Enabling sectoral business associations to deliver tailored financial advisory services to their member SMEs.

Insights

Transitioning to data-based pricing helped SMEs better cover costs and improve margins. 57% of interviewed SMEs reported starting to analyse their profits and losses and began using profit/loss sheets to reassess business activities and eliminate loss-generating products or services, calculate real costs and build profit margins into prices.⁴

SMEs gained greater control over their finances and became less reliant on inappropriate external credit. As a result, they became more capable of self-financing small investments or weathering cash-flow shocks. 30% of SMEs that took financial advisory services are now able to anticipate monthly shortfalls and set aside money ahead of time.⁵

The combination of financial knowledge and use of digital tools nurtured a mindset shift among SMEs from day-to-day survival to more long-term strategic thinking.⁶ Multiple service-users demonstrated a transition from reactive to planned business decision-making - articulating clear visions for growth, including expanding to new markets, hiring employees, and diversifying their product lines.

In the case of micro-enterprises, 82% reported making at least one practical change in their financial management practices. These included the use of Excel sheets or notebooks to record daily income and expenses, clear separation of personal and business expenses, and the adoption of budgeting and cash flow tracking tools. These behavioural changes led to more disciplined spending, reduced informal borrowing, and improved ability to anticipate and manage monthly financial obligations.⁷

Advisory services providers that serve rural SMEs changed how they perceive the value of innovative services and how to reach clients. Where before these accountants would react to enquiries and did not see potential for offering a range of services, after project support they have diversified their service offer and developed a more proactive approach to client acquisition. This also affected demand, with accountants confirming that clients began asking for profit and loss reviews before making business decisions.⁸

⁴ Impact Assessment of Rural SME Financial Literacy and Access to Finance conducted by the City Institute Georgia, 2024 – sample of 48 respondents (22 female and 26 male)

⁵ SME Survey to Understand the Experience of Financial Advisory Services and Identify Early Signs of Impact, Savvy, 2023 – sample of 76 respondents

⁶ City Institute Georgia, Impact Assessment of Rural SME Financial Literacy and Access to Finance, 2024.

⁷ Internal Impact Assessment of the Graduation Programme, 2024 – sample of 28 respondents (19 male and 9 female)

⁸ Results of ASPs Survey to Understand Financial Advisory Service and its Benefits to Rural SMEs, 2023 – sample of 92 ASPs

Highlights

If not for my advisor then I could not get the bank loan to grow my business

Nika Katamadze, Adjara



GURIA

Joni Nachkebia, a 58-year-old tea producer from Nagomari village in Guria, received support through the project in a collaboration with Enterprise Georgia (EG) to provide counselling services to help him prepare an application to the EG micro and small business support programme. With this help, he secured a grant of GEL 40,000 to develop his business. He co-financed a modern tea processing machine, which improved the efficiency and quality of his products. As a result, Joni hired 20 local women for seasonal tea picking and is now negotiating with supermarkets and hotels to sell his branded tea, Gurulebi. The upgrade made his business more profitable and created new jobs in his rural community.



ADJARA

Nika Katamidze runs a family hotel in Kobuleti with his parents since 2018. After COVID-19, they could not expand due to existing debt. Through the project, a trained accountant, Gogita Baramidze, offered financial advice - helping Nika improve cost calculations, prepare reports, and strengthen loan applications. In March 2023, Nika secured a EUR 50,000 loan with better terms. He renovated two more floors, added 14 rooms, and hired more staff. With a clear financial plan and lower costs, he is now ready for the summer season.



ADJARA

With support from Enterprise Georgia's 'Graduation' initiative, Maia Kakhidze, a small business owner from Kobuleti, transitioned from relying on grants to securing a GEL 30,000 commercial loan. Previously unable to access bank finance due to documentation issues, she received tailored financial training and support from a local accounting firm, helping her present credible records and invest in her guesthouse. The initiative, which supported 301 micro-enterprises, improved financial literacy and expanded access to commercial finance.



KVEMO KARTLI

David Giorgadze, a young entrepreneur from Tsalka, runs a concrete production business with 15 local employees. Facing challenges in safety, management, and product quality, he joined a mentoring programme offered by his industry association, supported by the project. He was paired with an industry mentor from construction company Arali, who helped improve safety standards, admin processes, and production methods. With the support of the mentor, David visited a Turkish factory, learned about new technologies, and began using better concrete additives. As a result, his business became safer, more efficient, and now offers higher-quality products, benefiting both his family and workers.



Investments in Machinery and Technology

Purpose and Context

At the beginning of the Phase, rural SMEs were characterised by a lack of investments in technology that could upgrade their product standards or enhance productivity and efficiency. SMEs had low awareness and limited engagement with service providers that could help them prepare investment plans and apply for appropriate finance. In many cases, especially for marginalised groups, services were missing or inadequate.

The project aimed to improve the ecosystem of business services available to rural SMEs that can support their access to appropriate finance for capital expenditures from public and commercial sources. These include state-subsidised financial programmes, bank loans, and alternative financial products.

The project (1) introduced targeted support mechanisms to improve marginalised groups' access to state programmes; (2) facilitated collaboration between business associations and lenders to promote the adoption of sector-specific technologies; and (3) established advisory services with commercial financial institutions to help SMEs optimise technology investment proposals.

By the Numbers

1,228

SMEs secured
finance (loans and
grants)

CHF 7M

invested in new
technology

CHF 4,692,112

of increased income
was generated by
SMEs

1,000+

people with existing
jobs improved their
pay/benefits

SMEs invested in:

- Agricultural machinery (cultivators, harvesters, sprayers, irrigation systems, pasteurisers, processing equipment);
- Manufacturing equipment (beer, furniture and wooden toys production, textile pressing, precision cutting tools, production lines);
- Other (equipment for bakeries, dental surgeries, aesthetic salons, carpet cleaning, auto repair, photography, guesthouse, vet service).



Intervention Strategies

Introduce targeted support mechanisms to improve LNOB groups' access to state financing programmes.

Establish non-financial advisory services to help SMEs optimise technology investments with commercial financial institutions.

Facilitate collaboration between business associations and lenders for sector specific technology adoption.

Insights

Investments in modern machinery and technology boosted productivity and income generation for SMEs. An impact assessment⁹ revealed that supported SMEs achieved on average 49% growth in monthly turnover between 2020 and 2023, compared to a 22% decline in the control group. These improvements were made possible through the project's support - consultations, application guidance, and awareness-raising - that enabled SMEs to access state grant programs and invest in machinery to diversify services and enter new markets. Furthermore, 77% of supported SMEs reported increases in household income, compared to 21% in the control group.

Access to productive assets improved cost efficiency and operational independence, while also enabling business owners to upskill themselves. Many SMEs who purchased machinery - often through grant programmes and technical support facilitated by the project - highlighted that owning new machinery, rather than relying on rented equipment, led to substantial reductions in operating costs and increased responsiveness to client demands.¹⁰ Operational independence allowed businesses to optimise workflows and reduce reliance on third-party services, thereby improving profitability. At the same time, automation of previously manual tasks freed up time, resulting in increased efficiency and enhanced human capital.

Technology adoption led to notable job creation and improved labour safety across supported SMEs. As businesses expanded operations through new equipment, they hired more staff, reflected in a 31% increase in wage expenses.¹¹ Assessments also showed that employees in target SMEs consistently reported safer working environments compared to the baseline, including better access to paid insurance and time off.¹² Supporting this, a survey of women's perception confirmed that female employees noted improvements in workplace safety and stability. In sectors such as construction and repair services, enterprises reported more consistent use of protective gear and on-the-job safety protocols.¹³

Upgraded equipment contributed to improved product quality, compliance, and formal market integration. Especially within the dairy sector, SMEs were able to meet government-mandated safety and quality standards by installing new processing equipment such as pasteurizers and cooling tanks.¹⁴ These upgrades allowed businesses to produce at higher volumes while ensuring compliance with formal market requirements, opening new commercial opportunities and reinforcing food safety practices.

Tailored support mechanisms enabled greater inclusion of marginalised groups in accessing finance for machinery and technology investments. Through targeted consultations, ethnic minorities and socially vulnerable groups were better equipped to apply for grants specifically aimed at purchasing equipment. As a result, 70% of SVGs and 29% of ethnic minorities reported business growth and improved household incomes directly linked to machinery investments.¹⁵ This support addressed key barriers such as lack of information, application skills, and self-confidence, allowing marginalised entrepreneurs to benefit from productivity gains and income increases due to technology adoption.

⁹ Impact Assessment of intervention on the improvement of access to state finance by ethnic/linguistic minorities and socially vulnerable groups, 2023 - Sample of 185 beneficiary SMEs (82 SVGs; 48 Ethnic minorities)

¹⁰ Endline survey on LNOB groups and women's perceptions of, and participation in, business and economic-related decision making, 2024 - Sample of 181 beneficiary SMEs (122 female; 59 male)

¹¹ City Institute Georgia, Impact Assessment of Intervention on the Improvement of Access to State Finance by Ethnic/Linguistic Minorities and Socially Vulnerable Groups, 2023.

¹² Ibid.

¹³ Endline survey on LNOB groups and women's perceptions of, and participation in, business and economic-related decision making, 2024 - Sample of 181 beneficiary SMEs (122 female; 59 male)

¹⁴ Outcome Assessment of GMMF beneficiary SMEs, 2024 - sample of 11 respondents

¹⁵ City Institute Georgia, Impact Assessment of Intervention on the Improvement of Access to State Finance by Ethnic/Linguistic Minorities and Socially Vulnerable Groups, 2023.

Highlights

At first it seemed impossible, but I won and was able to invest in extending my business

Veronika Bakhchoyan, Samtskhe-Javakheti



Veronika Bakhchoyan, a young baker from the Armenian-speaking community in Vale, started her business with very limited equipment and doubted she could access funds for investment. Through project-supported outreach and consultation in her language, she learned about the Enterprise Georgia micro business support programme and how to apply. With this support, she gained confidence and successfully received funding. She co-invested in mixers, ovens, and other tools, which helped her increase production and meet growing demand. Now her bakery runs more efficiently, her income has grown, showing that language barriers can be overcome with the right support.



SAMTSKHE-JAVAKHETI



KAKHETI

Medea Khechiashvili, a passionate entrepreneur in Telavi, Kakheti, successfully expanded her bakery with support from the Enterprise Georgia Growth Hub, developed with assistance from the project. After realising her business lacked visibility despite its central location, she visited the newly opened Growth Hub and through the project-introduced diagnostic assessment process, her need for stronger marketing was identified. With co-financing from the Hub, Medea worked with a professional marketing firm to create a logo, banner, and digital presence, including a social media strategy. She also qualified for a micro-loan tailored for women entrepreneurs, which she used to purchase new equipment and open a second branch.



SHIDA KARTLI

Giorgi Tabuashvili, a walnut farmer from Kaspi, Shida Kartli, was unsure about the best technology options for improving his production. Through events organised by the Almond and Walnut Producers Association, supported by the project, Giorgi learned about modern orchard machinery and received guidance on what equipment would best suit his needs. On the association's advice, he took a commercial loan to purchase a tractor and a pesticide sprayer, which reduced labour costs and improved orchard efficiency. His yield has grown to 4 tons, and he is confident of reaching 20–25 tons when the orchard reaches full maturity.



SAMEGRELO



Tea Kharbedia, a 51-year-old from Khobi, successfully launched a laurel production enterprise with support from the Rural Development Agency (RDA) through its “Plant the Future” programme. Her journey was supported by the project, which strengthened the capacity of local RDA Information and Consultation Centres (ICCs) to mobilise and counsel rural women. After attending a mobilisation session, Tea received counselling that guided her through the process of registering her land, preparing her application, and supporting the laboratory testing of her soil quality. With this support, she planted nearly 4,000 laurel trees, laying the foundation for a steady income and seasonal jobs in the years ahead.



Gender Equality and Social Inclusion - Insights

Employment and Decent Work

The focus on improved access to machinery and technology led to substantial job creation and improved working conditions for women and LNOB groups. 111 full-time jobs were created - 80 for SVGs and 31 for ethnic minorities.²¹ Alongside job creation, respondents reported that working conditions improved: frequent overtime dropped from 31% to 17%, while the share of women-led SMEs reporting no overtime rose from 0% to 23%. Improvements in workplace conditions also included greater access to paid leave, maternity leave, and insurance coverage.²² These changes contributed to a reduction in decent work deficits by fostering safer, and rights-based employment environments.



Decision-Making

The project fostered a shift toward more inclusive and participatory financial decision-making at household and business levels. Independent loan decision-making by women increased from 3% to 17% in the target group. At the same time, the proportion of men making financial decisions alone declined, suggesting a move toward shared household financial responsibility. Additionally, sole male land ownership dropped significantly from 69% to 33%, while female ownership doubled from 20% to 40%, and joint male-female ownership increased to 24%. These results indicate meaningful progress in promoting gender equality in economic decision-making and control over assets.²³



Access to Finance for LNOB and Women

The project enhanced access to finance for women and LNOB groups, with 264 women-led SMEs receiving grants and 245 accessing loans.¹⁶ Some 75% of women who received counseling services had never previously applied to Plant the Future,¹⁷ highlighting the value of targeted support for first-time applicants;¹⁸ 54% of women (vs. 33% of men)¹⁹ reported raised awareness of state grant opportunities, and most respondents from ethnic minorities and socially vulnerable groups (SVGs) reported greater confidence in applying for state funding thanks to language-sensitive outreach and customised counseling.²⁰



Targeted Support to LNOB Groups

The project promoted inclusive communication by **developing outreach materials and promotional videos in minority languages,** broadcasted through regional media. It also strengthened empowerment and capacity building for LNOB groups by **conducting tailored information sessions, improving access to counseling services, organising study tours and exposure visits,** as well as promoting soil analysis tests for women farmers.



1,596

women with a positive perception on their influence on business and economic-related decision-making

1,427

female LNOB and non-LNOB individuals having new or better employment



548

female and ethnic minority led SMEs benefitting with additional income, reduced costs, and/or improved resilience

482

female and ethnic minority led SMEs taking up loans and grants



¹⁶ End of Phase Report, 2024

¹⁷ State subsidy programme implemented by Rural Development Agency

¹⁸ Outcome Assessment of Plant the Future Participants, 2024 - Sample of 32 female participants of Plant the Future Programme

¹⁹ Endline survey on LNOB groups and women's perceptions of, and participation in, business and economic-related decision making, 2024 - Sample of 181 beneficiary SMEs (122 female; 59 male)

²⁰ Impact Assessment of intervention on the improvement of access to state finance by ethnic/linguistic minorities and socially vulnerable groups, 2023 - Sample of 185 beneficiary SMEs (82 SVGs; 48 Ethnic minorities)

²¹ Ibid.

²² Endline survey on LNOB groups and women's perceptions of, and participation in, business and economic-related decision making, 2024 - Sample of 181 beneficiary SMEs (122 female; 59 male)

²³ Ibid.

The detailed online version of the End of Phase Report in PDF format is available on our website.



www.rsmedp.ge



A consortium of Swisscontact, Mercy Corps
and The Springfield Centre

5 Mikheil Asatiani Street,
Tbilisi 0177, Georgi

✉ Info.georgia@swisscontact.com

☎ +995 322 220 225

