



Challenges in Preparing Sustainable Reporting for SMEs in Georgia: A Comparative Analysis with Armenia and Azerbaijan

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ABSTRACT

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Sustainability reporting has become an essential practice for businesses worldwide, yet SMEs in developing economies often face significant challenges in its implementation. This study explores the key barriers to sustainable reporting among SMEs in Georgia, comparing them with the experiences of Armenia and Azerbaijan. Through a mixed-methods approach, including surveys, interviews, and secondary data analysis, the research identifies regulatory gaps, financial constraints, lack of expertise, and limited stakeholder pressure as the primary obstacles. This article examines the role and significance of sustainable development reporting for SMEs within the context of Georgia's economic realities. It analyzes how the principles of sustainable development and the practices of reporting on these principles impact the activities and strategic development of SMEs. Furthermore, the study conducts a comparative analysis of the practices and experiences of Armenia and Azerbaijan, providing a deeper understanding of the region's economic and sustainable development trends. This comparison also highlights the challenges and opportunities emerging from the juxtaposition of these countries' practices. The study also examines the role of international sustainability frameworks, such as the GRI, IFRS Sustainability Standards, and EU Corporate Sustainability Reporting Directive (CSRD), in shaping the sustainability reporting landscape in the South Caucasus region. Comparative analysis reveals that while Armenia and Azerbaijan face similar challenges, variations in policy adoption and external funding availability create differing levels of progress. Findings suggest that SMEs require tailored regulatory support, financial incentives, and capacity-building programs to integrate sustainability practices effectively. The paper concludes with policy recommendations to foster a more enabling environment for sustainable reporting in SMEs, ensuring alignment with global sustainability trends while addressing local economic realities. The findings of the research aim to contribute to improving the process of preparing sustainable development reports for SMEs and underscore their critical role in fostering the sustainable economic development of the region.

1. INTRODUCTION

The role of small and medium-sized enterprises (SMEs) in the modern economy is highly significant, particularly in developing countries where there is a pressing need for economic diversification. Alongside Georgia, if we consider two neighboring countries in the South Caucasus—Armenia and Azerbaijan—SMEs also play a vital role in their economies. SMEs create employment opportunities, foster innovation, and serve as one of the primary drivers of economic growth.

In a market economy, SMEs act as a key driving force, especially in smaller and medium-sized economies such as those of Georgia, Armenia, and Azerbaijan. SMEs generate added value and contribute to a certain level of economic stability by promoting diversification and reducing reliance on large corporations.

The importance of SMEs can be highlighted through several

key factors:

Employment and job creation: SMEs provide a significant number of jobs, reducing poverty and improving living standards. In Georgia, Armenia, and Azerbaijan, the employment opportunities generated by SMEs are among the primary factors driving economic growth.

Fostering innovation and diversification: SMEs often implement innovations that enhance market competitiveness and open new opportunities in both local and international markets. This supports economic diversification, which is essential for stable and sustainable economic development.

Development of rural and regional economies: SMEs are frequently located in rural and regional areas, accelerating regional development and maintaining economic balance between urban and rural regions.

Strengthening local markets: SMEs play a critical role in boosting local production and meeting market demand, improving the population's quality of life and reducing

dependency on imports.

In the context of globalization and market liberalization, one of the major challenges for SMEs in the South Caucasus is coping with international competition. SMEs in this region often face shortages of financial resources, technological lag, and barriers to accessing new markets. However, they possess significant potential to expand their activities internationally and benefit from the growth of global trade.

Supporting SMEs is crucial for the sustainable economic development of the region. State policies and institutional support that facilitate SME growth, provide financial aid, and establish favorable regulatory environments play a key role in enhancing the competitiveness of this sector.

1.1 The importance of sustainable development: How sustainable practices drive business success

Sustainable development is one of the most critical concepts in modern business management, encompassing environmental, social, and economic responsibilities. Its primary goal is not only to enhance corporate profitability but also to exert a positive impact on the environment, society, and long-term social factors [1]. Adopting sustainable development principles enables businesses to maintain long-term success and competitiveness in a rapidly changing global environment.

1.2 Economic efficiency

A core component of sustainable development is economic efficiency, which involves the rational use of resources, cost reduction, and the creation of long-term value. Companies that implement sustainable development strategies often succeed in reducing energy, water, and other resource consumption, ultimately lowering operational costs. For instance, efficient energy use, waste management, and the adoption of green innovations not only reduce expenses but also enhance a company's global market competitiveness [1].

1.3 Social responsibility

Sustainable development also entails corporate social responsibility toward society and employees. This includes addressing factors such as:

- Protecting employee rights and improving their working conditions.
- Ensuring equal opportunities and eliminating discrimination.
- Supporting local communities through projects that contribute to regional development.

Companies that prioritize the well-being of their employees and communities attract and retain more qualified talent, boost employee motivation, and subsequently improve the quality of their products or services.

By integrating these principles, businesses not only achieve financial and operational benefits but also foster stronger relationships with stakeholders, paving the way for long-term success in a competitive global market.

1.3.1 Environmental responsibility

Environmental responsibility is a key element of sustainable development. Businesses that adopt environmentally friendly technologies and comply with environmental regulations minimize their impact on the environment, benefiting society

while enhancing their own reputation. The demand for eco-friendly products and services continues to grow. Green initiatives and sustainable production practices help companies attract new customers who prioritize environmentally responsible products [2].

1.3.2 Corporate social responsibility (CSR)

Companies guided by sustainable development principles often gain customer trust and establish a positive market image. Modern consumers and investors increasingly favor businesses that recognize their social and environmental obligations [2]. CSR strengthens brand positioning and enhances public perception of the company. A strong reputation not only aids in retaining customers but also facilitates market expansion and fosters long-term partnerships [1].

Businesses that commit to sustainable practices are often better equipped to handle environmental, social, or economic crises. Sustainable development practices enable companies to better understand long-term risks and develop flexible strategies for crisis management.

In today's society, both governments and communities are highly attentive to environmental and social issues. Companies that fail to adhere to sustainable development principles may face regulatory restrictions or public backlash, which could negatively impact their operations. Conversely, businesses that align with sustainable principles are better positioned to comply with international regulations and benefit from government support and subsidies [2].

2. LITERATURE REVIEW

Sustainability reporting has gained significant traction globally, with an increasing emphasis on transparency, environmental responsibility, and corporate governance. For SMEs, sustainability reporting presents both opportunities and challenges, particularly in developing economies such as Georgia, Armenia, and Azerbaijan. This literature review explores existing research on sustainability reporting for SMEs, focusing on regulatory frameworks, challenges, and comparative insights between these countries.

2.1 Theoretical framework of sustainability reporting

Sustainability reporting is often based on established frameworks such as the Global Reporting Initiative (GRI) and the International Financial Reporting Standards (IFRS) for SMEs. It plays a vital role in enhancing corporate transparency and fostering stakeholder engagement. However, the adoption of these frameworks by SMEs remains inconsistent due to resource limitations and a lack of expertise [3].

2.2 Importance of sustainability reporting for SMEs

SMEs are fundamental to economic development, and their commitment to sustainable practices can significantly contribute to national sustainability objectives. However, many SMEs perceive sustainability reporting as a regulatory burden rather than a strategic advantage. This perception is particularly common in developing economies, where financial and technical constraints pose significant challenges to adoption.

2.3 Challenges in sustainability reporting for SMEs

Numerous studies highlight the key barriers that hinder SMEs from effectively engaging in sustainability reporting, including:

Resource constraints: SMEs often lack the financial and human resources required for comprehensive sustainability reporting [4].

Regulatory and institutional barriers: The absence of clear and mandatory sustainability reporting guidelines for SMEs in Georgia, Armenia, and Azerbaijan leads to inconsistencies in reporting practices [5].

Lack of awareness and expertise: Studies indicate that many SME owners and managers have limited knowledge of sustainability reporting frameworks and their benefits [6].

2.4 Regulatory frameworks and government support

While European countries have implemented stringent regulations to enforce sustainability reporting, such as the EU Directive 2014/95/EU, the regulatory landscape in the Caucasus region remains relatively underdeveloped. According to an OECD report [7], Georgia has made significant efforts to integrate sustainability reporting into corporate governance. However, SMEs continue to face challenges due to the voluntary nature of existing guidelines. In Armenia, pilot projects have been introduced to enhance SME sustainability disclosures, whereas Azerbaijan's regulatory framework remains less developed in this regard.

The literature indicates that while sustainability reporting is critical for SMEs, significant barriers hinder its widespread adoption in Georgia, Armenia, and Azerbaijan. Addressing these challenges requires coordinated efforts from policymakers, industry stakeholders, and international organizations. Future research should explore sector-specific challenges and the role of digital solutions in enhancing sustainability reporting practices for SMEs in the region.

3. METHODOLOGY

This study employs both quantitative and qualitative methods to analyze the sustainable reporting practices, challenges, and opportunities of SMEs in Georgia, Armenia, and Azerbaijan. A comparative analysis is conducted using primary and secondary data collected from various sources.

This study follows a mixed methods research design, integrating both quantitative and qualitative data collection and analysis. This approach allows for a comprehensive understanding of the state of sustainable reporting among SMEs across the three countries.

3.1 Data collection methods

3.1.1 Primary data

Primary data will be collected through the following methods:

Survey research: A structured questionnaire will be administered to financial managers, accountants, and executive leaders of SMEs to assess their sustainable reporting practices, the challenges they encounter, and their compliance with existing standards.

Interviews: Semi-structured interviews will be conducted with relevant experts and regulatory representatives, including

officials from the Ministry of Finance, auditing firms, and professional associations.

3.1.2 Secondary data

Secondary data sources include:

Analysis of international and national regulations, such as IFRS, GRI, ISO 26000, and local legislation.

Reports from governmental and non-governmental organizations on SME sustainable reporting.

Comparative analysis of relevant data from Armenia and Azerbaijan.

3.2 Data analysis methods

Quantitative data analysis will be performed using SPSS or STATA, applying descriptive statistics, correlation, and regression analysis.

Qualitative data analysis will be conducted using content analysis, which will help identify recurring themes, trends, and critical issues.

3.3 Comparative analysis

The comparative analysis of Georgia, Armenia, and Azerbaijan will be conducted based on the following criteria:

- Regulatory framework and standards governing sustainable reporting.
- SME sustainable reporting practices and challenges.
- Impact of the business environment on the development of sustainable reporting.

3.4 Expected limitations

The study may encounter the following limitations:

- Limited data availability, particularly from private sector representatives.
- Accuracy and comparability of international data.
- Respondent subjectivity during interviews.

This methodology ensures a systematic approach to achieving the research objectives and facilitates the identification of key challenges in SME sustainable reporting in Georgia, Armenia, and Azerbaijan through comparative analysis.

4. DISCUSSION

4.1 The role and challenges of SMEs in Georgia's economy

4.1.1 The importance of SMEs in Georgia's economic development

SMEs form one of the fundamental pillars of Georgia's economy, playing a significant role in the country's economic growth, employment generation, and sustainable development. SMEs promote economic diversification and reduce reliance on large enterprises, thereby contributing to economic stability and social welfare.

SMEs play a crucial role in the development of any nation's economy. This sector is a key source of job creation, fosters innovation, enhances economic flexibility, and ensures a more equitable distribution of income.

According to data from the Organization for Economic Cooperation and Development (OECD), SMEs account for over 45% of jobs in developed countries [8]. In transition

economies, this figure is approximately 40%. For instance, in Russia in 2021, SMEs constituted about 20% of total employment, underscoring their importance in providing jobs for the population.

In most countries, the contribution of SMEs to GDP ranges between 30% and 60%. For example, in the European Union, SMEs generate approximately 56% of GDP. The flexibility and adaptability of SMEs to market changes enable them to implement innovative solutions quickly. Research by the World Bank and other institutions indicates that SMEs often lead in adopting new technologies and business models.

World Bank data highlights that supporting SMEs fosters economic growth, reduces poverty, and promotes regional development. Unlike large corporations, SMEs are usually more evenly distributed across a country's territory, contributing to balanced regional development. In countries like South Korea and Germany, effective government support for SMEs has significantly improved the population's economic well-being [9].

4.2 The role of SMEs in Georgia's economy and their contribution to sustainable development

Like other developing economies, Georgia's economy heavily relies on the activities of SMEs. These enterprises act as drivers of progress and actively contribute to the development of the domestic market and international trade.

According to Georgia's economic data, SMEs accounted for approximately 60% of GDP in 2022. They play a significant role in the industrial, trade, and service sectors. Additionally, SMEs in Georgia employ over 70% of the workforce [10], and their share in total value-added reaches 59% [11]. This underscores the critical role SMEs play in creating jobs and reducing unemployment, particularly in regions where large corporations have limited presence.

4.2.1 Key sectors represented by SMEs in Georgia

SMEs in Georgia are most active in the following economic sectors:

- Services (e.g., tourism, hospitality, restaurants);
- Trade (e.g., retail and wholesale trade networks);
- Agriculture;
- Industry (e.g., small-scale manufacturing, food production).

These sectors significantly contribute to value creation, particularly in tourism and services, which are currently among the primary drivers of Georgia's economic growth.

4.2.2 Social impact of SMEs

SMEs also have a profound influence on social development. Often located in rural and regional areas, they create jobs and promote local economic development. By fostering opportunities for employment in these regions, SMEs play a crucial role in reducing rural unemployment and enhancing the quality of life. Furthermore, their presence enables professional mobility, allowing employees to develop skills and become more competitive in the labor market.

4.2.3 Challenges facing SMEs in Georgia

Despite their importance, SMEs in Georgia face several challenges, including:

Limited access to financial resources: This restricts their growth potential and ability to capitalize on development opportunities.

Technological lag: Many SMEs struggle to maintain competitiveness in international markets due to outdated technologies and limited access to innovation.

4.2.4 Government and international support

The Georgian government plays a pivotal role in supporting SMEs through the development of state subsidies and support programs aimed at promoting their growth and financial stability. Additionally, international organizations such as the World Bank, the Asian Development Bank, and the European Union provide substantial assistance to help SMEs attract investments and expand.

Efforts to address these challenges are critical for ensuring the sustainable development of SMEs, which, in turn, will strengthen Georgia's economy, improve social welfare, and enhance regional economic integration.

4.3 Key challenges facing SMEs in Georgia

As previously noted, SMEs play a vital role in Georgia's economic development. However, they face significant challenges that hinder their full development and competitiveness. These challenges are primarily related to market access, limited financial resources, and the adoption of technological innovations. Addressing these issues requires collaborative efforts from the government, private sector, and international partners.

4.3.1 Market access difficulties

Market access remains one of the most critical barriers for SMEs in Georgia, particularly in accessing international markets. Local market challenges also persist.

•Many SMEs lack sufficient information and data on market demands, making it difficult to introduce new products and services effectively.

•Strategically, most Georgian SMEs are not prepared for international market entry. This is due to technical export requirements, complexities of customs procedures, and logistical challenges.

4.3.2 Limited access to financial resources

A lack of access to financial resources is another major obstacle, complicating the growth and development of SMEs. Key challenges include:

Insufficient financial support: SMEs often lack the necessary financial backing to invest in production capacity, innovation, and business expansion.

High interest rates and credit barriers: Many SMEs face difficulties in obtaining bank loans due to high interest rates and inadequate credit histories.

Collateral constraints: Smaller enterprises often lack sufficient assets to secure loans, further limiting their ability to access financing.

Technological development and innovation require significant capital investment, which many SMEs cannot afford due to their limited resources. To address this, state and international organizations must implement financial support programs for SMEs, enabling them to secure necessary resources and achieve sustainable growth.

4.3.3 Efforts to support SMEs

To facilitate better financing conditions for SMEs, improved financial transparency and reporting are essential. The Service for Accounting, Reporting, and Auditing

Oversight has already taken steps in collaboration with financial and credit institutions. For instance:

- SMEs that submit and publish audited financial statements can benefit from simplified loan acquisition processes.

- Enhanced transparency improves SMEs' creditworthiness, making them eligible for more favorable credit terms and investment opportunities.

By addressing these challenges through targeted initiatives, Georgia can foster the development of a resilient SME sector, contributing to the country's economic diversification, job creation, and long-term sustainability.

4.4 The importance of technology and innovation adoption for SMEs

The next critical challenge for SMEs is the adoption of technology and innovation. In today's business environment, characterized by rapid digital and technological transformation, SMEs often struggle to adapt effectively and maintain competitiveness. Implementing technological innovations is particularly challenging for SMEs as it requires substantial financial investment alongside specialized professional resources.

In Georgia, many employees in SMEs lack sufficient technological and informational skills, complicating the integration of modern technologies into core business operations. Furthermore, the low level of digital development and insufficient infrastructure in regional areas exacerbate the accessibility issues faced by companies in adopting advanced technologies.

To address these challenges, it is essential for the government to establish technology incubators and centers that will assist small businesses in adopting innovations and technologies.

4.5 Sustainable development for SMEs

Sustainable development for SMEs entails the implementation of business practices aimed not only at achieving economic success but also at sharing social and environmental responsibilities. The objective of sustainable development is to enable enterprises to achieve long-term growth and stable development while minimizing their negative impact on the environment and maximizing their positive influence on society.

For SMEs, sustainable development encompasses not only efficient resource utilization and environmental responsibility but also activities that form the foundation for long-term organizational success.

The key benefits of implementing sustainable development practices in SMEs include:

- Cost reduction:** Efficient use of energy and resources allows enterprises to lower operational costs. For example, reducing energy consumption and managing waste effectively increases profitability and reduces unnecessary expenditures.

- Enhanced market competitiveness:** Caring for the environment and society builds trust among customers and partners, enabling SMEs to compete more effectively and enter new markets.

- Improved social image:** SMEs that undertake social responsibility initiatives are more likely to attract qualified employees and establish strong connections with local communities.

Preparing and presenting sustainability reports is a process

through which organizations transparently disclose information about their environmental, social, and corporate governance (ESG) practices. Such reporting helps companies improve transparency and foster trust among the public and investors.

4.5.1 Key aspects reflected in sustainability reporting

- Reduction of environmental impact:** Reporting on environmental impact data (e.g., energy consumption, water usage, carbon emissions) enhances the company's awareness of its environmental responsibilities. This improves the quality of relationships with both customers and partners.

- Social responsibility and employment conditions:** Reporting that includes information about the protection of employee rights, the improvement of working conditions, and the provision of equal opportunities strengthens the company's reputation and contributes to employee motivation.

- Economic sustainability and governance practices:** Reporting focused on the company's long-term economic growth and governance processes provides investors and partners with a clearer understanding of the company's stability and its ability to address long-term challenges.

Sustainability reporting helps SMEs become more open and transparent, which significantly increases trust among their customers, partners, and investors [12]. Investors are generally more inclined to invest in companies that demonstrate responsibility toward the environment and society. They tend to favor companies that have clear strategies for sustainable development and established reporting systems. Presenting information about sustainability helps SMEs secure funding, as it builds trust and increases access to capital. Moreover, sustainability reporting contributes to a positive reputation for the company in both domestic and international markets. Companies that transparently present information about environmental impact and social responsibility are more likely to gain a foothold in international markets and create long-term collaboration opportunities.

However, the adoption of sustainability reporting for SMEs in Georgia presents certain challenges. Sustainability reporting requires resource investments, which can be a challenge for small businesses. Furthermore, many SMEs lack the necessary knowledge and skills to develop effective reports, making the process of preparing such reports more difficult.

4.5.2 Comparative analysis of the economic indicators of the south Caucasus countries (Georgia, Armenia, Azerbaijan)

In order to evaluate the economic situation of Georgia, Armenia, and Azerbaijan, it is essential to analyze statistical data. Below are the key economic indicators for each country, and their comparative analysis will help us understand the regional economic landscape.

1). Economic indicators of Georgia

Employment rate

The employment rate in Georgia has been changing steadily in recent years. According to 2023 data, the employment rate in Georgia was approximately 44.5%, showing a slight improvement over the past decade. The unemployment rate, which had been above 19% in previous years, decreased to 16.4% in 2023 [13].

GDP growth

Georgia's GDP growth has exhibited a positive trend. In 2022, the real GDP growth of Georgia was 11%, one of the

highest growth rates in the region. In 2023, the expected GDP growth was 5%, but the actual growth reached 7.5% [14]. This growth was driven by the expansion of the services sector, including tourism, and the increase in exports.

Share of exports

In 2023, Georgia's export volume was approximately 6 billion USD [15]. The main export products include mineral water, metals, and agricultural products. The share of exports in the country's total economic activity is closely linked to free trade agreements, including those with the European Union and China.

2). Economic indicators of Armenia

Employment rate

As of 2023, Armenia's employment rate was approximately 46%, but the country has a relatively high unemployment rate, which stands at about 8.59% [16]. Unemployment is largely due to the decline of the agricultural sector and limited job opportunities in Armenia.

GDP growth

In 2022, Armenia's GDP growth was 12.6% [17], mainly driven by the expansion of the industrial sector, the recovery of tourism, and the strengthening of the services sector. In 2023, the GDP growth reached 8.7%.

Share of exports

Armenia's export volume in 2023 amounted to 8.3 billion USD [18]. The main export goods include metals, copper, and agricultural products. The EU market is crucial for Armenia's economy, although it is constrained by geographic and political factors within the Caucasus region.

3). Economic indicators of Azerbaijan

Employment rate

Azerbaijan has a relatively high employment rate, which stood at approximately 56% in 2023. The unemployment rate is comparatively low, around 5.6% [19]. This reflects the strong position of the country's energy sector, which generates significant economic activity.

GDP growth

Azerbaijan's GDP growth was 4.7% in 2022. However, in 2023, the growth rate was more conservative, standing at 1.1%. This slowdown can be attributed to fluctuations in energy resource prices and the country's dependence on the oil and gas sector. The Azerbaijani economy is significantly reliant on energy resources.

Share of exports

Azerbaijan is the most dependent on energy resource exports in the region. In 2023, the country's export volume amounted to approximately 33.9 billion USD [20], with a large proportion derived from oil and gas. The energy sector is the primary driving force of Azerbaijan's economy.

Here is the translation of the comparative analysis into academic English:

4). Comparative analysis

Employment rate

Azerbaijan stands out with a high employment rate (56%), which is largely linked to its energy sector.

Georgia and Armenia, with employment rates of 44.5% and 46%, respectively, exhibit relatively lower employment levels, especially Armenia, where the unemployment rate is notably high.

GDP growth

Armenia recorded the highest GDP growth rate in 2023

(12.6%), driven by the expansion of its industrial and service sectors.

Georgia demonstrates steady and stable growth (7.5% in 2023), primarily due to the growth in tourism and exports.

Azerbaijan's economic growth is relatively slower (1.1% growth in 2023), a result of fluctuations in the oil market.

Share of exports

Azerbaijan is undoubtedly the leader in exports within the region, as its economy is heavily dependent on oil and gas exports.

Georgia and Armenia, being smaller economies, have exports that are more focused on agricultural and industrial products. However, Georgia is more closely tied to the European Union and Asian markets.

4.6 The importance of sustainability reporting for SMEs

As mentioned earlier, sustainability reporting is a document developed by a company that includes an assessment of the organization's activities, taking into account economic, social, and environmental aspects. This practice allows organizations to transparently and openly showcase their actions to achieve sustainability goals while simultaneously improving their competitiveness in the long term.

Sustainability reporting is based on the evaluation of three key areas, often referred to as the "Triple Bottom Line":

Economic Sustainability: Ensuring the company's financial stability and long-term success, which includes the optimal use of resources, attracting investments, and managing economic risks.

Social Responsibility: The company's impact on its employees, the community, and partners. Social responsibility includes improving labor conditions, providing equal opportunities, adhering to ethical standards, and supporting the community.

Environmental Sustainability: Reducing environmental impact and sharing ecological responsibility. This includes resource efficiency, waste management, energy conservation, and the implementation of environmental policies.

Sustainability reporting is not just a reporting process; it represents a business opportunity to improve long-term success through the following ways:

4.6.1 Improved reputation and increased customer trust

Companies that openly present sustainability reports increase trust among the public and customers. Environmentally friendly and socially responsible companies earn customer loyalty, which boosts sales and enhances the brand's reputation. For instance, a growing number of consumers are seeking products and services created with ecological and social responsibility principles in mind.

4.6.2 Financial benefits and attracting investors

Sustainability reporting helps companies attract investors, as investors are increasingly focusing on a company's sustainability strategies. They look for businesses that have long-term stability and sustainability plans. Moreover, sustainability reporting helps companies manage financial risks and reduce costs, for example, through energy savings and waste management.

Compliance with regulations and legislation: Sustainability issues are increasingly being considered at both international and local regulatory levels. Sustainability reporting helps companies meet legal requirements and

maintain compliance with environmental and social regulations. Additionally, companies with sustainability reports are more likely to receive government support and subsidies.

4.6.3 Employee motivation and efficiency

Companies that focus on social and environmental issues often retain more motivated and loyal employees. Employees take pride in working for a company that promotes social and environmental responsibility. This, in turn, enhances the internal work culture and improves productivity.

4.6.4 Long-term strategic vision

Sustainability reporting helps companies create a long-term vision. These processes assist businesses in assessing external and internal risks and challenges related to environmental, social, and economic factors. As a result, they are better prepared for long-term changes and crises.

4.6.5 Market leadership

Companies that adopt sustainability reporting and act according to its principles often become market leaders. Sustainable business practices can become a competitive advantage, as environmental and social responsibility may become key factors that consumers consider when choosing a product.

There are several key benefits for SMEs, which are particularly important in the modern business environment. These include:

Increased transparency: Transparency in the relationship between the public and businesses builds trust and improves collaboration. Companies better understand the needs of customers and partners.

Increased investor confidence: Transparent information and reporting help build investor trust. This can lead to more investments and motivation, which is essential for the success of the company.

Enhanced social responsibility: Increasing CSR helps companies build a positive image in the community. This is supported by responsible business practices, which protect the interests of customers, partners, and employees.

The growth of these benefits enhances the competitiveness and sustainability of SMEs in the market. The implementation of sustainable reporting standards is an important issue for SMEs in Georgia, as maintaining the principles of sustainable development and reporting standards is highly relevant. We highlight several key aspects.

Principles of sustainable development:

Direct governance and regulations: The Georgian government develops regulations aimed at supporting sustainable business practices. This includes environmental protection norms and social responsibility codes.

Business initiatives: Many companies implement initiatives that focus on environmental protection, energy efficiency, and sustainable resource use.

Education and awareness: SMEs collaborate with local and international organizations that provide training and seminars on sustainable development practices.

Corporate organizational culture: The leadership of most SMEs considers social responsibility and environmental protection principles to be an integral part of their company's culture.

Reporting level:

Transparency: Small and medium-sized companies often

do not provide comprehensive reporting on sustainable development. However, there are initiatives aimed at increasing transparency.

Evaluation systems: Some companies use international reporting systems, such as the GRI, to create sustainability reports.

Sharing social and environmental data: Although the level of reporting is still low, there is growing interest in data sharing, which could be helpful for investors and other stakeholders.

•Successful examples of sustainable development reporting in Georgian SMEs:

In Georgia, SMEs are increasingly integrating sustainable development reporting into their business practices. This trend is particularly important as both local and international markets are placing more emphasis on adhering to environmental, social, and governance (ESG) criteria. Successful examples of sustainable development in Georgian SMEs demonstrate how this process helps companies not only enhance their competitiveness but also achieve long-term stability.

"Ajara Wine House" – Organic farming and sustainable development

"Ajara Wine House" is one of the successful Georgian organic wine producers that follows sustainable development principles in wine production in Ajara. The company uses environmentally clean agricultural technologies to preserve the natural environment and minimize impact on the viticulture process.

•Successful aspects of sustainable development reporting:

Organic certification: The company adheres to organic farming standards, which is reflected in their reporting and obtaining international certification.

Energy efficiency: The winery's technological process is designed to reduce energy consumption and utilizes waste recycling methods.

Social responsibility: "Ajara Wine House" actively collaborates with the local population, creates jobs, and contributes to the social development of the Ajara region.

"Caucasian House" – Social enterprise and use of local resources

"Caucasian House" is one of the successful social enterprises in Georgia, focusing on the production and distribution of products based on regional and local culture. The company produces traditional handmade items and clothing, which are made using environmentally clean and sustainable methods.

•Successful aspects of sustainable development reporting:

Use of local resources: The company uses only local materials and creates unique products for the market, reducing the ecological impact of transportation and production.

Eco-friendly materials: "Caucasian House" actively uses natural fabrics and materials that do not harm the environment and have minimal impact on the ecosystem.

Social and economic development: The company supports the employment of local residents and contributes to the preservation of cultural heritage.

"Fresco" – Energy efficiency and waste management

The supermarket chain "Fresco" is a prominent example in Georgia in the field of sustainable development. The company has set the goal of minimizing ecological impact and placing greater emphasis on the efficient use of energy and resources.

•Successful aspects of sustainable development reporting:

Energy efficiency: "Fresco" uses energy-saving

technologies in its stores, such as LED lighting and energy-efficient cooling systems, significantly reducing energy consumption.

Waste management: The company has implemented a waste separation and recycling system, minimizing waste sent to landfills.

Social responsibility: "Fresco" collaborates with various social projects, supports social development programs, and provides local communities with the opportunity to participate in beneficial and sustainable activities.

"Energoinnovations" – Renewable energy technologies

"Energoinnovations" is a small enterprise focused on the development of renewable energy technologies in Georgia. The company manufactures solar panels and helps customers implement renewable energy sources.

•Successful aspects of sustainable development reporting:

Use of renewable energy: The company's activities are focused on installing solar panels in Georgia's regions, promoting the transition to green energy sources.

Environmental education: "Energoinnovations" conducts awareness-raising campaigns on energy conservation and ecology, increasing awareness of the importance of renewable energy in Georgia.

Sustainable development reporting: The company actively works on a reporting system that focuses on reducing environmental impact and fostering collaboration with local communities.

Examples of Georgian SMEs, such as "Ajara Wine House," "Caucasian House," "Fresco," and "Energoinnovations," demonstrate that integrating sustainable development principles into business practices is possible and can lead to success. These enterprises have not only increased their efficiency and financial sustainability but also enhanced trust among customers and partners, improved their reputation, and created significant social and environmental benefits.

The long-term implementation of sustainable development principles is an important step that helps Georgian SMEs achieve success not only in the local market but also improve their competitiveness in international markets.

5. CONCLUSION

5.1 Key findings

Sustainable development reporting plays a crucial role in ensuring the financial success and sustainability of SMEs. The facts and analysis from Georgia, Armenia, and Azerbaijan highlight several key findings:

Transparency and trust: Sustainability reporting helps increase transparency, which positively impacts investor trust and customer interests.

Regulatory flexibility: Sustainability reporting reflects a company's willingness to comply with current regulations and recognized international standards, facilitating the attraction of financial support.

Improved financial outcomes: Sustainable reporting enables companies to attract more investment, grants, and efficiently manage costs, ultimately increasing profit potential.

Risk management: Effective management and analysis of sustainability data allow companies to identify and manage potential social, environmental, and financial risks.

Competitive advantage in the market: Companies that follow sustainability practices are more attractive in the

market, leading to increased interest.

5.2 Practical steps

Several practical steps can be taken to improve the sustainable reporting process for SMEs in Georgia:

Organizing education and training: Companies should create training programs and seminars to provide employees with knowledge on sustainability issues and reporting standards.

Development of government regulations and policies: It is essential for state institutions to develop mandatory regulations for sustainability reporting and ensure regular monitoring.

Implementation of technological systems: Companies should explore and implement technological solutions that streamline the collection and analysis of sustainability data.

Information dissemination: Public campaigns and media outreach are needed to raise awareness about sustainability issues and CSR.

Collaboration between educational institutions and businesses: Universities and training centers should establish partnerships with companies to educate students and young professionals on sustainability matters.

Involvement of investors and financial institutions: Banks and financial institutions should develop special products that support the financing of sustainable projects and offer favorable conditions for supporting companies.

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