

**PROBLEMS OF STARTING A SMALL BUSINESS IN RUSSIA
BY EXPERIENCE OF FOREIGN ENTREPRENEURS**

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The article deals with the problems that foreign entrepreneurs experience when doing business in Russia. Considered are the key challenges facing the country that include a corrupt and incompetent bureaucracy and an insufficient level of coordination between various ministries and government agencies.

The decision to start a new business is serious anywhere in the world. In Russia, where profits are high and the risks can seem even higher, it can be truly daunting. Nowadays starting business in Russia is one of the most acute issues. It has to be said that lots of Russians just don't want to give up their jobs that they are used to, and go "nowhere" (means have their own business). However, there are also those who really want to become successful businessmen and meet their targets.

Dynamics of Russian business development, as well as the opportunity for short-term gain and significant revenue growth rate are the most attractive sides to invest in Russia's economy by foreign entrepreneurs. The growth of foreign investment and the unwinding of the Russian business could lead to the fact that, in accordance with the forecasts of experts, get off to foreigners in the Russian market in five years will be much more difficult than at present.

The business landscape in Russia has changed in the last decade and now more and more foreign nationals are starting businesses in the country, attracted to the opportunities for growth and space for new ideas in the Russian market.

Before the mid-2000s, people from developed nations had a widespread belief that doing business in Russia was possible only for international corporations, as rumors about its enormous corruption and local ways kept potential entrepreneurs away. According to data provided by the Federal Tax Service of Russia (FTS), in 2005, less than 15 percent of small businesses registered by foreign citizens did not involve entrepreneurs from CIS countries, who were actively developing the trade market segment at that time.

In large cities and regions today, one can more and more often find services offered by entrepreneurs from almost every corner of the world. According to the FTS data, in 2013 about 25,000 foreign nationals worked in Russia on a Sole Proprietor License, with CIS citizens accounting for 60 percent of these licenses.

Entering the Russian market is often associated with the choice of fields of activity, designed specifically for the Russian segment. As usual, foreign businessmen focus on the following areas of business: food industry, packaging industry, production companies associated with raw materials, timber processors, perfumery, cosmetics industry. For instance, in Moscow and St. Petersburg, you can find bakers from France, restaurateurs from Japan or the former Yugoslavia, fashion boutiques owners from Italy, and even architects from Morocco as Russia has enough space for almost any idea. In order to start business in Russia, you will have to draw up a precise business plan to evaluate the peculiarities of the region and the field you would like to operate in.

So, despite the fact that Russia remains a wonderland of opportunities for further growth and business development there are many things that can cause problems for those doing business in Russia. One should remember that, in order to operate in the country, one must obtain a corresponding visa and residence permit.

Autocratic tendencies are typical for many ministries, agencies, and regional authorities. This hinders Russia's development and complicates the country's interactions with its foreign partners. The most common obstacles could be the constant bureaucracy and corruption risks: for example, when leasing premises, one will have to go through multiple inspections by the fire department, sanitary and epidemiological inspection service, and so on. The level of corruption in Russia is extremely high and it would be all but impossible to eliminate it completely. It should be said that corruption also exists in Japan, China and many other countries, which does not present an insurmountable obstacle to their economic development. Bureaucratic prescriptions in Russia are unknown and unexplainable; a huge amount of importance is given to paperwork. Foreigners who do business in Russia do not understand what all the paperwork is for exactly. Bureaucracy is something business must overcome, but it makes it hard to be successful, it takes a lot of time and it makes business pointless. However, these types of red-tape obstacles are also present in Germany, Japan and China, which continue to maintain a strong government role in the economy and use established business models. Nevertheless, these countries have gone through significant transformations resulting in an enhanced role of business in their economies. They faced serious challenges to catch up with the world's leading nations and integrate into the global economy, while Russia has yet to experience a similar transformation.

In the last 3–4 years, Russia began active work on improving the country's business climate by reforming its legislation, simplifying official procedures, etc. Such optimization concerns business registration, dealing with non-commercial organizations and other red-tape procedures. Just five years ago, registration at the tax inspectorate could have taken an entire day. Now, thanks to electronic queues and precise work regulations for tax service officers, this procedure will claim only an hour of your time. The most important thing is careful preparation of all documents required to obtain a Sole Proprietor License: a notarized translation of a foreign citizen's passport, temporary residency permit or permanent residence permit, and a receipt confirming payment of the state duty. Registration of a business and obtaining all necessary permits as a Sole Proprietor is more preferable, because registering another legal entity such as the Limited Liability Company requires more documents, and the taxes are higher as well. Such a legal entity is better when starting a business with a Russian partner. To register a legal entity, one can turn to a company that specializes in providing legal services to foreigners. They should contact a law firm to examine all the papers. The average price of a consultation is 5,000 rubles.

The amount of initial capital required to start a business in Russia certainly depends on the specific kind of activity. However, going to a new place without having a spare €10,000 – 15,000 is not advisable. This is especially true since, first, you have to get settled in, find accommodations: a suitable office or working place, depending on what you plan to do, think if you need to repair it, the approximate cost of repairs, decide on what basis you will use it – you will purchase the property or pay the rent. Think about the furniture, equipment, and transportation for your business. The cost of renting an apartment depends on the city in which you want to live. While in Novosibirsk or Yekaterinburg a small, furnished apartment will set you back up to 12,000-15,000 rubles per month, Moscow prices start at 25,000 rubles.

In addition, any businessperson will have to learn Russian. Without knowing the language, you will not achieve anything, no matter if you are in Russia or in any other country. You need to talk to customers in their language. Tell them that you are ready to meet their needs concerning this service or work you are able to do better than others.

While geopolitical issues come and go, businesses keep developing. In March 2014, Global Entrepreneurship Congress was held in Moscow. Over 4,500 delegates from 153 countries have gathered to the Russian capital to discuss the pressing issues of small and

medium size business. Despite the recent geopolitical turbulences, no one has dropped out. Entrepreneurs, thought-leaders, economists and policy makers participated in panel discussions and round tables. In fact, it was a good opportunity for entrepreneurs to meet each other, to learn about some of the tools and ideas that help to be most successful.

The congress is an annual event and was first held in 2009, in Kansas. Dubai, Shanghai, Liverpool, Rio de Janeiro then hosted the gathering. This year is Moscow time.

The 2014 Global Entrepreneurship Congress focused on the role of government leadership in aiding entrepreneurship environment, on what start-up communities and private sector was doing from the bottom up perspective to enable entrepreneurs, as well as how collaborations across national boundaries could help to create favorable environment for entrepreneurs. The goal was to find efficient measures for supporting and developing entrepreneurship worldwide. The congress was not just a black tie event, but also a platform for informal communication. And that means business knows no boundaries.

Holding this congress in Moscow signifies that the Russian capital and the country attract investors, that we have the potential and opportunities. One of our efforts in improving entrepreneurial ecosystem is infrastructure construction, creation a network of technological parks and polices. Moscow has been pushing reforms and innovations to become a global financial center over the past decade. And Russia as a whole has achieved a lot in the sphere jumping to the 92nd position from its 111th-rank a year earlier in the Ease of Doing Business Index established by the World Bank. By 2020, Russian President Vladimir Putin plans to move Russia into the top 20 on the list. At the moment, the leading positions in this rating are occupied by Singapore, Hong Kong and New Zealand.

In conclusion, what Russia can and should do? What measures should be taken to support foreign entrepreneurship?

First, to reduce corruption to a level that will not hinder the country's development.

Training future government officials can be facilitated by providing promising civil service personnel with incentives to study and attend professional development programs abroad and encouraging international mobility.

Improving inter-agency coordination is a more challenging issue. Its complexity has to do with a deeply rooted tradition of arbitrary rule and autocracy. A stable system of rules and regulations that has yet to be created will become an alternative to this tradition. Attempts to build such a system were made in Soviet times, and later by Boris Yeltsin, though they were not successful.

The creation of the transparent system is critically important today for the Russian economy, as it will determine the prospects for modernization, innovative economic development and an attractive investment environment. The choice to do business transparently or not is sometimes associated with the Russian mentality. Well, some foreign executives confirm that the Russian mentality includes carelessness and irresponsibility. Others describe Russia's business culture as formalistic and rigid. This is a fact of life, but the times when anyone coming from the West was viewed as a benefactor had already gone. Today, one needs quality and efficiency of service in order to succeed.

All these issues mean that international business in Russia works in different ways. Businesses come and invest in Russia, but these investments are limited due to the considerable barriers of bureaucracy, law, lack of trust and local business behavior. The demands are as simple as that: transparent deals and business, stable laws and rules of the game, and fairness.