Challenges of green startups in the post-soviet economies

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Abstract.
This article delves into the difficulties faced by environmentally conscious startups in the post-Soviet economies. The breakup of the USSR gave rise to a period characterized by economic restructuring and a shift towards market-based economies, but green startups encounter numerous obstacles arising from a lack of entrepreneurial expertise, insufficient funding, and complex regulations. In Russia, the dominance of the oil and gas industry hampers the drive for alternative energy ventures, while Ukraine, Belarus, and Moldova grapple with funding gaps and infrastructure deficiencies. The South Caucasus countries face issues related to oil dependency, burdensome regulations, and limited access to funding, while the Baltic states prioritize swift innovation and adeptly navigating regulations. Central Asian nations, blessed with abundant natural resources, face challenges including regulatory restrictions and geopolitical complexities that impede the transition to green practices. Collaborative efforts are vital in overcoming these hurdles, enabling regulatory reform, strengthening sustainable initiatives, and fostering innovation to promote the growth of green startups in these economies.

Keywords:
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Startups are new businesses that bring innovative products and services to the market, contributing to job creation and economic growth.

Starting a startup is popular with people, so some people are interested in startups to be their boss, some to work according to their schedule, and some to earn more profit. But it should not be forgotten that startups are risky at the same time, so when the company is in the startup stage, it may still have problems in forming a customer base, maintaining contact with suppliers, and slowing down in its flexibility against market trends, which may cause problems in the startup's ability to pay its debts to creditors on time and cause the startup to default. can be.Startups are affected not only by microeconomic determinants, but also by macroeconomic determinants such as changes in interest rates, inflation rates, and state legislation. (Challenges faced by startup entrepreneurs- a review study) Mrs. Anitha, Dr.Veena.M

Green startups are new companies that play a significant role in the development and introduction of radical sustainable innovations. In this context, the concept of sustainable entrepreneurship was a concept related to the concept of green start-ups. Thus, sustainable entrepreneurship is an innovative, market-oriented, and person-oriented form of creating economic and social value through ecologically or socially beneficial market or institutional innovations. However, there are several challenges that green start-ups face, which include general challenges such as lack of access to finance and asymmetric information about the concept among people. Funding green startups poses unique challenges because of their focus on sustainable innovation and market disruption. While traditional entrepreneurial finance theory offers some insights, behavioral finance theory provides a more comprehensive understanding, emphasizing the importance of updating concepts of rationality to accurately assess the financial landscape for a green startup.

(Linda Bergset, Klaus Fichter, 118-148, 2015; Linda Bergset, Klaus Fichter; Linda Bergset; 260-285, 2015)

**Literature review**

Ecosystem of Green Startups in Post-Soviet Economies
During the era of the Union of Soviet Socialist Republics (USSR), the economy was under the control of the central government, which, in turn, posed challenges in the establishment of an unregulated market and entrepreneurial endeavors within the nation. Following the dissolution of the USSR, the newly formed countries encountered a profound economic downturn during that period, which consequently hindered the formation and advancement of entrepreneurship. A lack of entrepreneurial expertise and insufficient knowledge regarding eco-friendly transformation are among the primary obstacles faced by green startups in the Post-Soviet nations.

Moreover, green startups in post-Soviet economies confront various challenges, including the necessity for economic restructuring, limited resources, and the widespread reliance on fossil fuels. Accomplishing the shift towards a green economy necessitates the adoption of sustainable energy sources and the establishment of financial mechanisms that support environmentally responsible development. However, the absence of standardized criteria to evaluate green initiatives and inadequate funding for environmental preservation impede their implementation. Moreover, the clash in Ukraine has considerably harmed the economy and infrastructure, additionally hampering the achievement of the prerequisites for a carbon-free economy. Nonetheless, the formation of energy alliances and the supply of institutional assistance for sustainable energy can foster energy autonomy, ecological durability, and the encouragement of green startups.

(OleksandrYermakov, IrynaKostetska, 2022; F Welter, 2006)

a) Challenges of green startups in Russia economy

Russia possesses a larger economy in comparison to its counterparts in other post-Soviet nations. A correlation exists between the economic state of Russia and that of other post-Soviet nations as a result. To elaborate, any deterioration in Russia's economic conditions has a consequential impact on the economies of other nations. The Russian economy predominantly relies on the oil and gas industry within its energy sector. This preference, in turn, diminishes the government's motivation and inclination to...
explore alternative energy sources. Consequently, this lack of encouragement hinders the support for the growth and advancement of green startups within Russia.

At the same time, green startups in the Russian economy face several challenges. Firstly, there is a lack of investment in green economic initiatives, with environmental investments accounting for less than 1% of all national economic capital investments. Additionally, Russian regulators have been inactive in international initiatives related to green finance and climate-related risks, which hampers the estimation of financial risks and the development of green economic practices. Furthermore, entrepreneurs and the government have identified systemic problems in waste management and nature management, including unreliable statistics, lack of waste stream control mechanisms, and absence of incentives for waste separation. To overcome these challenges, it is necessary to implement economic incentives, increase the role of civil law contracts, identify specific implementation directions, and introduce green economy standards in various sectors. Moreover, the development of a mechanism for state support and the participation of non-profit organizations in green financing activities should be considered. (M.Dudin, 2020; T.O.Tagaeva, Vadim Gilmundinov, Lidiya Kazantseva, D. D. Sinigaeva, 2022; Michael Vladimirovich Ershov, Anna Stanislavovna Tanasova, Elena Kryevna Sokolova, 2020; Anatoly Ryzhenkov, 2022; M.V. Dubrova, L.V. Gusarova, N.N. Zhylina, M.R. Shamsutdinova, V.G. Ignatyev, 2021)

b) Challenges of Green Startups in Ukraine, Belarus, and Moldova Economies

Green startups in Ukraine face several challenges. These include insufficient financing at all stages of the startup process, breaks in logistics chains with partners and suppliers, requirements for anti-crisis marketing and low-budget flexible PR, and the need for institutional support and legal assistance. Additionally, there are difficulties in waste management, such as the lack of waste sorting and necessary containers for separated waste collection.

Green startups in Moldova face several challenges. These challenges include the need for urgent solutions to transition
to an economy based on alternative energy resources. The implementation of circular business models is imperative in the face of the energy crisis in Europe. The business environment in Moldova remains sensitive to the volatile macroeconomic environment, structural challenges in the financial sector, and internal political instability.

Green startups in Belarus face several challenges in their development. One of the main challenges is the limited number of organizations that provide information on their progress towards a green economy. This lack of transparency makes it difficult for startups to understand the main principles of a green economy and the possibilities for implementing them. Additionally, the threat of natural resource depletion and the decline in environmental quality are major obstacles for sustainable economic growth in Belarus (Oleksandr Yermakov, Iryna Kostetska, 2022; Sergiy B. Kholod, Vadim V. Tatarinov, Vadim S. Tatarinov, 2022) (Cristina Pogorevici, 2019; Lica Erhan, Ludmila Cobzari, 2023) (Siarhei Zenchanka, Elena Korshuk, 2015)

c) Challenges of GreenStartups in South Caucasus Economies.

South Caucasus countries include Azerbaijan, Georgia and Armenia. Green startups in Azerbaijan face several challenges. One of the main challenges is the dependence on oil sales for the country’s economy, which hinders the diversification of exports and sustainable development. Another challenge is the need for increased digitalization in order to support green logistics applications and improve logistics performance. Additionally, the study found that large businesses in Azerbaijan are more aware of environmental sensitivity compared to small- and medium-sized businesses.

Green startups in Armenia face challenges such as limited access to funding, navigating complex regulatory environments, creating market demand and awareness, developing sustainable supply chains, attracting skilled talent and fostering partnerships for support. Overcoming these challenges will require the joint efforts of various stakeholders to create an enabling environment for green entrepreneurship and sustainable development in the country.

Challenges facing green startups in Georgia include
limited infrastructure, brain drain, resource constraints, regulatory and tax burdens, the need for skills development, and the balance between innovation and adaptability. Overcoming these challenges is critical to supporting the growth and success of green startups in the region.

(Mubariz Mammadli, 2022; Mushfig Guliyev, Tarlan Azizov, 2022; Shota Murjikneli, 2022)

d) Challenges of Green startups in Baltic side countryeconomies

In the Baltic economy, green startups face challenges such as the pressure to innovate rapidly, limited access to financing, the need to optimize innovation performance indicators, the importance of continuous planning and forecasting models, and navigating a complex regulatory environment. Overcoming these challenges requires supporting innovation, access to finance, optimizing performance indicators, developing strong growth models and simplifying regulatory frameworks to facilitate startup growth and contribute to sustainable development in the region. Estonia differs from other Baltic countries in terms of promotion and development of start-ups. The ecosystem of green startups in Estonia is driven by a dual shift to digitalization and sustainability. Entrepreneurs are realizing opportunities to improve production efficiency and benefit from favorable taxation for green products and services. However, the challenges of maintaining competitive advantage, managing crises and making long-term investments are significant. Political pressure and lack of innovation can increase the perceived costs for companies, while more pressure from stakeholders and innovation can turn the green transition into an opportunity. This research sheds light on the nuanced perceptions of Estonian entrepreneurs, providing insight into challenges and opportunities in the green startup landscape. (Girts Karnitis, Edvins Karnitis, 2017; Aleksandra Kekkonen, Renee Pesor, Marge Täks, 2023)

e) Challenges of green startups in Central Asia economies

Post-Soviet countries in Central Asia include Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan. The article analyzes the challenges facing green transformation and green startups in these countries. Challenges facing green
startups in Central Asia include a limited regulatory framework, a lack of focus on sustainability in energy transition efforts, dependence on traditional energy resources, geopolitical complexities, limited access to data and policy analysis, and non-compliance with global sustainability standards. These countries possess abundant natural resources, with Kazakhstan and Turkmenistan boasting substantial reserves of fossil energy sources, namely oil and gas. Importantly, Turkmenistan holds the distinction of ranking fourth globally in terms of natural gas reserves. Consequently, the inclination of the government towards green transformation and the cultivation of green start-ups in these nations remains limited. Concurrently, the prevalence of a centralized state in Central Asian countries and the absence of a competitive market pose challenges for the advancement of start-ups. Addressing these obstacles necessitates collaborative endeavors to facilitate regulatory reform, bolster sustainability initiatives, foster innovation, and align with internationally recognized best practices.

(Mirjana Radovanović, Sanja Filipović, Andrea Andrejević Panić, 2021)

Conculation

The multifaceted challenges encountered by green startups in post-Soviet economies necessitate collaborative endeavors from diverse actors in order to be effectively tackled. In the post-Soviet region, encompassing Russia, Ukraine, Belarus, Moldova, the South Caucasus countries, the Baltic states, and Central Asian nations, green startups face obstacles that span from restricted availability of funding and insufficient infrastructure to intricate regulatory frameworks and geopolitical intricacies.

In Russia, the dominance of the oil and gas industry poses a significant hindrance to the growth of alternative energy ventures, while in Ukraine, Belarus, and Moldova, funding gaps and infrastructure deficiencies impede progress. The South Caucasus countries grapple with issues related to oil dependency and burdensome regulations, while the Baltic states face pressure to innovate rapidly amidst a complex regulatory environment. In Central Asia, despite abundant natural resources, regulatory restrictions and geopolitical
complexities impede the transition to green practices.

Overcoming these challenges necessitates collaborative efforts aimed at regulatory reform, strengthening sustainable initiatives, and fostering innovation. Implementing economic incentives, increasing access to financing, improving infrastructure, and enhancing regulatory frameworks are critical steps toward supporting the growth of green startups in these economies. Furthermore, the facilitation of knowledge dissemination, the cultivation of collaborations between public and private entities, and the synchronization with globally acknowledged superior methodologies will prove indispensable in expediting the progression towards a more enduring and adaptable economy throughout the post-Soviet territory.

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