

**Financial Analyses of the Microfinance Business in Georgia in Response to the  
Changes of Market Environment**

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## Statement

We, the authors of this thesis, confirm that work made in this paper is our original work and doesn't contain any previously published researches of other authors, papers, or copyrighted materials that are not mentioned or quoted in accordance with respective rules.

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## List of Abbreviations

NBG – National Bank of Georgia

MFO – Micro Finance Organizations

GEL – Georgian currency (Lari)

CCY – Foreign currency

SME – Small and Medium entities

AP – Accounts payables

AR – Accounts receivables

PPE – Property plant and equipment

ROA – Return on assets

ROE – Return on equity

ROI - Return on investment

EBIT – Earning before interest and tax

EBITDA – Earning before interest, tax, depreciation and amortization

FX – Foreign exchange gain/loss

EPS – Earning per share

## Abstract

In last few years, the business of microfinance organizations has been tremendously growing in Georgia. In short run, while the financial knowledge in the country is below average, the high amount of microfinance loan, causes many loan arrears and affects negatively on the accessibility to the bank, as a main financial resource. It is clear, that the government's interference in the economic life of the country and running monopolies has vital importance to the economy's long-term growth regardless of the fact that usually this involvement is connected with huge financial support from the government for any legal type of business. From January 1, 2017, National Bank of Georgia established regulations to restrict the unlimited rights of microfinance organizations and decelerate the enormous growth in profits of the above mentioned firms. In addition to that, other events, like instability of Georgian Lari, took place and affected on a market.

This paper aims at financially analyzing microfinance business sector of the country. We want to analyze different financial statements over the last periods in order to depict what is the trend in this business in Georgia and how huge is the impact of above mentioned events while conducting ratio analyses, vertical analyses as well as horizontal (trend) analysis, interviewing and questioning competent individuals. Although, there is a big possibility that financial statements of companies usually are ambiguous and don't provide enough data for analyses which also has been mentioned in several articles by different experts, we still believe that our paper can create good overall picture of the situation in the microfinance organizations in country as in this whole specific sector and can provide strong background for further analyses and public discussions.