



ALCP | Alliances
Caucasus Programme
REGIONAL MARKET ALLIANCES IN THE SOUTH CAUCASUS



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INTRODUCTION

Following the programme facilitated *National Women's Business Forum* (NWBF)¹ in Batumi in March 2018, the programme conducted a short follow-up survey with the *Ajara Business Women's Association*, main organizers of the forum since its inception in 2017. 116 out of 200 women forum participants were interviewed one month and six months after the event to monitor their financing activities and plans post forum. Twenty seven additional forum respondents were also interviewed at the six month mark to further track financing patterns.

The survey showed that the majority of micro, small & medium female rural entrepreneurs who want to expand their business or start a new one, ***are applying to the State Grant Programmes² for relatively small amounts³ rather than applying for larger bank business loans in amounts, which would significantly grow their business.***

The programme then conducted a market survey⁴ of all banks in Georgia to find out about products, offers and financing conditions relevant to female rural entrepreneurs and added this to key constraints identified in the participant survey for female led small and medium business expansions, new business ideas and start-ups in accessing bank business loans. The findings are outlined below.

FURTHER FACILITATION

The constraints outlined below will be fed into facilitation with the *Ajara Business Women's Association* and other NWBF organizers of next year's 2019 forum to enhance dialogue with relevant financing entities and influence forum debate. At the entrepreneur level this information will be delivered to business entities working with women to inform and improve trainings to WR managers. The issue will also be brought to the attention of SDC and NGO's in Georgia to enhance bi lateral dialogue and access to finance interventions.

MAIN FINDINGS

The majority of the 143 interviewed rural women from the above mentioned survey needed money for growing their existing businesses. Of the 143 women, 55 (45%) have applied for some form of financing for a business post summit. The others stated that they intend to but either did not have time to develop business plans and ideas or that their ideas or business did not fit the criteria of available grants and donor funded project funds. The majority did not apply for a bank loan due to the existence of *Produce in Georgia* and other available funding through ENPARD 2 in Khulo, both of which are grants and a perception that interest rates will be high on a loan. Survey evidence also points to a lack of information about available products on one hand and a mistrust of banks on the other.

¹To which TBC and the Bank of Georgia two banks in Georgia offering loans to women entrepreneurs financed by the EBRD were invited. The banks and other relevant entities such as business consultancies were invited to highlight the diversity and viability of female led entrepreneurial entities happening in Georgia and hence enhance market matching

² 90% of rural women entrepreneurs want to apply to the State grant programmes and only 10% are interested in taking a bank business loan.

³ 5,000-20,000 Gel Micro & Small Business Development Grant Programme of Enterprise Georgia

⁴ The ALCP inventoried all bank business products available in the country by using the official information provided by the banks. This information was cross-checked through the official web sites where these products are described and also through the banks' hot lines.

Funding new business ideas: banks define a ‘start-up business loan’ as a ‘newly registered business with working experience from 4-6 months to 24 months.’ Women approaching banks with a business idea were disappointed. The main source of funding therefore for the interviewed rural women entrepreneurs with new business ideas and no collateral, is the Government’s *Produce in Georgia Micro and Small Business Development Programme*.

FINDINGS IN DETAIL

Bank Loan Applications

Out of these 143 women, only eighteen (13%) applied for a bank loan for growing their existing businesses; a cattle farm, blueberry enterprise, greenhouses, guesthouses, flower shops, bakeries, restaurants, farms; the range of the requested loans were from 10,000 to 150,000 Gel. Eleven out of eighteen of these women were rejected, as the women could not provide property as loan collateral. The majority of the loans applied for were the EBRD funded loans for women entrepreneurs. *Please see Table 1. Amount and Type of the Bank Loans Taken.*

TABLE 1. AMOUNT AND TYPE OF BANK LOANS TAKEN

No.	Amount (Gel)	Type	Bank	Purpose
1	50,000	Business Expansion	(EBRD)TBC ⁵	Livestock farm
2	150,000	Business Expansion	TBC ⁶ APMA Agro loan	Purchasing cows for cattle farm
3	57,000	Business Expansion	Credo Bank	Guesthouse
4	100,000	Business Expansion	(EBRD)Bank of Georgia ⁷	Poultry slaughterhouse
5	45,000	Business Expansion	Bank of Georgia	Greenhouse
6	30,000	Business Expansion	Bank of Georgia	Guesthouse
7	10,000	Business Expansion	Bank of Georgia	Flowers shop
Total	442,000			

Government Funded Programmes: Produce in Georgia

Of the thirty seven women (26% of the whole) applying for *Produce in Georgia (1 in Plant the Future)* grants the majority were applying for funds to expand existing businesses. Ten women applied to the programme for the first time to startup or improve their businesses to a total of 127,000 Gel with 20% of co-financing from the beneficiary. 27 women applied for the second time⁸ for expanding the original business, to a total of 450,000 Gel and 50% co-financing.

TABLE 2. GOVERNMENT PROGRAMMES: AMOUNT AND TYPE OF GRANTS APPLIED FROM *PRODUCE IN GEORGIA (AND ONLY ONE FROM PLANT THE FUTURE)*

No.	Amount (Gel)	# women	Type	Purpose
1	200,000	11	Business expansion	Guesthouse business
2	62,000	3	Business expansion	Hazelnut/blueberry plantation/Greenhouse
3	55,000	4	Business Expansion	Tea/coffee production
4	50,000	3	Business Expansion	Sewing shops/ Handicrafts

⁵ EBRD funded programme for women entrepreneurs

⁶ The annual rate is 11%, but the beneficiary pays only 1%, the rest is covered by APMA

⁷ Loans from Bank of Georgia are EBRD financed programme *Women in Business*.

⁸ When applying for *Produce in Georgia* for the 2nd time funding is for expansion and requires 50% co-financing from the beneficiary.

5	45,000	3	Business expansion	Beauty salon
6	30,000	2	Business idea	Apple vinegar and Ajika production
7	30,000	2	Business expansion	Wine cellar
8	30,000	2	Business expansion	Poultry farm
9	30,000	2	Business expansion	Entertainment center/Cake shop
10	25,000	2	Business Expansion	Improving livestock production
11	22,000	3	Business expansion	Beekeeping inputs and equipment
Total	577,000	37		

NGO and Donor Funding

In Ajara where a considerable proportion of the women participants were from Ajara, ENPARD 2 focusing on rural development through grants for enterprises not based on livestock is operational in one municipality, Khulo. Through this eight women have also received funding. (See below)

TABLE 3. TYPE AND AMOUNT OF THE DONOR AND NGO'S

#	Name	Amount (Gel)	Type	Purpose
1	Enpard 2 ⁹	30,000	Business Expansion	Exhibition art space
2		30,000	New idea	Children's salon,
3		23,000	Business Expansion	Guesthouse
4		20,000	Business Expansion	Guesthouse
5		20,000	Business Expansion	Restaurant
6		10,000	Business Expansion	Coffee business
7		170,000	Business Expansion	Raspberry production
8		15,000	Business Expansion	Blackberry production
9	IFAD ¹⁰	160,000	Business Expansion	Wine cellar
Total		478,000		

Relative Advantages and Disadvantages of Produce in Georgia

The government's *Produce in Georgia* was therefore the most widely accessible source of funding. There are also of course also disadvantages; the applications are time bound and the outcome is not certain. Second time applicants must provide fifty percent co-financing and first time applicants 20%. Data from nineteen *Women's Rooms* shows that since 2016, 136 business proposals have been submitted by women entrepreneurs and out of them only 47% were funded, to a total of \$175,292¹¹ for guesthouses, bakeries, fisheries, laundries, restaurants and flower shops. The funding amounts may not be quite sufficient and the number and scope of the grants limited. The grants may also be limiting or masking the market demand and the constraints to rural women seeking financing thus insulating banks from having to improve their offer to potential clients. However, there is no doubt of their popularity as shown above, they offer a viable source of money to women and allow for the implementation of new business ideas. *Please see Table 1. Advantages and Disadvantages of the Governments Produce in Georgia Micro and Small Business Development Programme.*

⁹ The second phase of ENPARD focuses on creating economic opportunities for rural population that go beyond agricultural activities. The project in Khulo is implemented by the Caritas Czech Republic, in Keda by the Caucasus Environmental NGO Network (CENN), in Tetrtskaro by the Association Rural Development for Future Georgia (RDFG). 30% co-financing from beneficiaries.

¹⁰ International Fund for Agricultural Development's grant project, where 60% is covered by the beneficiary.

¹¹ About \$ 5000 per person

TABLE 4: ADVANTAGES AND DISADVANTAGES OF THE GOVERNMENTS PRODUCE IN GEORGIA MICRO AND SMALL BUSINESS DEVELOPMENT PROGRAMME

Advantages	Disadvantages
No collateral required	Long processing procedures (4-5 months)
Trainings are provided for developing business plans	Limited amount of funds (5,000-20,000 Gel)
Municipal Services: Women's Room and other public services are assisting rural population in applying to the programme and prepare business plans	Is announced once a year (Spring - Autumn)
Grant not loan	Business ideas are limited to the grant criteria
	Short deadline period
	Co-investment is required (20%) (50%)

Other Government Loan Programmes for Rural Businesses

The rest of the government grants and programmes relevant to rural women entrepreneurs are not sufficiently accessible as all the banks participating in these schemes request provision of property as loan collateral. *E.g. Agriculture Project Management Agency APMA* of the Ministry of Agriculture and Environmental Protection will co-finance movable assets to about 50-60% of the total budget of the project. It also requires co-investment from the client who funds the short fall with the bank loans.¹² *Table 5. Terms and Conditions of the Main Government's Programmes.*

TABLE 5. TERMS AND CONDITIONS OF THE MAIN GOVERNMENT PROGRAMMES

Government Programmes	Terms	Eligibility Criteria
Enterprise Georgia - Micro & Small Business Support programme	Maximum grant amount is 20 000 Gel ¹³ Trainings for developing business plans	<ul style="list-style-type: none"> - Georgian citizen, at least 18 years old - Not a public servant - No overdue tax obligation - At least 20% co-financing - Registered as an entrepreneur and taxpayer - Micro and small entrepreneur
Agricultural Projects Management Agency - Young Entrepreneur ¹⁴	Co-financing up to 40% not more than 60,000 Gel Financing agricultural and non-agricultural sectors Technical assistance prior to and after receiving of co-financing	<ul style="list-style-type: none"> - Man: 18 - 35 years; women: 18 - 40 - Individual entrepreneur, agricultural cooperative - Real estate to the value of the amount stipulated by the business plan to be invested which must be owned by the beneficiary and/or received under lease. - The real estate designed for starting of the new business shouldn't be mortgaged - No overdue tax obligation - The investment cost of the project submitted should be no less than 10 000 Gel.

¹² The interest rate is 13 %. The client needs to pay only 1% of the loan and the rest is covered by the *Enterprise Georgia*.

¹³ In recent years, maximum amount of grant was 15,000 Gel that was increased to 20,000 Gel this year. The grants were 5,000 Gel for one person and up to three could apply together. Now one person can apply for up to 20,000.

¹⁴ Additional information and results of the programme are in the process of being gathered and will be provided for the bi-annual report.

Agricultural Projects Management Agency - <i>Plant the Future</i>	Co-financing for cultivation of new or existed nursery gardens. Co-financing 50% of the total project cost, not exceeding 150 000 GEL Technical Assistance; plant propagation technologies; sapling certification principles.	<ul style="list-style-type: none"> - Georgia-based enterprise or an individual entrepreneur. - No debt with the LEPL Revenue Service. - In case of open ground technology, a beneficiary must be an owner of an agricultural plot of land registered in the National Agency of Public Registry or must have obtained an agricultural plot of land under a long-term leasing from the state - Appropriate qualification is required; - The capacity of the planned nursery gardens: no less than 50 000 various species of saplings per year. - The plot of land, which is intended for the nursery, must not be under lien (security interest) ; It must be cultivated and suitable for the gardening.
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FINDINGS FROM THE BANK SURVEY & FORUM RESPONDENTS REGARDING BANKS

The programme reviewed forty six bank products available for businesses, There are seventeen operating commercial banks licensed by the *National Bank of Georgia* and nine of them¹⁵ offer business loans to customers, offering in total forty-six bank products for businesses. These are: micro, start-up, agro, tourism/hospitality. *Table 6. Types and Terms of Bank Products for Businesses* contains those products relevant to rural businesses. The forum respondents were also asked regarding their experiences and perceptions of banks as part of the financing survey these are detailed in Box 1 below; *the resulting constraints are areas on which banks could easily improve their performance should they wish to increase their product uptake among women.*

EBRD Financed loans for women entrepreneurs: TBC and The Bank of Georgia

Two out of the nine banks offer business loans for women entrepreneurs financed by the *EBRD*.¹⁶ *The Bank of Georgia* established this product in November 2016 and *TBC Bank* in September 2017. Women are mainly interested in taking loans for tourism and trading business purposes. EBRD does not have disaggregated data regarding loan disbursement¹⁷. *No analysis is done by either EBRD or banks on the loans disbursed and the data in detail this indicates that no targeted improvements can be made based on patterns or trends.*

To date *TBC* has given 86 loans to women, to a total of 14,788,700 GEL and the *Bank of Georgia*, 789 loans, to a total of 18,489,107 GEL. Therefore *TBC* has given fewer large loans, on average 172,000GEL/per women entrepreneur and *The Bank of Georgia* has given more loans smaller loans on average 23,000GEL/women. It might be conjectured that the larger loans were given mainly to urban entrepreneurs and that possibly some of the recipients of the smaller loans might be rural women entrepreneurs. The programme invited EBRD representatives to the *Ajara Business Women Forum* in 2017 and after the forum three women took *Bank of Georgia's Female Start-up Loan* financed by the EBRD to a total of 155 000 Gel.¹⁸ According to an EBRD expert a smaller loan collateral percentage and no co-financing requirement enables women to access these

¹⁵ *TBC Bank, Bank of Georgia, VTB Bank, Tera Bank, Basis Bank, Credo Bank, Cartu Bank, Finca Bank and ProCredit Bank*

¹⁶ *The Business Loan for Women Entrepreneurs, which are TBC Bank and Female Start-up Loan at Bank of Georgia.*

¹⁷ EBRD do not analyze the data, which is surprising, as targeting cannot therefore be improved. The programme called TBC who are collecting the data for us on loan disbursement but they do not collect the data together and analyze.

¹⁸ *45,000 GEL for a greenhouse, Khelvachauri, 10,000 GEL for a flower shop, Batumi 100,000 GEL a poultry slaughterhouse Kobuleti*

loans. Both banks are happy with these products and are will continue the product after the termination of the *EBRD* project¹⁹.

Banking Products Relevant to Rural Entrepreneurs

Out of the nine banks only seven banks²⁰ provide agro and tourism development loans relevant to rural women entrepreneurs and the majority of them are not particularly accessible, however some products that *are* more suitable for rural women entrepreneurs seem to be currently under-exploited by women. E.g. *Credo, Finca, Bank of Georgia and Tera Bank* have products (marked with an * in Table 6), which request relatively little collateral and co-financing for business loans. These can be highlighted through the *Womens Rooms* managers and business development services for women looking for business funds.

BOX 1: MAIN CONSTRAINTS FOR RURAL WOMEN ENTREPRENEURS SEEKING BANK LOANS

Vague information given by banks: The majority of rural women entrepreneurs lacked clear information about bank business loans terms. This is one of the main reasons why they refrain from taking them. They noted that banks consultants did not give them clear information to make a decision. The survey revealed that the information received in banks does not match the same information given via the hot lines and the web sites e.g. the percentages of interest rates, minimum amount, loan collateral.

Women lack information about the products available in the market: The respondents did not know which existing bank products were suitable for them, however, the survey revealed that there are products that are suitable for rural women entrepreneurs and it seems that these products are currently under exploited by women and banks, Please see *Table 6. Types and Terms of Bank Products for Businesses*

Provision of property as loan collateral: The majority of the interviewed women could not afford high loan collateral, banks prefer collateral assets to be in registered in the name of the women requiring it. However in most cases family property e.g. house, land and large assets like cars are registered in men's names and the women cannot use it. However, in Georgia most banks will accept collateral in someone else's name provided that they have signed a guarantee and whilst this circumvents the problem of needing to be in the woman's name, the women must still persuade the guarantor to provide the collateral for her loan.

Lack of fixed income/salaries: The majority of the respondents stated that they did not have fixed salaries or had a low salary and due to this fact banks refused to give them business loans.

Seasonality of businesses: businesses in rural areas e.g. guesthouse/restaurant, tend to be seasonal and are considered the high risk by the banks and they rarely give business loans for the development of these businesses.

Short grace periods: The grace periods for business loans are to maximum of two years. The interviewed women stated that a small seasonal agribusiness needed a longer grace period before repay and banks were not considering this.

NGO's and entities advising Women need to differentiate between funding for a new business ideas VS start-up: The interviewed women did not distinguish a 'business idea' from a 'start-up business'. They were approaching banks for a 'start-up business loan' with ideas for new businesses and they were rejected. This is because the banks define a 'start-up business loan' as a 'newly registered business with working experience from 4-6 months to 24 months.'

Interest rates: The majority of the interviewed women felt that interest rates of the business loans were high. In addition, the banks are not giving clear enough information about the interest rate at the initial stage of negotiations. Even the women who had already applied for banks and had a consultation could not name the exact percentage they were offered.

¹⁹ Bank of Georgia are going to continue it and TBC might.

²⁰ *TBC Bank, Bank of Georgia, Basis Bank, Cartu Bank, Tera Bank, Finca Bank and Credo Bank*

TABLE 6. TYPES AND TERMS OF BANK PRODUCTS FOR BUSINESSES

Name of Banks Products	Provision of Loan Collateral	Minimum Loan Amount	Maximum Loan Amount	Interest Rates		Grace Period	Co-finance from Client	Comments
	%	GEL	GEL	Min	Max ²¹	Month	%	
EBRD Business Loan for Women Entrepreneurs Implemented TBC Bank	50	10,000	500,000	12	21	Depends on a business	Not required	The bank helps with business plan development, registered business is required
EBRD Female Start-up Loan Implemented Bank of Georgia*	60 - 70	10,000	1,000,000	12	21	Max 9	Not required	The bank helps with business plan development, registered business is required; No collateral and co-finance required;
	0	10,000	40,000					
Tourism Business Loans with the Enterprise Georgia available in all banks	100	150,000	3,500,000	16	N/A	Max 24	10-25	The bank helps with business plan development, registered business is required
TBC Bank Start-up business loan	80 - 120	N/A	200,000	15	N/A	Max 12	Not requested	The maximum interest rate is defined based on a specific loan project, Registered business and business plan are required
TBC Bank Start-up Hotel loan	80 - 120	200,000	3,500,000	13	N/A	3 - 12	10	The maximum interest rate is defined based on a specific loan project, Registered business end business plan are required
TBC Bank Start-up Agro loan	80 - 120	20,000	1,500,000	15	N/A	depends on a business	40	A client receives financing of annual 11% of the interest rate from the government, during 24 months (APMA).Registered business end business plan are required.
Basis Bank Start-up Tourism Loan	100	N/A	100,000	16	N/A	max 6/ or individually	25	The maximum interest rate is defined based on a specific loan project. Registered business end business plan are required
Credo Bank Start-up Tourism Loan	50 - 90	100	12,000	12	N/A	2 - 36	Not required	The bank helps with business plan development, registered business is required

²¹ The maximum interest rate indicated in the table known in bank sector as an *Effective Interest Rate*, which is a real annual interest rate, fixed or floating, determined by a credit or deposit contract. Its calculation encompasses all the expenses to be undertaken by the consumer and period of such expenditures. Effective interest rates are high in Georgia and fluctuates from 25 to 50 % annually

Credo Bank Start-up Agro Loans								
As above*	0	3,000	6,000	27	N/A	2 - 36	Not required	The bank helps with business plan development, registered business is required; No collateral and co- financing required;
Finca Bank Start-up Agro Loans	80 - 100	10,000	40,000	20	N/A	3 - 24	not required	The bank helps with business plan development, registered business is required
Finca Bank Micro Loans*	0	3,000	40,000	27	N/A	1-9	Not required	The bank helps with business plan development, registered business is required; No collateral and co- financing required;
	80 - 100	10,000	40,000	20	N/A			
Bank of Georgia Business Loans*	0	500	40,000	12	N/A	Max 10	Not required	Business plan and registered business are required; No collateral and co- financing required;
Tera Bank without Mortgage Business Loan *	0	2,500	75,000	20	N/A	0	Not required	Business plan and registered business are required; No collateral and co- financing required;