

Tamar LAZARIASHVILI,

Doctor of Economics, Assistant Professor,

Ivane Javakhishvili Tbilisi State University, Georgia

ORCD 0000-0001-7500-7969

tamar.lazariashvili@tsu.ge

DEVELOPMENT OF AGRICULTURAL SECTOR IN TERMS OF THE DIGITAL ECONOMY

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Abstract. Agricultural sector in Georgia has significant entrepreneurial and innovative potential. It is advisable to utilize this potential in the process of economic and technological development of the country. The present paper analyzes the influence of the digital economy on the development of the agricultural sector, identifies the challenges in the agricultural sector, and suggests the forms and mechanisms for innovative support. The paper ends with the conclusions on the feasibility of introducing digital technologies in the agricultural sector; in addition, some recommendations are given.

In addition to ensuring the national security of any state, the process of digitalization allows the economy to function effectively in the global economic space. There are various factors that affect the penetration of digital technologies into the real economy. Penetration, in this sense, is an ongoing process that leads to the enhanced coherence of infrastructural elements and business links. Important changes are taking place in the global agri-food market: competition is intensifying following the increase in demand for agricultural products; Modern technologies are introduced in developed countries; The requirements for the qualifications of the workers employed in agribusiness have increased. However, the number of people directly employed in agricultural production is significantly decreasing. In rural areas, business activities are developing in the fields of processing (manufacturing), services, production and social infrastructure. The problems of production growth and import substitution on domestic agrarian markets have also intensified. There is not a properly functioning effective stimulating system for ensuring the creation and introduction of technological innovations in the agri-industrial sector in Georgia. The agricultural sector in Georgia significantly lags behind the countries with developed agricultural sector in terms of technological base. Although there are individual innovations used in the production process, mostly outdated techniques and technologies are

maintained. In terms of globalization, effective use of the potential opportunities for the growth of agri-food production is an essential way for addressing food security problems [1].

The growing demand for agri-food products makes the interest and importance of the development of this field even more pressing [2].

In Georgia, 75% of the population living in rural areas is self-employed, mainly in the agricultural sector. In addition, in 2019, 38.9% of the workforce of the country was employed in the agriculture, hunting and forestry, fishing, fisheries sector, while the share of this sector in the gross domestic product (GDP) of the country was 8.2%.

In 2022, the wealth created by the sector amounted to 4.4 billion GEL, which accounts for 6.5% of GDP. The sector's economic growth in 2022 was 2.9%, while the economy of Georgia's grew by 10.1%. In 2011-2022, the growth was 2.7%, 1.7 times less than the GDP growth rate. Compared to other sectors, the agricultural sector is the largest employer and employs over 230,000 people, which is about 19% of the total employment. The average median salary for hired employees in 2021 was 800 GEL, while the average salary across the country was 900 GEL. In terms of efficiency, in 2022, the agricultural sector of Georgia was 3.5 times less efficient compared to other sectors, as 19% of the country's workforce employed in agriculture produced only 6.5% of the country's wealth, while the remaining - 93.5% was produced by 81% of the country's workforce [3].

The human resources needed for the rapid economic growth of the country really exist; however, qualification and professional structure of the workforce need to meet the requirements of the economy. Special attention should be paid to restoring and strengthening the scientific potential of the country. Spending on science is only 0.3% of GDP, compared to 3-4% in advanced countries.

Special attention should be paid to small and medium-sized farms, whose economic activities are mostly based on manual labor. About 1.5% of large agricultural companies and 0.5% of farms use advanced agricultural equipment and technologies, as well as seed materials, while they account for about 10% of agricultural production.

Although the sector employs about half of the country's entire labor force, the production of agricultural goods is extremely small. The production of basic products is far behind the level achieved 30 years ago; for example, the production of cereals is almost 2.8 times, potatoes - 2 times, vegetables - 5 times, fruits - 5.8 times, grapes - 3.4 times, tea - 270 times, meat-2.6 times, milk-1.4 times, eggs-1.5 times less compared to that period. Not enough effort is made for the technical and energy equipment of production in agriculture. The investments made in this largest sector in recent years accounted for only 12% of the total investments in the country. As a

result, the agricultural sector faced the need for implementing systemic transformations. Currently, the level of labor productivity in the agricultural sector is low. Irrational use of production factors is observed. Underdevelopment of human capital in rural areas caused by socio-economic problems, the mono-specialization of certain areas of the country and other factors needs special attention [4].

The digital economy can promote the advancement of agricultural technology through facilitating transfer of information and easing credit constraints. On the one hand, the digital economy provides farmers with a platform for exchanging information and reduces the marginal cost of their interactions. The use of the internet, mobile phones and other media allows farmers to obtain technical information needed for production activities and then share the information with other farmers. On the other hand, the learning and application of new technologies and the transformation of technological advances are inseparable from financial support.

At the given stage of economic development, we consider that the active role of the state can play the decisive role in achieving the high productivity in the agricultural sector, increasing the export potential and ensuring food security.

The current situation shows that Georgia still faces quite serious problems that need to be addressed and significant intellectual and financial investments are needed so that the country can get closer to and, moreover, fully implement the Western standards in terms of informatization and electronic governance [5]. It is critically important to increase the share of innovative products in the agricultural sector; raise labor productivity; develop new organizational and legal institutions and state mechanisms for material, technical and administrative support needed for the development of the agricultural sector. The introduction of digital technologies in the agricultural sector will reduce transaction costs and increase the added value of products and services. Along with the natural resources, the scientific and research infrastructure, highly qualified workforce and the developed innovative system will become important factors for the growth of the country's agrarian sector.

There are 3 million hectares of agricultural fields with favorable climatic conditions in the country with almost one million people working in agricultural sector. With the use of modern technologies and organization of production process it is possible to increase the production of agricultural goods by 4 or 5 times, which would naturally lead to the increase in the processing industry. This is one of the main tools for the acceleration of economic growth.

This is possible only if agricultural sector in the country develops intensively, based on innovations, and powerful farmers account for at least 25-30% of the producers. Innovative development becomes possible not only with the use of foreign equipment, technologies or even

seed materials, but also on the basis of domestic achievements and best practices and, most importantly, with the human resources having appropriate skills and qualification to implement innovative technologies.

Before the pandemic, the digitization process in the agro sector was slow. In the post-pandemic period, there is more opportunity to accelerate the implementation of digital mechanisms. This will encourage the activation of electronic commercialization process. Digital extension services can also be used to raise awareness about agricultural technologies. Online transaction platforms can connect the producer with the consumer, which will significantly contribute to the development of the industry as a whole and strengthen the farms as well [6]. Digital space is gaining new dimensions in economic development [7]. Digitalization provides new opportunities for the development of agriculture, including tourism [8].

In the near future, the digital economy will become the driver of the growth and development of the economic system, as it has a number of advantages compared to the material (traditional) economy: the speed of delivery of goods and the immediacy of providing services, the low price of production and transaction performance, as well as the inexhaustibility of the production of digital goods. New development opportunities are emerging for entering the global markets. New development strategies are being designed, which consider the digital transformation of society (including the economy) to be the key directions of scientific and technical progress [9]. Digitization will play a positive role in reducing the negative impact of confrontation on agri-food production [10].

The analysis of the agribusiness development trend shows that the level of application of modern technologies in this field is low [11].

The introduction of digital technologies will make it possible to achieve the increase in the contribution of the agricultural sector to the economy of Georgia, to increase export earnings, as well as to plan and collect data flows for the creation of digital technologies, from the agricultural production to consumption, with deep integration in the allied industries of the digital economy.

At the same time, the introduction of digital technologies in agriculture can improve the utilization efficiency of agricultural production factors and the progress of agricultural technology can improve the effectiveness of agricultural pollution control [12].

It can be noted that digital transformation in the agricultural sector requires the implementation of specific measures. An insurance system should be designed to support agricultural production. In addition, the digitization of the agricultural sector should ensure the transparency of export and import of agricultural products. For the digital transformation of the sector, agricultural companies have to employ specialists with relevant competencies. Therefore,

the introduction of digital technologies will make it possible to achieve the increase in the contribution of the agricultural sector to the economy of Georgia, to increase export earnings, as well as to plan and collect data flows for the creation of digital technologies, from the agricultural production to consumption, with deep integration in the allied industries of the digital economy.

It would be sensible to develop a digital education platform for training people employed in agriculture to use new technologies. This will make it possible to achieve a technological breakthrough in the agro-sector, to increase the productivity of producers of agricultural goods and effective management of agricultural activities. We consider that in terms of digital economy, the active role of the state can play the decisive role in achieving the high productivity in the agricultural sector, increasing the export potential and ensuring food security.

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Sina PATEL,

PhD, Associate Professor,

The University of Arizona Global Campus,

Board of Director

Jonestown Bank & Trust Company, USA

ORCID 0009-0006-4654-0397

svp9210@gmail.com

Denys LIFINTSEV,

PhD, Associate Professor,

Management Department,

Kyiv National Economic University named after Vadym Hetman, Ukraine

ORCID 0000-0003-4074-3725

lifintsev.denys@kneu.edu.ua

COMPLIANCE MANAGEMENT IN FINANCIAL INSTITUTIONS

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Abstract. As Ukraine is integrating into the European and global business environment furthermore, its organizations are implementing best international compliance practices. This research is focused on the analysis of compliance management practices in American financial