

II International Scientific Conference GCPMED 2019
"Global Challenges and Prospects of the Modern Economic Development"

**BASIC RISKS OF DOING BUSINESS IN ASSESSMENTS OF THE
RUSSIAN BUSINESS COMMUNITY**

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Abstract

The article describes main risks for the business climate of Russian enterprises. The research results are formalized in a table which lists 20 different risks and describes the admissibility of those for experts as well as the expert risk assessment. The empirical basis of the study is an expert survey of 58 business leaders from thirty regions of the Russian Federation. The survey shows that negative trends related to the domestic economic regulation are more priority for companies than negative consequences of international sanctions. The leaders of enterprises consider the following aspects as the most significant ones: destabilization of the economic system, a decrease in the level of citizens' incomes and their purchasing power, as well as an excessive tax burden on entrepreneurs and frequent changes in legislative norms. Sanctions risks occupy the last lines of the rating in a survey of experts. The results of the study show, on the one hand, nihilism regarding the current economic policy in Russia, and on the other, the need for greater interaction between government and business. The practical significance of the work is to identify the main risks for entrepreneurship in Russia and, on this basis, to develop directions for improving the business climate in the country.

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Keywords: Risk factors, governmental authority and business, risk assessment, sanctions.



1. Introduction

Business builds relations with the state on the basis of a complex of economic, social and political interactions. Entrepreneurial activity in modern society cannot be organized without interaction with the state, and the state is obliged to fulfill its main functions of managing the company separately from entrepreneurship. Governmental authority forms the norms and principles of functioning for all business entities. Business acts as an important counterparty, with the help of which the government realizes a part of public functions, using its potential and resources. Authority and business can carry out effective interaction only when they are free to cooperate (Frye & Iwasaki, 2011), to realize their interests, without total subordination of private interests to public ones. It should be remembered that there are restrictions that prevent the subordination of the interests of some entities to the interests of others (Zhang, An, & Zhong, 2019).

The issues of interaction between government and business, the creation and effective functioning of the system of reconciliation of interests in Russia in recent years have attracted increasing attention of representatives of the scientific and expert community, politicians, statesmen, as well as socio-political leaders (Pak & Kretschmar, 2016).

The article analyzes the results of a survey of representatives of the business community regarding the perception of risks caused by decisions of the authorities. The object of the research is the assessment by the business of economic and socio-political risks that determine the conditions for conducting business in Russia. "Business" is understood as a set of entrepreneurial structures that conduct business in the interest of obtaining commercial benefits (de Man & Luvison, 2019). "Governmental authority" is understood as a public structure that sets the "rules of the game" in relations with business and guarantees their maintenance, as well as takes decisions binding on business entities and has legal authority to control their implementation.

2. Problem Statement

The problem is that the conditions for doing business in Russia are poorly conducive to business development and private initiative, and this has a negative impact on the prospects for the country's economic development. The need to strengthen partnerships between government and business is constantly growing. Business has a significant impact on all social processes, because it is the most important counterparty for the state in the development and implementation of public policy, due to its wide resource base. Entrepreneurial success is based on the ability of a businessman to assess possible risks and take into account their direct and indirect impact on his business. Modern studies indicate that the leaders of domestic companies are afraid of the risks associated with the actions of the authorities and the threat of introducing a new package of Western sanctions. Such risks should be taken into account by Russian entrepreneurs without fail when forming development strategies.

3. Research Questions

The interaction of government and business requires monitoring and identifying factors that impede economic development and worsen the country's business climate (van den Boer, Arendsen, & Pieterse, 2016). Researchers have set the main tasks:

- identify risk groups that have a significant impact on the formation of the business climate in the country.

- analyze the attitude of the business community to the actions of the authorities to regulate economic relations (Xiao & Lam, 2019).

- to characterize and rank the main requests of the business community for governmental authority.

4. Purpose of the Study

The purpose of the study is to find out the fears and requests of the Russian business community to the authorities regarding the current economic course. The goal is achieved by analyzing the assessments of heads of enterprises from various regions of Russia regarding the main factors and limitations of the economic environment in modern Russian conditions. The results of the study will allow not only to understand the mood and problems of the business community, but also to evaluate the correctness of decisions on the regulation of economic relations and the development of entrepreneurial activity adopted by the authorities.

5. Research Methods

The study was conducted by an expert survey, which was attended by 58 business leaders from 30 constituent entities of the Russian Federation. The survey of the entrepreneurial community was based on key blocks: “Risk Assessment for Business in Russia” and “The Impact of External Economic Sanctions on Doing Business in Russia”. Experts analyzed a list of eleven risks and nine areas of sanction restrictions that negatively affect entrepreneurial activity to assess the degree of risk on an ordinal scale (minimum risk is 1-2-3-4-5-critical risk). An expert risk assessment (Kuchkovskaya, Zabaikin, Baysaeva, Kosareva, & Calesci, 2019) is presented in tabular form in descending order of the average values of the degree of risk.

6. Findings

The Financial University under the Government of the Russian Federation conducted an expert survey in August-September 2019, under the grant of the Russian Foundation for Basic Research “New models of interaction between government and the industrial community in the face of increasing risks of technological development under the influence of international sanctions” (Table 01). The survey showed the priority for all experts to choose the risks caused by internal factors over the risks resulting from external sanctions threats. The Russian business community perceives the impact of predominantly internal and to a lesser extent external threats as a real risk that impedes entrepreneurial activity in modern socio-economic conditions. The expert survey was based on the identification of perceptions by the leaders of enterprises of the risks caused by modern socio-economic policies of the Russian state and the impact of international sanctions.

Government policy acts as an objective basis of risk for Russian companies and causes a deterioration in the business climate (average expert assessment of the degree of risk of destabilization of the economic system – 4.22); an increase in producer costs (4.07) due to an increase in the level of

taxation (4.12) and frequent changes in legislation regulating economic relations (4.02); lack of qualified personnel (4.05).

Table 01. Assessment of the degree of risk to entrepreneurship caused by the economic policy of the state and international sanctions

The list of risks	Admissibility of risk level for experts (out of 58 people)							Average expert risk assessment	Rating			
	U	ni	Mini	ni	S	m	Mid			Ta	ll	M
The risk of destabilizing the economic system	0	1	1	11	16	29	0	4,22	1			
The risk of increasing the level of taxation	0	1	5	10	12	30	0	4,12	2			
The risk of increased production and other costs	0	1	5	7	21	24	0	4,07	3			
The risk of a lack of qualified personnel	0	5	5	3	14	31	0	4,05	4			
The risk of unpredictably frequent changes in legislation	0	0	5	13	16	24	0	4,02	5			
The risk of declining demand for products and services	0	3	3	12	16	24	0	3,95	6			
The risk worsening political situation	0	1	11	7	17	22	0	3,83	7			
The risk of pressure from regulatory authorities	0	5	8	11	11	23	0	3,67	8			
The risk of higher cost of borrowed funds	0	8	5	12	13	20	0	3,62	9			
The risk of increasing unfair competition practices	0	2	6	18	19	13	0	3,59	10			
The risk of problems associated with imperfect judicial systems and administrative pressure	0	4	11	11	15	17	0	3,52	11			
The risk of reduced government support for business structures	0	9	7	14	14	14	0	3,29	12			
The risk of occurrence of problems with law enforcement	0	8	11	13	12	14	0	3,22	13			
The risk of rising prices for foreign raw materials, supplies and components	29	0	0	0	4	25	0	2,43	14			
The risk of international sanction pressure on the Russian economy	26	0	0	23	6	3	0	1,86	15			
The risk of imposing an embargo on the import of foreign goods	52	0	0	0	0	4	2	0,45	16			
The risk of closing international markets	55	0	0	0	3	0	0	0,21	17			
The risk of a ban on the acquisition of foreign high-tech equipment	56	0	0	0	0	2	0	0,17	18			
The risk reduce the amount western investment	56	0	0	2	0	0	0	0,10	19			
The risk of restricting access to advanced western technology, know-how	57	0	0	0	0	1	0	0,09	20			

The industrial community expects measures from the Russian government to significantly improve the business climate. Entrepreneurs believe that in the conditions of a long-term failure of incomes and

aggregate demand, it is necessary to bring the fiscal burden in line with the solvency of domestic companies and the population, as well as the adoption of understandable and stable “game rules” (economic law). Experts believe that solving the most acute problems, which are in the range of average values for assessing the degree of risk from 4.02 points to 4.22 points, will improve the conditions for doing business in Russia and increase the level and quality of life of the population. The survey showed that the industrial community is concerned (the average value in the range of 3.22 – 3.95 points) by bringing the level of tax rates strictly dependent on the solvency of taxpayers, and the cost of borrowed funds in line with inflation in modern conditions. Investment development and innovation in Russia depends on the solution of these problems.

Russian business is concerned about the lack of integration of Russia into international economic relations, but to a much lesser extent. External sanctions do not pose a serious threat to doing business (Moiseev, Sudorgin, Nitsevich, & Slatinov, 2020) for 44.8% of domestic companies. The problem of moderate severity was international sanctions for 39.7% of companies; a serious problem – for 10.3%; a problem that could lead to the closure of a business or change of ownership – 5.2% of enterprises. 47.1% of companies affected by sanctions associate negative consequences with sanctions from Western countries; 11.7% – with retaliatory Russian measures; 41.2% – with export-import restrictions from Russia and Western countries.

The subjective side of the perception by managers of Russian enterprises of risk manifested itself most clearly in the need for them to choose alternative solutions and calculate its consequences for the activities of companies. Most experts have adapted to the sanctions, using various strategies. The heads of enterprises answered the question “What development strategy did your company apply under the conditions of international economic sanctions?”: 29.3% – did not change their strategy under external pressure; 15.6% – were forced to reduce production or the provision of services; 8.6% - reduced the size of wages and the “social package” for employees; 8.6% – optimized costs without reducing output; 12.1% – took advantage of the policy of forced protectionism and expanded the range of products; 6.9% – developed and implemented their own import-substituting technology; 3.4% – reoriented to the production of innovative goods; 3.4% – have mastered new types of production activities; 5.2% – modernized production; 6.9% – changed supply logistics.

7. Conclusion

The results of a study of the risks of entrepreneurial activity show that the current economic policy of the Russian state does not find sufficient support in the business community (Medvedeva, 2018). Entrepreneurs expect a reduction in the risks analyzed in the study. The main obstacles to doing business in the country are uncertainty about the stability of the economic system and excessive taxation. The big risks are the lack of qualified personnel and the presence of administrative barriers. The survey showed that the lack of integration of Russia into the global economy worries Russian business, but to a much lesser extent than the problems of stimulating entrepreneurship.

The business community highly appreciates government support for entrepreneurship (Becker & Vasileva, 2017). Russian company executives believe that in modern conditions the role of the state should be reoriented from the functions of the macroeconomic regulator and coordinator to the functions

of the main stimulator (Quelin, Cabral, Lazzarini, & Kivleniece, 2019), which develops effective mechanisms for socially – economic revitalization of business, investment and innovation (Bidmon & Sebastian, 2018).

Acknowledgments

This article was completed as part of the work on the RFBR (Russian Foundation for Basic Research) grant, project No. 19-011-31545 “New models of interaction between the government and the industrial community in the face of increasing risks of technological development under the influence of international sanctions”.

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