

Sustainable development challenges in Georgian business

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Abstract

Sustainable development issues are becoming increasingly relevant in Georgia, with growing interest in companies engaged in sustainable business development. There is a rising curiosity about how these companies address the key challenges that Georgian businesses face on the path to sustainable development and how they resolve issues that could have a significant impact on their operations. Sustainable development encompasses economic and social aspects, meaning that growth should be both economically viable and socially just. This paper explores why businesses should adopt international sustainability standards, which provide a framework to balance environmental, social, and economic responsibilities. It also discusses innovative approaches and technologies that play a crucial role in achieving sustainability goals, particularly in the business sector. These innovations not only reduce negative environmental impacts but also create new opportunities and enhance competitiveness. Additionally, the paper examines Georgia's key business sectors and analyzes the cultural factors that should be considered when conducting business in the country. Special attention is given to the serious challenges that sustainable development faces in Georgia. The study outlines various risks present in the country that hinder sustainable progress for both businesses and the nation as a whole. Based on research findings, the paper provides recommendations for overcoming these challenges.

Keywords: Hotel Performance Attributes, Consumer Complaining Behavior, Online Review, SERVQUAL, Hospitality, Service

Jel Codes: L830, M300

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1. Introduction

The Global Goal for Sustainable Development includes topics such as poverty eradication, combating climate change, education, clean water and energy, gender equality, and more. For businesses, these goals can be used as a framework for strategy, initiatives, and communication. It is important for businesses to adopt international sustainability standards, which help them build long-term reputation, facilitate entry into international markets, gain investor trust, manage risks, and improve operational efficiency.

ISO 14001 – Environmental Management System Standard is a certifiable standard that can be used by both small and large businesses, helping organizations minimize their environmental impact.

GRI (Global Reporting Initiative) standards are the most widely used framework for sustainability reporting worldwide. Companies use GRI to disclose information about their economic, environmental, and social impacts.

SASB (Sustainability Accounting Standards Board) provides industry-specific sustainability indicators. It is particularly popular among investors, as it simplifies the comparison of companies from a sustainability perspective. TCFD (Task Force on Climate-related Financial Disclosures) focuses on financial risks caused by climate change and serves as a key framework for transparent reporting for investors and regulators.

International sustainability standards help companies develop sustainable strategies, manage risks, and achieve long-term success. Innovative approaches to sustainable development include Circular Economy, Green Design & Eco-Innovation, Carbon Footprint Management Systems.

Circular Economy aims for the efficient use of resources—reducing waste, recycling, and reusing materials. Examples include biodegradable packaging and the use of recycled raw materials in production. Companies design products that are easier to repair or disassemble for recycling.

Green Design & Eco-Innovation – From the initial design phase, products or services are developed with reduced environmental impact in mind. Examples include energy-efficient buildings, low-energy appliances, and the use of eco-friendly materials. Carbon Footprint Management Systems – Technologies that measure and reduce CO₂ and other greenhouse gas emissions. Climate-neutral production processes and carbon offset projects (e.g., tree planting, renewable energy initiatives) help minimize environmental impact.

2. Materials and methods

In the creation of the paper, the generally established principle of creating databases is used; Systematic information obtained from various Internet materials, works of Georgian and foreign scientists. Logical and comparative analysis. The article focuses on the serious challenges facing sustainable development in Georgia. It examines the main business sectors in Georgia, the economic and social context of Georgia, and the cultural factors that should be considered when doing business in Georgia. Recommendations are presented based on the research.

3. Results and discussion

Technologies that contribute to sustainable development include the following:

1. Renewable Energy Technologies – Solar, wind, hydro, and biomass energy sources. Solar panels and microgeneration systems are becoming increasingly popular among businesses and individual consumers.
2. Smart Technologies & IoT (Internet of Things) – Real-time monitoring of energy and resource consumption. Examples include smart thermostats, water consumption sensors, and advanced automation in industrial processes.
3. Artificial Intelligence (AI) & Data Analytics – Used for resource optimization, waste management improvement, and predictive analysis. AI helps analyze sustainability in logistics and supply chain management.

4. Blockchain for Transparency – Applied in supply chain tracking to ensure consumers have information about a product's origin and its environmental impact.

5. Green Building & Energy-Efficient Infrastructure

LEED and BREEAM Certified Buildings
Insulation, natural ventilation, LED lighting, and low-energy systems.

Several Georgian companies use solar panels in production. There are waste recycling initiatives (e.g., repurposing plastic in products). Agrotechnologies such as drip irrigation and smart field sensors are also being implemented.

Key Business Sectors in Georgia

The national economy encompasses a variety of interdependent sectors, each of which plays a significant role in the country's development. With the development of technological innovations, environmental considerations, and global market dynamics, these sectors are undergoing rapid transformation. This paper examines the main directions of development in several key sectors of the national economy, emphasizing the integration of sustainability, digitalization, and efficiency into the drivers of future growth.

Agriculture

Agriculture is the backbone of the national economy and plays a major role in the country's development. With the growth of the global population, the demand for food is increasing, which makes it necessary to find innovative solutions. In recent years, a number of programs have been introduced and are operating in Georgia, aimed at solving food security challenges. The essence of the initiatives is to reduce dependence on imports and promote the production of more non-GMO food in Georgia. (Rural Development Agency, n.d.).

Tourism

The most important economic characteristic of tourism-related activities is that they contribute to three high-priority goals of developing countries: income generation, employment, and foreign exchange earnings. In this regard, the tourism sector can play an important role as a driving force for economic development. (Organization of American States, n.d.) *Georgia has high potential for tourism development with its natural beauty, diverse topography, pleasant climate, unique cuisine, and rich culture and history.* (International Trade Administration, 2023) In order to promote tourism, the Georgian government has simplified the visa regime, increased the construction of highways, privatized amusement parks and hotels, and introduced limited tax incentives for tour operators. New developments have been implemented across the country - including in Batumi, Gudauri, Goderdzi, Bakuriani, and Mestia. Efforts are also underway in Kakheti to develop viticulture, which will attract visitors in the future. Against this backdrop, Georgia welcomed 9.4 million visitors in 2019, a record high and an 8% increase over 2018. Currently, one of the state-owned Partnership Co-Investment Funds (GCIF) is considering investment opportunities in tourism infrastructure in the Imereti, Adjara and Kakheti regions. (Forbes Georgia, 2023).

Construction

The construction sector is essential for economic growth in Georgia, regularly contributing around 8% to GDP. With a notable 14.8% growth in 2022 and an impressive 19% growth in the first half of 2023, it plays a crucial role in addressing the housing shortage, particularly due to the increase in demand from immigrants. Development is focused on increasing housing affordability, improving infrastructure and promoting sustainable construction practices. To support this growth, the government is increasing investment, improving regulations, providing financial incentives, encouraging foreign investment, and strengthening training and a strong workforce.

Energy

Energy is one of the country's strategic sectors and an important contributor to financial stability. (Georgian Energy Development Fund, 2024) In Georgia, energy is represented by almost all subsectors (thermal energy, hydropower, electricity and heating, oil extraction, oil refining and coal industry, thermal waters). Currently, there are many completed projects in Georgia's energy sector, as well as ongoing ones.

Logistics

Georgia's strategic geographical location makes it a major transit route for international trade, connecting Europe with Asia. The revival of the Silk Road and its involvement in projects that will connect China with Europe via Georgia will have a great impact not only on Georgia, but also on the world. To strengthen the logistics sector, attention should be paid to such things as the modernization of ports and railways and the expansion of their capabilities. Accordingly, more efficient and faster trade will be facilitated. Along with the Silk Road, we should also consider the Anaklia project, which, despite experiencing delays, is one of the most important, since it can increase Georgia's competitiveness and make Georgia a regional logistics center. According to the latest statistics, in 2023, the transport and warehousing sector accounted for 6.5% of Georgia's GDP, which emphasizes its economic importance. (PMCG, 2024).



Figure 1. Transport Network Map

Source: <https://pmcg-i.com/research/transportation-and-logistics-sector-in-georgia/>

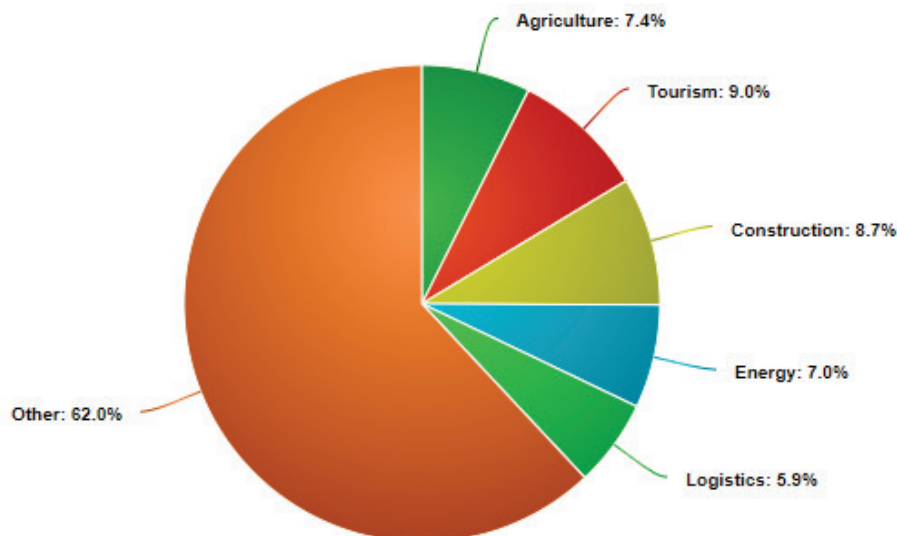


Figure 2. Share of Major Economic Sectors in Georgia's GDP

4. What is the economic and social context of Georgia?

Economic context

Georgia, located at the crossroads of Europe and Asia, has undergone a number of economic transformations in recent years. As of 2024, the country's GDP grew by 7.5%, driven by a growing trade sector and foreign investment. Financial reporting plays a crucial role in ensuring economic transparency, attracting investors, and supporting long-term sustainability.

A key factor in the Georgian economy is financial transparency. The introduction of International Financial Reporting Standards (IFRS) is expected to increase corporate accountability, helping businesses secure foreign investment.

The labor market has been on a positive trend, with the labor market showing improved job opportunities and, as a result, unemployment has fallen from 20.6% to a record low of 13.9% by June 2024. Financial reporting frameworks have contributed to this trend by ensuring the efficient functioning of companies. (World Bank, 2025).

According to the Organic Law of Georgia on the National Bank of Georgia (NBG), the primary mandate of the National Bank is to ensure price stability. The Constitution of Georgia (Article 68) and the Organic Law on the NBG (Article 4) grant the Central Bank full independence in conducting monetary policy to achieve this goal. Price stability is maintained by maintaining low and stable inflation, with an inflation target of 3% considered optimal for Georgia's exchange rate. (National Bank of Georgia, n.d.)

Social Context

The Demographics Focus Area examines household and population-related data, while the Economic Inequality Focus Area assesses inequality using indicators such as the GINI coefficient, poverty headcount, and poverty headcount across regions. The Social Progress Focus Area assesses various aspects of social well-being, including the World Press Freedom Index.

By 2025, Georgia's total population is expected to reach 3.81 million, with a Gini coefficient of 0.35. Approximately 3.80% of the population is expected to live on less than \$2.15 a day, highlighting the urgent need for policies that support economic inclusion and help lift people out of poverty. While financial reporting alone cannot eliminate inequality, transparency in corporate profits, wages, and tax policies can help address socio-economic inequality.

By 2025, Georgia's employment rate is expected to increase to 62.96%, with an estimated 1.87 million people in the workforce. Labor productivity is projected to reach \$11.29 per hour, indicating steady economic growth. As businesses integrate environmental, social, and governance (ESG) principles into their operations, strong financial reporting will be crucial. (Statista, 2025).

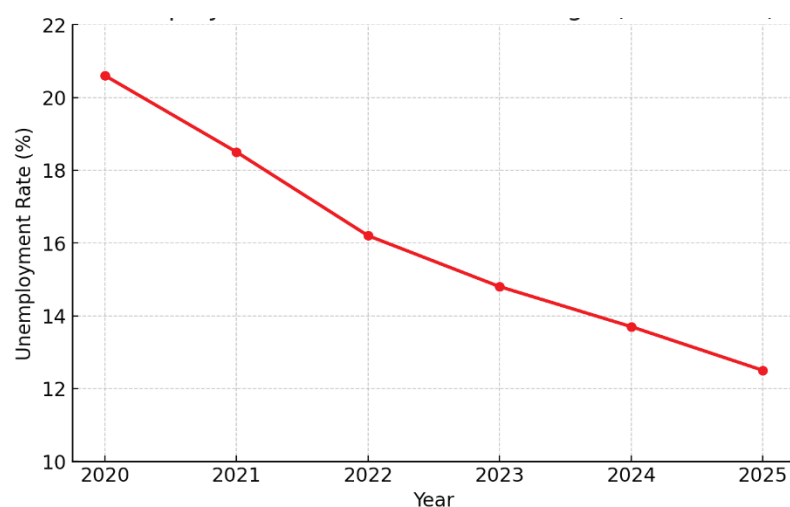


Figure 3. Unemployment Rate Decline in Georgia (2020-2025)

What cultural factors should you consider when doing business in Georgia?

Georgia is a country located at the crossroads of Europe and Asia, with a rich culture that plays a significant role in shaping its business environment. Understanding these cultural factors is crucial for effectively navigating business relationships in the Georgian market. Cultural factors include:

- Relationship-oriented business culture

Trust and personal connections are essential when building partnerships. Business discussions often begin with informal conversations and dinners, where building relationships is as important as discussing business issues. To become a trusted partner, you must demonstrate a genuine interest in fostering a strong business relationship.

- Respect for authority and age

Georgian culture places great importance on authority and respect for elders. Decisions are often made by one person, usually the business owner or manager, who has the final say. When dealing with such high-ranking individuals, it is important to show due respect and observe proper etiquette.

- Hospitality

Hospitality is a defining trait of Georgian culture, which extends even to business relationships. Business partners are often invited to dinner, where the hosts show warmth and friendliness. Much can be revealed during this gathering, including a person's courtesy, friendliness, and thoughtful responsiveness. Relationships are built around the table.

- Punctuality

Although business meetings in Georgia are usually scheduled in advance, punctuality is often flexible, especially in informal settings. Georgians enjoy talking before getting into business conversations, and avoiding it can sometimes be considered rude. However, they generally try to be punctual when dealing with foreign professionals as a sign of respect.

- Negotiations

Negotiations in Georgia can take time, primarily because people prefer to build trust and get to know each other before engaging in discussions. Before signing formal contracts, verbal agreements and guarantees from trusted individuals carry significant weight.

- Attitude towards foreign partners

Georgians are very open to foreign partnerships, valuing their experience and opinions. Foreigners are treated with great respect, and this often helps to quickly build trust and rapport. It is also very appreciated when foreigners show interest in Georgian culture, for example, learning a few words in the Georgian language, which arouses a sense of admiration among locals.

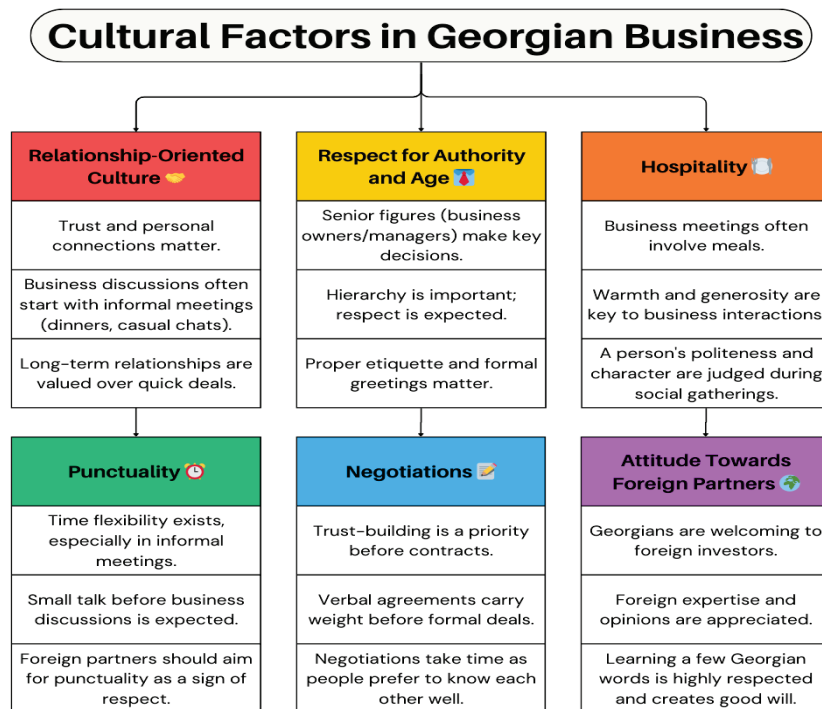


Figure 4. Cultural Factors in Georgian Business

Some Insights for Future in Georgia

For sustained economic growth, diversification of key sectors, integration of modern technologies and strengthening of investment policies should be carried out. In agriculture, organic production and agro-technological innovations should be promoted to increase productivity and reduce dependence on imports. Financial support for ecologically clean and non-GMO farming will strengthen agriculture and increase exports. For tourism, the best solution is to invest in eco-tourism, preserve and focus on cultural heritage, and concentrate on digital marketing strategies that will increase the number of visitors. Strengthening airports and transport links will further increase the competitiveness of the sector. In the construction industry, emphasis should be placed on affordable housing projects, green architecture and the construction and restoration of buildings outside the capital to encourage migration outside Tbilisi. In energy, Georgia should accelerate the adoption of renewable energy, especially hydropower, wind and solar power. Encouraging private partnerships and attracting foreign investment will reduce dependence on imported energy and strengthen domestic national security. In logistics, the revival of the historic Silk Road trade routes is a significant opportunity for Georgia. Given its historical and strategic location, the country can confidently become a regional leader. The Anaklia project will open new avenues for partnership with China. In modern logistics, investments in railway and port infrastructure will facilitate international trade and enhance Georgia's role in the global supply chain. By implementing these measures, Georgia can rapidly grow its economy, achieve technological advancement and long-term stability. Sustainable development in Georgia faces certain challenges, and this process is accompanied by various types of risks that hinder the country and businesses from achieving sustainable progress.

The main risks related to sustainable development in Georgia include ecological, economic, social, institutional and governance risks, as well as regulatory and legislative risks.

Ecological risks are related to climate change, which has a significant impact on agriculture, access to water, and biodiversity; particularly in cities and industrial zones, the deterioration of air, water, and soil quality; unresolved waste management system—low recycling rates and inadequate landfill management.

Economic risks are associated with dependence on unsustainable sectors, particularly energy (especially fossil resources), low-tech agriculture, and the seasonality of tourism; lack of investment in green and innovative projects. Social risks include a high level of poverty in regions; informal employment, frequent violations of labor rights; gender and social inequality, especially in decision-making processes.

Institutional and governance risks involve the non-systematic implementation of sustainability policies—strategies exist, but practical implementation is delayed. Corruption risks, particularly in infrastructure projects and natural resource management; insufficient institutional coordination and lack of effective monitoring systems. Regulatory and legislative risks are associated with the creation of an unstable environment for businesses, as well as a low level of compliance with European standards, which hinders the country's integration and transition to a green economy.

Technological and innovative lag refers to the lack of innovative resources in regions and small businesses. Based on the research, the following recommendations are presented: a long-term strategic vision needs to be developed; there should be close cooperation between the private and public sectors; awareness should be raised among both citizens and businesses; financial and technological incentives should be provided for green and sustainable initiatives.

5. Conclusion

The concept of sustainable development has truly become a leading idea in modern society. Research shows that the main challenge for sustainable development in Georgian business is insufficient awareness and education. Many companies lack adequate knowledge of sustainable development principles (ecological, social, and economic balance).

CSR (Corporate Social Responsibility) – this business model, in which a company's economic, social, and environmental interests are balanced as much as possible, is often perceived as a mere formality. Another challenge for sustainable development in Georgian business is financial constraints. Implementing environmentally friendly technologies is often expensive for small and medium-sized businesses. There is a lack of green investments and financial instruments that are difficult to access. Companies that adopt sustainable practices receive insufficient incentives.

One of the key challenges for sustainable development in Georgian business is market demand and the absence of monitoring and evaluation systems. The local market does not yet actively demand environmentally friendly products or green business practices. This highlights the need for information campaigns on green business practices and supporting tools (technical and financial).

The requirement to comply with international standards should apply not only to export-oriented companies but to all businesses. Many companies lack systems to assess their impact on the environment, society, and the economy, which means there is a lack of ESG (Environmental, Social, Governance) indicators. A proper, systematic assessment of ESG factors and their strategic use helps companies gain a new perspective on sustainable development in Georgian business, as well as improve operations and stakeholder reporting.

Sustainable development is closely linked to business risks and, most importantly, to new opportunities and challenges. Working on a company's sustainability strategy based on the analysis of risks, opportunities, and challenges means viewing business from a different perspective and considering aspects such as technology and innovation. Innovative approaches and technologies contribute to sustainable development, which should be more widely utilized in Georgia. There is a need to raise awareness, share academic and practical knowledge, support small and medium-sized businesses through state and donor programs, foster active cooperation with international organizations, and encourage green initiatives. Additionally, it is crucial to implement ESG strategies and ensure transparent reporting.

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