

Particularities of Doing Business in Russia in the Conditions of Sharing Economy

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Abstract—This article attempts to reveal the peculiarities of doing business in Russia in the conditions of sharing economy. As a research task, this article made an attempt to assess the attractiveness of Russian business environment, identified the most popular sectors for small and medium businesses, and identified the main problems hindering the development of the enterprise. As a key evidence that the Russian market is expected to do business in a sharing economy, an analysis of the development history and current status of the sharing companies in the Russian market is used. The article provides specific examples of specific enterprises and opinions of experts and managers of the company about the strategy of conducting and developing business in Russia in the conditions of sharing economy.

Keywords—*Sharing economy; Russian economy; Business environment; Russia; Car sharing; Airbnb*

I. INTRODUCTION

Russia, the largest country in the world, borders on Asian and European countries, as well as on the Arctic and Pacific oceans. Its landscape varies from subtropical beaches to tundra and forests. Russia has a mixed state-owned economy in strategic areas of the economy. Market reforms in the 1990s privatized a large part of Russian agriculture and industry, but the privatization process did not spread in the defense and energy sectors. Russia emerged from a decade of post-Soviet chaos and disintegration in order to reassert itself as a major player on the world stage, both economically and politically. As a huge geographic area, it is dangerous to generalize Russia ever, but some universal truths, however, typify the Russian approach to business and life in general. Firstly, it is always worth bearing in mind that for centuries (long before the appearance of the Soviet system), the state was always viewed as an organ of oppression and repression. Therefore, statuses and laws are considered as “enemies”, which should be avoided and avoided at all costs. Contracts are valid only if you maintain a close personal friendship, and taxes remain unpaid, both at the corporate and at the personal level. Secondly, the only thing you can rely on is close personal relationships in a business environment. Networking and extended interpersonal relationships are important for a successful business, and the importance of resource allocation to ensure the development of good quality relationships should not be underestimated. Thirdly, the legal status of many things in Russia is very doubtful. Who actually owns what assets? Laws are constantly rewritten and, in any case, are often subject to execution

without a proper level of political influence. Thus, most agreements should be made on the basis of trust, a strong element of which should be clearly identifiable personal interest. The legal basis of any agreement is likely to mean very little once the relationship is broken. Despite these problems, Russia was identified as a fast-growing potential market with opportunities in such diverse market sectors as banking and finance, technology and computing, infrastructure development, and education. Developing as a multinational country after a long and eventful history, the growing and strengthening consumer economy of Russia with a market of more than 140 million people is developing as an excellent place for investment.

II. BUSINESS ENVIRONMENT IN RUSSIA. SHARING ECONOMY IN RUSSIA.

A. *Business environment in Russia*

For many Western economic experts, Russia is associated with high risks. A country with an unpredictable business climate, an imperfect legal system and an opaque decision-making system in government circles repels most small and medium-sized foreign companies, as well as those who are used to playing according to clear and understandable rules. Nevertheless, there are those who see a lot of business opportunities in Russian market. The development of the Russian market is closely monitored. The rules of the game are trying to learn, including - on the experience of Western “pioneering companies.” To assess the business environment of Russia, it is reasonable to look at The Doing Business ranking made by the World Bank.

The Doing Business ranking covers 190 countries. The evaluation takes into account ten factors, such as the creation of an enterprise, taxation, obtaining loans, protection of investors' rights, international trade, and more. For 15 years, Russia has conducted 36 reforms in the field of business climate. Most of the reforms concerned such areas as registration of property (seven reforms) and registration of an enterprise (six reforms). [8] On TABLE I. we can see the data of 2018, position of Russia in different criteria with the help of which the favorable conditions of doing business are determined [4].

TABLE I. TABLE STYLES

Rating of business conditions	
Indicators determining business conditions	Position
Rating ease of doing business	31
Company Registration	32
Obtaining building permits	48
Connection to the power supply system	12
Property registration	12
Get credit	22
Protection of minority investors	57
Taxation	53
International trade	99
Contract Enforcement	18
Insolvency resolution	55

Source: <http://russian.doingbusiness.org/ru/rankings>

As we can see on TABLE I. The best indicators of the Russian Federation in the Doing Business 2018 rating are connection to the power supply system and Property registration. The most difficult in Russia is International trade.

When doing business in Russia, and especially small businesses, entrepreneurs often face problems that do not allow them to function successfully. To hinder the development of a small business, like any other business, there can be many reasons. For example, in Russia, prices for raw materials often rise. This is affected both by the unstable situation of the ruble exchange rate and high rates on loans. In their work "Modern problems of small and medium business in Russia" Volkova I. and Popova A. Highlighted the main problems constraining business development. [5]

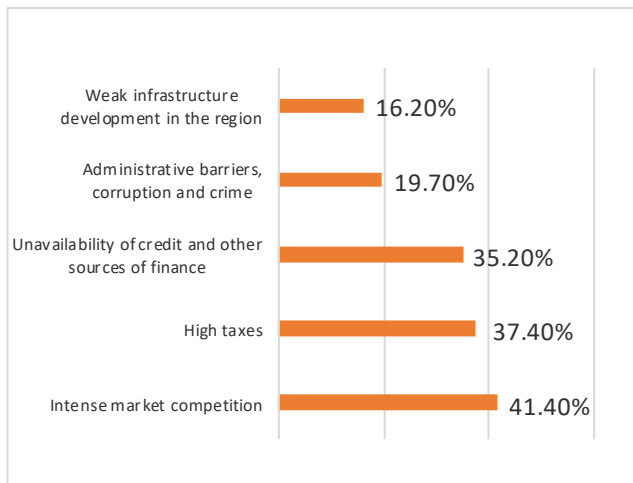


Fig. 1. Problems hindering business development

Source: <https://cyberleninka.ru/article/v/sovremennye-problemy-malogo-i-srednego-biznesa-v-rossii>

As we can see in Figure 1, intense market competition, high taxes, unavailability of credit and other sources of finance, administrative barriers, corruption and crime and weak infrastructure development in the region are main problems constraining business development.

Despite these problems, business in Russia is developing and the number of companies in Russia is gradually increasing. If at the end of 2016 the number of registered individual

entrepreneurs and the companies together was 5,841,509, by the end of 2017 this number had grown to 5,998,371, and by the end of 2018 it is more than 6,000,000. [7]

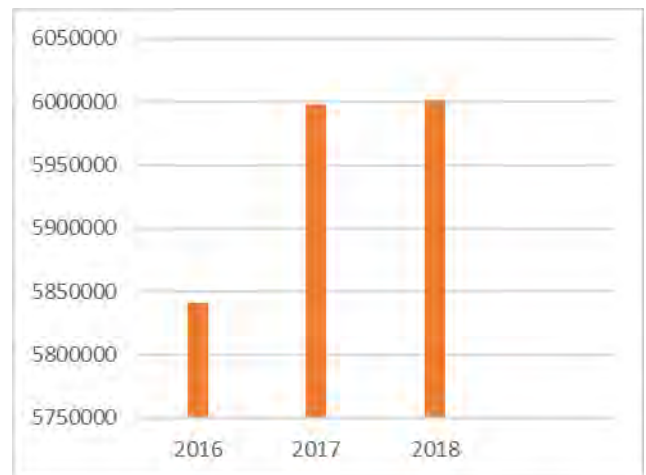


Fig. 2. Number of individual entrepreneurs and companies

Source: <https://ofd.nalog.ru/index.html>

In his work "Sector of small and medium enterprises: Russia and the World" Boris Titov highlights the most circulating sectors of economic activity. As we can see in fig.3. in the sector of small and medium enterprises by type of economic activity such were building and manufacturing industries. [6]

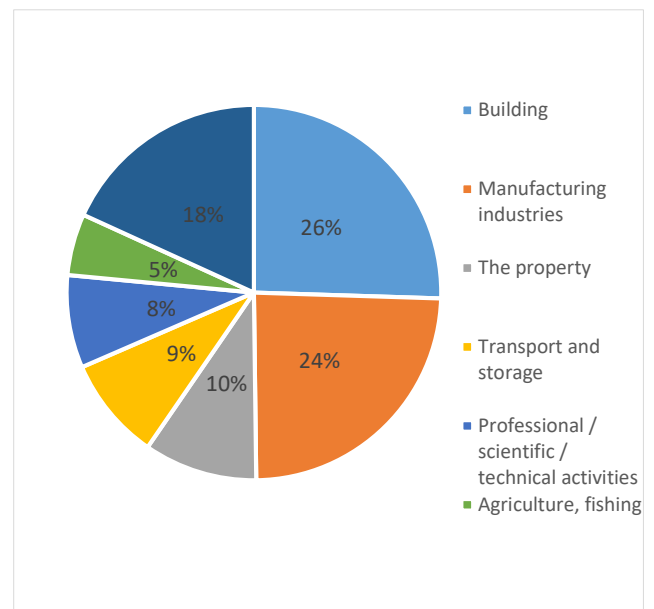


Fig. 3. Structure of turnover in the SME sector by type of economic activity (excluding trade) in 2017

Source: <http://stolypin.institute/wp-content/uploads/2018/07/issledovanie-ier-msp-27.07.18.pdf>

B. Sharing economy in Russia

Concept of sharing economics was suggested by economists Roo Rogers and Rachel Botsman in the book "What's Your Admission: The Rise of Collaborative Consumption" (2010). The idea is that consumers often prefer to pay a little for temporary access to a product, than by paying a large amount to become owners. The authors of this book predicted that the sharing economy will become a new socio-economic model that will be able to radically change our consumption of services and goods. It can be said that the forecast of Botsman and Rogers came true - online platforms that allow people and companies to share their resources, in 2015 already created a market with a volume of \$ 15 billion, and by 2025 it is expected to grow to \$ 335 billion [1].

Russians generally agree with approaches that promote equality, reciprocity and mutual benefit in business, and the "deal" is often viewed as an opportunity for equally common interests. Personal relationships are also of great importance in Russia. This approach is the best conditions for the conduct and development of business in the economy of sharing.

In Russia, as well as throughout the world, the sharing economy is gradually developing. Vivid representatives of this socio-economic model are companies such as BlaBlaCar, a search service for fellow travelers, Airbnb online rental platform, Uber or Yandex.Taxi taxi services. BlaBlaCar's chief executive officer, Nicolas Brousson, pointed to the rapid development of Sharing economy. The history of the popular search service fellow travelers BlaBlaCar began in France in 2006-2007. Initially, the idea to unite drivers, moving more often in an unfilled car between cities, and fellow travelers did not find a great response. Initially, people thought it was a stupid idea, noted Nicolas Busson. There were a lot of difficulties: how to unite people so that they coincided in time and space (the era of smartphones was barely beginning), how to make people trust each other, how to organize payment? But the widespread proliferation of smartphones greatly influenced the situation. Changes in people's behavior are happening pretty quickly. Today, the BlaBlaCar community has 65 million people worldwide. In Russia, the service has registered over 15 million people - this is 10% of the population. And with the development of technology, progress will be even more noticeable, said Nicolas Busson [2].

The consumer confidence issue is also removed: according to the co-founder of BlaBlaCar, by the profile of a person in the service, we learn more information about him than we sometimes have about our friends. Joint sharing in terms of operating machines has a lot of other advantages. In particular, the atmosphere is less polluted by emissions, the equipment is used more efficiently, the number of cars on city streets decreases. The French government is well aware of this, and as a result, it began to further subsidize the development of the service - so that people more actively share the machines. Daniil Shuleiko, Managing Director, Yandex.Taxi, also notes the efficiency of the joint sharing economy. He said that half a million taxi drivers go to the Yandex.Taxi line every day. Their work makes life easier for citizens, and people in everyday life use taxis more often. Moreover, many are willing to abandon personal cars [3].

Far-sighted leaders of the regions have long taken the tendency to develop a sharing economy for armaments. Moreover, they openly declare that without this component of the development of cities they would suffer greatly. This opinion was voiced by the Minister of the Government of Moscow, the head of the department of information technologies Artem Yermolaev. He informed that Moscow is cooperating with a business engaged in joint consumption services. And this cooperation has very specific goals: saving public funds that are invested in the city, increasing the efficiency of these investments and convenience for residents. The authorities invest in infrastructure (for example, creating a Wi-Fi network, carsharing parking spaces, and so on), provide the business with various data, such as licenses from potential taxi drivers, information about accidents of a car and number of owners, real estate transaction data. Business, in turn, creates and develops the platforms and services that people need. This is effective for all participants in the process. We definitely will not create such services. Our task is to transfer as much data as possible to business so that it can "pack" them and provide services to residents, explained Yermolaev [2].

In cooperation with the authorities of Saransk on the eve of the 2018 FIFA World Cup, the renowned international rental service Airbnb operates. Andrei Verbitsky, Airbnb Regional Managing Director for Russia, Central and Eastern Europe, Turkey and Israel, said that the service helps the city to compensate for the lack of accommodation options during the tourist season and during peak loads. Services for rental housing, he said, help homeowners to improve their financial situation, upgrade homes, promote the development of service services in the suburbs, helping people find accommodation options outside cities. And most importantly, a developed platform brings a similar market services from the shadows [2].

Sharing economy is a sustainable model that will obviously evolve. And one of the essential issues that will have to be addressed is the legal support of the work of the platforms and the interaction of business, consumers of state services. Issues of taxation, quality of services (risks are always present when the community independently regulates the system of analysis, rating, feedback), and licensing are to be resolved. To date, the Russian legislation does not specify how to regulate the sharing of cars or the sharing of housing

III. CONCLUSION

The sharing economy affects all areas of human activity. All over the world, clothing sharing platforms (EMZARA, Tradesy), various goods (Trademe, Etsy, Ebay), real estate (Airbnb, HomeAway, VRBO) are already operating, transport (Uber, Car2Go, Lift), cash (TransferWise, Funding Circle, Prosper), as well as platforms for the provision of various services (TaskRabbit, Freelancer, Wework). The sharing economy is already actively used both in foreign countries and in Russia. The reasons for the successful implementation of these platforms, in our opinion, is their convenience, as well as saving users' budgets. In addition, the transition to a sharing economy for consumers is quite simple, the number of platforms continues to grow, and everyone can find an attractive offer to meet their own needs. The state should also be interested in expanding the sharing economy, because this

economic model largely corresponds to global trends in sustainable development. At the same time, it should be borne in mind that such an economy may lead to unexpected changes, which may require government measures, for example, to protect consumers' rights.

ACKNOWLEDGMENT

The publication was prepared with the support of the (RUDN University Program 5-100).

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