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Challenges and Perspectives of Corporate Governance in Georgia

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Abstract: The scientific article studies criticaleconomic theory and practice issues: the challenges and perspectives of corporate governance of Georgia.The article considers sections such as Introduction, Materials and Methods, Outcomes and Judgment, Conclusion. The introduction describes the actuality of the topic and highlights the research problem. The material and methods provide an overview of the existing literature and practices related to the research subject. The results and judgment reflect corporate governance challengesand key areas for improvement. Thearticle's conclusion is presented detailed information on the current situation in the field of corporate governanceof the state.

Keywords: Corporate governance, financial system, Information transparency, companies, Stock Market, corporate management.

I. Introduction

The good condition of the corporate governance system in any country is significantly determined by the traditions and existing practices of economic relations, as well as the role of the state in terms of economic development and regulation of the legal system.

Despite the diversity of corporate governance models Worldwide, they can be divided into three main groups: Anglo-Saxon, German and Japanese models.

In Georgia, the logic of the formation of corporate governance in the 1990s was based on the massive import of the American stock market and other corporate governance models. At present, by the obligations under the EU-Georgia Association Agreement, the principles of corporate governance, corporate openness, and information transparency procedures are in line with EU approaches. Integration into the EU institutions and the Association Agreement further expanded the country's trade and transit opportunities(Shanava, 2021).

Georgia is a convenient transport corridor for Europe and Asia, and its location plays an important transit role in the movement between Europe and Asia. So the country has a transit connecting function. In this regard, it is essential to develop logistics infrastructure and transit capabilities. In this regard, it is necessary to highlight the benefits of corporate governance in this process(Shanava, 2021).

The need to address the issue is growing significantly, as rational corporate governance of companies in the modern global world becomes the basis for their successful operation.

It is crucial to intensify and develop scientific research on corporate governance issues, which will create a solid foundation in a market economy for improving/establishing a corporate governance culture in the country and, as a result, investment attractiveness(Vanishvili et al., 2021).

The actuality of corporate governance conditioned the object, subject, aims, and objectives of the research.

The research objectis the modern corporate governance culture of companies operating in the country, as defined by law. The subject of the study is the condition of their openness and information transparency.

The purpose of the research is - to study the current situation of openness and information transparency of companies operating in the non-financial sector of the country, identification of critical problems and ways to solve them, as well as develop recommendations for improving the regulatory framework based on the analysis and practice of corporate governance theory.

II. Materials and Methods

Nowadays, the directions of formation and improvement of corporate governance are widely discussed in scientific and economic literature. This is very important for both developed and developing countries,

including Georgia. It is essential to promote a transparent business based on corporate governance to achieve accelerated economic development of the country.

In this regard, it is interesting to analyze foreign literary sources. The study of the presented problem is related to the guidelines and reports prepared by various international organizations, which are based on the experience of the states, the recommendations of business analysts, lawyers, and financiers, reflecting market problems.

Especially noteworthy are in the UK published reports about stages of development of corporate management. In this case, we should emphasize the Cadbury report, started in 1991 by the Finance Committee of Corporate Governance, chaired by Sir Adrian Cadbury. The need to set up a committee was dictated by the low level of investor confidence in the UK securities market and open joint-stock companies, which also led to the bankruptcy of two large companies, the Coloroll and Polly Pack consortium. In December 1992, the Corporate Governance Code (the so-called "Corporate Code") was drafted based on Cadbury's proposals and recommendations. Later the issue of binding force was defined on the principle of "comply or explain" (The Cadbury Report, 1992).

Hampel's report is also important, published in January 1998. Its primary purpose is to review the UK's corporate governance system and analyze the status of its achievements. The Hampel Report statement is that the primary purpose of the business, regardless of the size of the company and its business value, is to protect and expand shareholder investment (The Hampel Report, 1998).

In terms of corporate governance, one more important paper is the Higgs Report, whose working group reviews the role of non-executive directors in corporate governance and pays significant attention to the Audit Committee, which also aims to develop and strengthen the Combined Code. In this regard, the position of the head of the working group - Derek Higgs, was quite critical towards the effectiveness of the principle of "comply or explain" and considered it appropriate to limit the discretion granted by the Code and introduce a more binding norm. In his opinion, corporate scandals would have been avoided if companies had been more accountable for their Code and Cadbury account requirements, especially if companies had provided transparency (Derek Higgs, 2003).

The Smith Report is also significant in corporate governance, published in 2003, emphasizing the importance of auditor independence. We must also acknowledge that the Smith Report shares the European Commission's approach to auditing policy. In particular, one of the issues addressed in it is the obligation of the auditor to verify for himself whether the corporate governance system of the company ensures its independence and ensures its impartiality(Sir Robert Smith, 2003).

The EU Green Papers set out common standards and rules, recommended for all corporations to create an effective corporate governance system, and ensure that each of them impacts the global economy, which is crucial to improving corporate governance and its information transparency.

For Georgia, the "Principles of Corporate Governance" created by the OECD in 1999 is very relevant in terms of economic development. This document forms new, already revised principles based on the vast experience of not only OECD members but also non-OECD countries. The OECD "Corporate Governance Principles" document is divided into two parts. Each section of this document is entitled one of the principles given in bold and italics (OECD, Principles of Corporate Governance, 1999).

The most important is the OECD report of 2009, which analyzes included in this system principles of corporate governance for the future, and summarizes the main conclusions for identifying and overcoming the strengths of corporate governance in the countries. The report also covers the issue of remuneration of board members and the introduction of new forms of incentive system, as well as models of income and opportunities for their transparency. The 2010 OECD report focuses: on increasing the role of shareholders in corporate operations, overseeing risk management, transparent participation of institutional investors in voting, enhancing various shareholder contacts in companies, and encouraging cooperation with investors (OECD, Annual Report, 2009).

Risks of corporate governance are carefully reviewed in OECD reports. The report is based on applying corporate risk management practices prepared by three OECD countries - Norway, Singapore, and Switzerland. Here, attention is focused on the practice of privatization of state-owned shares. This is an excellent example for Georgia in resolving corporate risk management problems.

Another work about corporate governance strategy is Harvard Business School Monograph on „Corporate Strategy. “ This monograph is a collection of articles in which individual authors pay attention to the process of forming corporate advantages in the US and analyze the competitive strategy based on resources in the 90s of the last century. The monograph highlights the evolution of corporate strategy formation for the modern world and formulates the design of the market economy of developing countries; in line with the analysis of these strategies, there are established opportunities for companies to gain comparative advantages.

Georgian scientists-economists are also widely involved in the study of the issue of corporate governance, carried out in several directions:

1. Part of the scientists/economists discuss corporate governance principles and the main directions of perfection. So, for example, B. Bitsadze - in the monograph "Fundamentals of Corporate Management" - studies the corporation's place in the economy of developed countries. In addition, the author proposes the principles of corporate governance. Someplace in the monograph is devoted to studying corporate asset management and funding sources. In this regard, the main focus of the monograph is on solving the problems of formation and improvement of financial flows of corporate activities (Bitsadze, 2009).

The same aspect refers to the problem of corporate governance in the monograph - "Corporate Management," LazviaSvili. The author discusses corporate governance problems in Georgia and analyzes the functions of corporate governing bodies, the specifics of internal governance decision-making in corporations, and the possibilities of corporate control and personnel management functions in corporations. In addition, the author focuses on corporate investment management and corporate dividend policy (Lazviashvili, 2013).

2. The second part of economists pays special attention to corporate finance management issues. So, for example, r. Kakulia, in the paper - "Corporate Finance," - characterizes the theoretical-methodological basis of corporate finance and the development specifics of Georgia. In this case, the focus is –on analyzing corporate finance sources and cash flows. The paper also discusses the factors affecting the creditworthiness of corporations (Kakuliaet al.,2009).

Corporate finance management issues are written in D. Gadelia's monograph - "Corporate Finance,"focusing on corporate finance formation and development. Here the author discusses such essentialtopics as the sources and specifics of corporate finance formation in Georgia, the place of financial accounting in corporate finance management, types and methods of financial control (Gadelia, 2006).

3. One of the important directions of the research of Georgian scientists/economists is to determine the development trends of corporate governance. In this regard, A. Svanidze, in his article - "What is corporate governance," - focuses on the essence of corporate governance and its stages of development, the peculiarities of corporate governance in modern conditions, and offers suggestions for the introduction of new forms of corporate governance in Georgian companies (Svanidze 2003, №1).

Also, M. Vanishvili's article - "Transformation of Corporate Governance Information Transparency in Georgia," describes the measures taken in Georgian companies' corporate governance information transparency line and identifies directions for further improvement(Vanishvili &Lapachi, 2021).

4. Numerous papers have been published on issues of legal regulation of corporate governance (Burduli, 2013). They focus on the problems of legislative regulation of corporate governance, the formation of governing structures in corporations, and the factors influencing their performance.

A brief review of the literature shows that each school or individual researcher contributes to developing theoretical issues related to corporate governance. However, it is also clear that the study of corporate governance problems in the reviewed works is only theoretical-empirical.

Therefore, our scientific article is dedicated to the analysis of challenges facing corporate governance and what are the priorities for overcoming them in corporations operating in Georgia.

The theoretical-methodological basis of the research is the existing provisions of corporate governance, classical and modern corporate governance theories, Georgian and foreign monographs on corporate governance issues, scientific publications in specialized journals.

The instrumental-methodological part of research is represented by the combination of general methods of scientific cognition with such generally recognized methods as analysis and synthesis, historical and logical, generalization and abstraction, induction and deduction, analogy, and comparative analysis.

The empirical base of the research includes the following primary sources: materials of international organizations; information-analytical materials of the Georgian National Statistics Office and other structures of the executive institutes, prepared by the Georgian Market Research Group; Results of an independent study by the authors.

III. Results and Discussion

The stock market demands raised the issue of corporate governance. Currently, there is no integrated accepted definition of "corporate governance." In the scientific literature, there are several acceptable definitions of this term.

The term "corporate governance" was first used in 1984 by Robert Yan (Bob) Tricker as a subject of his research, and he is the founder of this term.According to an explanation published in the Financial Times in 1997, "corporate governance" can be defined as the company's relationship with its shareholders and, in a broader sense - as its relationship with the public. In other words, "corporate governance" is a field of economics that examines how effective corporate governance is provided through incentives such as contracts and legislation"(Svanidze, 2003).

As a result, corporate governance can be interpreted as a set of rules, regulations, and processes that determine the vector of a company's activity and its success. Therefore, "Corporate governance is the system by

which companies are managed, controlled and regulated by the relationship between the company's management, the board of directors, shareholders and other stakeholders" (Zhgenti, 2016).

The principles of corporate governance developed by OECD specialists in 2004 present the following unified indicators of corporate governance: (1) shareholder rights; (2) fair treatment of shareholders; (3) the role of stakeholders; (4) openness and information transparency; (5) Obligations of the Supervisory Board (Zhgenti, 2016).

Finally, it is possible to evaluate a corporate governance system using its national model. Among the critical factors influencing the formation of such models are the following: the structure of share ownership; Specifics of the whole financial system; Ratio of funding sources; General macroeconomic situation and economic policy; History of the development of the political system and culture of the country; Established practice of economic relations; The dose of state intervention in the economy; The level of financial education of the population (Shanava & Vanishvili, 2021).

Depending on the share of these factors, it is possible to develop a national corporate governance model and harmonize it with EU legislation.

Modern corporate governance is familiar with the three systems characterizing Anglo-American and Romano-German law. There are single-stage, two-stage, and hybrid systems(Vanishvili & Sreseli, 2022).

A single-stage corporate governance system is also known as a monistic or unitary system. This system was established and developed in the United States. The single-stage system is distinguished as two governing bodies. It is the General structure of Shareholders, which is the main governing body of the company and is called the Board of Directors.

The Board of Directors is composed of two functionally separated members: 1. The board members, who represent the company for operations, and 2. The board members with supervisory and controlling powers. Whose functions are to control the activities of the directors. The company also have independent members (directors), whose function are to avoid: various conflicts of interest; control the board; they don't have financial and other legal relationship with the company and any of its subsidiaries.

Directors with representative functions are accountable to independent directors with control functions and the general meeting of shareholders. Such dual accountability stems from the relationship between the general meeting of shareholders and the non-executive directors, as well as the specifics of the relationship between the executive and non-executive directors within the board of directors. For example, by the decision of the General Meeting of Shareholders, it is possible to elect any member of the Board and also dismiss him. At the same time, non-executive directors can dismiss members from the CEO position.

The purpose of functions classification of the members within the board is to avoid as much as possible the dishonesty of the CEO's activities, which may impact the shareholder's interests and the interests of the company as a whole. Control by non-executive directors reduces the likelihood of shareholder risk, which would be caused by the inefficiency of internal corporate governance.

The so-called Non-insider status of non-executive directors provides more guarantees of objectivity. However, there is a case when non-insider directors may be able to perform their functions objectively. Non-executive directors may also be held liable for such actions.

The two-stage system of corporate governance is also known as the dualistic system. The system originated and developed mainly in countries with continental law, and this system was formed from German legislation.

A dualistic system through ultimately independent governing bodies separates the management and control functions of the company. This system represents the General Meeting of Shareholders, consisting of the Supervisory Board and the Board of Directors. This management level is appointed for a certain period by the Supervisory Board. Hierarchically, the board of directors is accountable to the supervisory board and the general meeting of shareholders(Otinashvili & Vanishvili, 2020).

In this case, unlike the one-stage system, none of the members of the Board of Directors appears to be a controlling entity. This function has been delegated to the Supervisory Board. The Board of Directors is responsible for daily operations and represents the outworld of the company.

The function of the Supervisory Board is to control the Board of Directors, which has a kind of mediating role between the General Meeting of Shareholders and the Board of Directors. On the one hand, the supervisory board is responsible for the implementation of effective control, the analysis of significant transactions to be made by the company, and, on the other hand, it is fully accountable to shareholders for the specific results of the company's strategic management control.

The classic two-stage corporate governance system precludes the existence of certain preconditions for establishing a supervisory board. Obviously, like a one-stage system, in this system, the supervisory board is staffed by non-insiders. Legislation may also allow the election of insiders to the supervisory board, but they should not exceed the number of non-insiders. This can be explained by ensuring more impartial control of the Board of Directors.

The laws of many countries recognize a mixed, hybrid system of corporate governance. Under the hybrid system, companies have the opportunity to form a board of directors with executive and non-executive functions typical of a one-stage system; At the same time, they can create a supervisory board and, based on the founding document of the company, can determine the possibility for any member of the board of directors to be a member of the supervisory board in parallel.

One of the critical features of the hybrid system is the existence of several preconditions provided by law when the company is required to establish a supervisory board. In other cases, the decision to set up a supervisory board depends on the will of the shareholders. However, in any case, the system under consideration defines the functions of the board of directors responsible for managing and representing the company.

In terms of international corporate governance practice, the OECD corporate governance system is based on the following four core principles: (1) fairness, (2) liability, (3) transparency, (4) Accountability (Corporate Governance handbook, 2010). In our opinion, these principles of OECD should be the basis for developing a new corporate governance code for Georgia(Vanishvili & Lemonjava, 2017).

In Georgia, the logic of the formation of corporate governance in the 1990s was based on the massive import of the American stock market and other corporate governance models(Vanishvili & Lemonjava, 2016). And the following practical steps have been taken to implement this model:

- "Voucher" privatization - the forced transformation of formerly state-owned enterprises into open-type stock companies and distribution of their shares to a large number of small shareholders;
- Fast development of the stock market and its infrastructure (exchanges, brokers, depositors, and registrars);
- Formation of collective investment institutions (check and mutual investment funds, non-state pension funds).

The organizers of the reforms believed that the dispersal of shares among a large number of small shareholders would become a prerequisite for the high liquidity of the stock market. It also provided access to shares of privatized enterprises by external investors (through secondary market operations). Developing the stock market infrastructure would reduce transaction costs and allow small shareholders to vote in the event of their disagreement with the company's management policy. Investment institutions would be able to accumulate the shares of small shareholders and more effectively protect their interests by controlling the management of the respective enterprises.

But, in practice, the realization of this assumption became only partially possible. Intensive imports and dispersal of institutions in the field of corporate law within the framework of mass privatization made it impossible to neutralize the demand for the "insider" model of privatization. By the mid-1990s, managers of formerly state-owned enterprises in the corporate sector had already clearly noticed two trends: (1) concentration and control of ownership by acquiring 75% stakes; (2) Maximum closures of joint-stock companies and opacity of activities within the formation of a complex system of corporate control over large enterprises, through numerous affiliated firms and offshore companies.

Currently, the level of corporate governance in our country is hampered by the lack of information and financial resources, insufficient interest from qualified specialists and governing bodies, and a low level of financial education of the population(Shanava & Vanishvili, 2021).

A common problem is the non-disclosure of information by corporations. Mostly, companies do not publish annual reports and assessments. Therefore information often is not available, including to small shareholders.

At the same time, from the 90s of the last century, Georgia began the formation of progressive corporate legislation. On October 28, 1994, the Law of Georgia on Entrepreneurs was adopted, which regulated the legal status and activities of entrepreneurial entities operating in the country in entrepreneurship. On December 24, 1998, the Law of Georgia on the Securities Market came into force. A stock exchange, independent securities registrars, a central depository, and the necessary infrastructure for the circulation of securities were established in the country. On June 25, 1996, the Law of Georgia on Bankruptcy Proceedings was adopted, amended in March 2007. Finally, the Law on Insolvency Proceedings was adopted, which allowed the judiciary to initiate bankruptcy proceedings.

It is noteworthy that the Corporate Governance Code has been in force for commercial banks in Georgia since 2009. This voluntary code obeys the "comply or explain" principle. Since its adoption, commercial banks have joined the Corporate Governance Code to help banks implement effective corporate governance mechanisms related to segregation of responsibilities, compelling conflict of interest, control and balancing policies, and other corporate governance issues.

According to the recommendations of this Code, all banks operating in Georgia take into account the essence of the norms established by the Code and prepare an annual corporate governance report. Such an account of each bank is in full compliance with the requirements of the Code, and in case of difference, the reasons why the bank did not comply with these requirements are explained. The Code recommends that each

bank develop internal regulations on governing bodies, supervisory boards, and committees. Each statute shall include the structure, composition, powers, responsibilities, accountability, and any procedural matters relating to its functioning.

Thus, the current legal framework for corporate governance in Georgia needs to be improved and expanded, the implementation of which is a prospect for the near future. At present, can be singled out the following aspects characteristics of the formation of the Georgian model of corporate governance:

- The likelihood of external equity funding remains very low;
- The current state of Georgia's financial systems does not allow us to assess the possible propensity of Georgian corporate governance systems to classical models;
- The concentration of share capital is a visible process in the framework in which not only the consolidation of control is carried out but also the realization of the "self-sufficient" model of corporate governance by economic methods;
- Legal innovations (in the field of corporate law) have reached a significant level in terms of existing economic conditions;
- Methods of protecting the rights of shareholders can not find further development without taking adequate joint measures in the field of legal application.

As a result, given the empirical and legal data, today, we can talk about stable and fundamental contradictions in the emerging Georgian model of corporate governance. In this model, there are two fundamentally contradictory approaches: (1) the concentration of share capital, which provides for the minimum means of the legal protection of shareholders; (2) the Anglo-American legal tradition, by maximizing the means of the legal protection of its minority shareholders.

Combining these two approaches has led to a unique situation of mutual neutralization. On the one hand, the concentration of share capital and the gradual disappearance of small shareholders have diminished the importance of a broader legal instrument to protect minorities in the corporate sector as a whole; On the other hand, the creation of an extensive system of shareholder protection remedies inhibits the post-capital concentration process.

In corporations, the analysis of studies conducted at different times showed that in the period under review, the share of one significant shareholder in Georgian companies varies between 32-36%, and the percentage of three large shareholders –is in the range of 41-47%. Surveys have shown that board members were named among the three largest shareholders in 74.6% of cases and locals (excluding board members) in 56.6% of cases. In terms of ownership of the controlling stake among the three largest shareholders, the members of the Board of Directors were most often named among the largest shareholders (36.1%). The members of the Supervisory Board came in second (30.6%). It can be assumed that the average concentration has reached the legal limit under current corporate law (acquisition terms).

With a more optimistic interpretation, we can say that today, in Georgia, between the level of concentration and specific measures of protection of the interests of small shareholders has been achieved a kind of "model" balance. The element of optimism lies in the fact that the system has stabilized somewhat; however, most of the controlling shareholders act in the same way as the CEO and the representative of the Supervisory Board as well. Even in companies where ownership and control are separate, often, it is only presented on paper. In such companies, we face weak structures of accountability and control, weak mechanisms of disclosure of information. Main business groups in the country, such as holding companies control the majority of companies in most industries. While retaining structures can serve legal purposes, complex business structures, cross-shareholding, pyramid schemes, and other mechanisms can create a vague ownership system, making companies challenging to understand for shareholders and investors.

In Georgia, we often face inexperienced and inadequate corporate bodies in the corporate governance system. The institutions of the Supervisory Board and the Executive Board were defined by law in 1994, but in March 2008, a significant amendment was made to the Law of Georgia on Entrepreneurs. A supervisory board has become mandatory in only a few cases, while in other cases, the establishment of supervisory boards is a company decision. Unfortunately, robust, viable, and independent corporate bodies are rarely found in the Georgian economy(Vanishvili et al., 2020).

In Georgia, to establish corporate governance principles, it is necessary to develop/adopt a corporate governance code for companies, an application for companies' corporate governance. It should aim to make the management structure more transparent. With the introduction and systematic updating of the Corporate Governance Code, the country is making a statement that demonstrates its desire to demonstratively lead and establish a corporate governance model practice.

Due to the existing business relations in Georgia, when there are not even corporate governance principles, it is difficult to judge the so-called "soft law." At the initial stage, we consider it justified to develop documents of a recommendatory nature, which, as a result of practical application, will allow us to refine and improve the relevant legal framework.

The Georgian securities market has been difficult for the last decade. This was mainly due to the radical changes in the Georgian Law on the Securities Market and the Law on Entrepreneurs, which reduced the transparency of securities trading on the stock exchange and, consequently, the number of companies required to report publicly.

It is noteworthy that by changing the definition of "reporting enterprise" in the Law of Georgia "On the Securities Market," the number of companies required to submit public reports was reduced. As a result, the situation with transparency has deteriorated significantly.

Due to the amendments to the Law on the Securities Market, the transparency of the country's joint-stock companies is regressing instead of progressing. Of the 675 active joint-stock companies in 2017, only 258 were "accountable enterprises." Of this number, only 51 enterprises submitted annual and periodic reports. All of the above negatively affected the interest of investors.

The situation in the country was aggravated by the fact that the financial condition of Georgian joint-stock companies was unknown. In Georgia, unlike neighboring countries, joint-stock companies are not required to disclose general financial information publicly. Our established practice has failed to provide potential buyers or sellers' pricing information. Large issuers operating in Georgia would attract most of the capital from foreign markets, bypassing the local market.

Adaptation to EU legislation has become the primary motivator of the legal framework of the Georgian securities market. At present, the securities market is being harmonized with the EU positions and approaches by the obligations under the EU-Georgia Association Agreement. This presupposes the inclusion of the content of 22 directives and regulations in the current Law on the Securities Market.

In this regard, we consider the best option to implement the legislative changes in the Georgian capital market in two stages. In the initial stage, all legislative changes should be prepared and brought closer to the EU legal framework, and in the second stage, the remaining legislative improvement work should be carried out.

To minimize corporate governance problems in Georgia, based on the experience of corporate governance in the EU member states, it is necessary to develop a corporate governance code for the Georgian entrepreneurial sector. Enactment of this Code will ensure the proper functioning of governing bodies in joint-stock companies, proper redistribution of rights and responsibilities among governing bodies, strengthening internal control over the activities of companies, increasing the efficiency of operations, increasing the reliability of financial statements, resolving conflicts of interest in companies.

Thus, as a result of the analysis of the current legal framework in Georgia, it may be concluded that in order to improve corporate governance in our country, it is necessary to develop a new corporate governance code for the entrepreneurial sector. And other legislative acts which will make it possible to meet modern standards of corporate governance openness and information transparency.

One of the key directions in improving corporate governance is to increase openness and degree of information transparency. According to the principles of OECD corporate governance, transparency and transparency of information mean timely and accurate disclosure of information on all essential issues related to the company's financial condition, results of operations, ownership, and management of the company.

The principle of information transparency is also required for non-financial activities, which requires the publication of the company normative documents. In addition, information dissemination channels should ensure equal and timely access to information for users at a low cost.

Information transparency ensures the investor's interest to have a correct idea of the condition of corporate governance. The quality of corporate governance reduces subjectivity in decision-making. This principle underlies the rating of the international agency Standard & Poor's.

If the company becomes more transparent, investors have the opportunity to create a more complete picture of the company's commercial and financial performance. Even if the information disclosed by the company is negative, shareholders remain winners as the risk of uncertainty for them is reduced.

Most of the existing methods of determining corporate governance ratings are closed, i.e., the investor is unable to assess the importance of all analytical parameters in corporate governance ratings. At the same time, the use of these methods, at the present stage, does not fully reflect the realities of beginner Georgian corporate governance. Therefore, based on the mentioned methodologies, the need to model an acceptable version to be used in the conditions of Georgia, which will be adapted to the specifics of the country's corporate governance, was identified(Vanishvili & Katsadze, 2021).

Given that shareholders and investors need accessible, regular, and reliable information about the corporation's activities, without which it is impossible to make investment decisions, the corporate governance rating option we have developed is characterized by the following features:

- The selection of essential features of corporate governance information transparency is carried out by taking into account the content of national legislation;
- Information is collected remotely, and to collect this information could be used real public sources;

- The information transparency risks of corporate governance of research companies (joint-stock companies) are assessed through scores;
- The rating procedure is based on analyzing the actual risks of corporate governance openness and information transparency. For each of them, points are awarded according to defined rules.

When there is no information transparency in corporate governance, scores are calculated through expert evaluation. If the state owns a certain number of shares of the joint-stock company, it is necessary to invite governmental experts from the competent employees of the relevant sectoral ministry and agency or the body supervising the circulation of securities. In all other cases, could be invited appropriate specialists as experts.

For information transparency assessment, the score calculation system is shown below, which corresponds to the rank of the object to be evaluated:

score	2	5	10	14
rank	1	2	3	4

Using these values, the final overall rating is determined by the sum of points: If the rating score is higher, the risk of investing in this company also is higher. Consequently, the cost of invested capital is rising. Thus, the risk value can vary from 100 points (the highest degree of corporate governance risk) to 0 points (no risk).

The information openness rating of Georgia's corporate governance on the rating scale looks like this: Carrier with low investment risk - up to 28 points; Average bearer of investment risk - from 29 to 74 points; The bearer of high investment risk - 75 and above points.

As mentioned above, in our version of the methodology for assessing the rating of information transparency of corporate governance, the choice of essential features (risks) of information transparency is formalized: the procedure for building a rating is open from beginning to end; Companies are analyzed by individuals (experts) who have no contact with the securities market; Obtaining analytical information is provided remotely; The analysis of companies is carried out independently of the management. The assignment of rating points is also not agreed with the research company. Accounting for these factors generally provides a more complete and objective assessment of corporate governance's information openness and transparency in national companies

IV. Conclusions

Analyzing and researching the problems and prospects of corporate governance in Georgia, we can come to the following main conclusions:

1. In the modern world, are observed the following main trends in improving the corporate governance system: increased requirements for openness and information transparency in joint-stock companies; Strengthening shareholder control over government bodies; Increasing the transparency of issuers and clarifying requirements for them; Improving legislation to protect the rights of minority shareholders; Tighten changes in the rules for issuing shares and authorized capital.
2. It can be singled out the following aspects typical of the formation of the Georgian corporate governance model: the likelihood of external equity financing remains very low; The current state of the Georgian financial system does not allow us to assess the possible inclination of the Georgian corporate governance system towards any of the classical models; The concentration of equity capital is a visible process, within which not only the consolidation of control is carried out, but also the implementation by economic methods of a “self-sufficient” corporate governance model.
3. In Georgia, according to existing business relations, when there are no corporate governance principles at the initial stage, it is desired to develop recommendatory documents, which, as a result of practical application, will clarify and improve the relevant legal framework.
4. Improving corporate governance requires developing a new corporate governance code for the business sector, amendments to the Law of Entrepreneurs, the Law of Securities Market, and other legal acts. As a result, it will be possible to improve different modern standards of openness and information transparency of corporate governance.
5. Taking into account international experience, in the absence of characteristics of information transparency in companies' corporate governance, scores are calculated and distributed on a 100-point scale. The overall rating is determined by summing the scores. If the rating is high, the risk of investing in this company is higher, and, consequently, the cost of invested capital is rising. At this point, the risk value can vary from 100 to 0 points. According to the model of the state, the rating scale of the information openness rating of corporate governance is as follows: The company bears a low investment risk when the score is up to 28 points; An average investment risk when the score is from 29 to 75 points; If the company takes a high investment risk point is 75 and above. A complete account of these characteristics allows a more objective assessment of the level of information openness and transparency of corporate governance of the national companies.

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