

Entrepreneurship Development Foundation

On the results of the poll conducted among 1,000 small businesses

Press Release

8 September 2008

The poll was conducted in May-July 2008 within the framework of a project supported by the Center for International Private Enterprise (USA). The purpose of the project was to prepare a package of proposals on improving the environment for small businesses. One thousand people participated in the sociological poll, which is 0.4 per cent of the overall number of businesses (both private individuals and legal entities) in the country.

The poll was conducted in the capital city (500 respondents) and 11 regional centers: Barda (32 respondents), Guba (41 respondents), Ganja (83 respondents), Khachmaz (42 respondents), Lankaran (34 respondents), Mingechevir (31 respondents), Shamakhi (31 respondents), Sheki (51 respondents), Shirvan (52 respondents), Sumqayit (83 respondents) and Yevlakh (20 respondents).

The questionnaire included 41 questions concerning the following aspects:

- 1) A general assessment of the business environment in the country;
- 2) An assessment of the environment in the sphere in which respondents operate;
- 3) An assessment of the competitive situation;
- 4) A respondent's intention to expand his business in the near future;
- 5) Inspections by government agencies;
- 6) Receipt of licenses;
- 7) Registration of property;
- 8) Problems related to labor legislation;
- 9) Accessibility of credits;
- 10) Protection of entrepreneurs from officials' arbitrariness;
- 11) Payment of taxes;
- 12) Implementation of foreign trade operations;
- 13) Closure of companies;
- 14) Opportunities to do business without breaking the law;
- 15) Mutual relations between energy monopolists and subscribers;
- 16) Businessmen's recommendations on the improvement of the business environment;
- 17) What businessmen themselves can do to improve the business environment

61.8 per cent of the respondents were owners of registered enterprises, while 38.4 per cent were enterprises who operated as private individuals.

The following problem, noted by those who conducted the poll, should be specially emphasized. Every third entrepreneur (including private individuals and legal entities) refused to give an interview and explained this by his fear of persecution by officials or did not give any explanation. About 30 per cent of those who agreed to be interviewed said they wanted to remain anonymous. Moreover, some of the interviewees confessed after the interview that they were not totally sincere while answering several questions that may have displeased officials.

The poll was conducted by the Puls-R sociological service at the request of the EDF.

The results of the poll:

1. Most of the respondents assessed the business environment both in the whole country and in the sector of their activity as good or acceptable. More than 40 per cent of respondents intend to expand their activities, which shows that small businesses are looking to the future with hope.
2. 63.5 per cent of the respondents said that in the sphere of small businesses, monopolism was relatively weak and competition was fair. This is twice as many as those who hold the opposite view.
3. Along with this, more than half of the respondents (51.5 per cent) said that it is impossible to do business in Azerbaijan without breaking the law. If we add here those who refused to answer (11.2 per cent), we can note that the legislation regulating entrepreneurship has too many shortcomings or the supremacy of the law is not ensured.
4. More than 30 per cent of the respondents openly said that they do not see themselves as protected from officials' arbitrariness. Only one in five respondents regards himself as protected, which is probably the result of patronage.
5. According to the respondents' answers, about half of them are visited by representatives of a government agency at least once a month. In this sphere, the leaders are the tax authorities. This is natural. What is alarming is that representatives of the Emergencies Ministry disturb small businesses almost en masse.
6. What attracts attention is that small businesses live in fear. In response to the question about groundless inspections and reproaches, about two thirds of the respondents either refused to answer or did not confirm these cases.
7. In terms of time spent on the receipt of licenses and documents, respondents noted serious problems. It is possible to get a license within a period (about 25.9 days) that is slightly longer than the 15 days stipulated by the law. However, two thirds of the 476 people who got licenses refused to answer the question about their expenses (including illegal fees).
8. Most of the respondents said that they did not have any difficulties in the process of employing and dismissing people.

9. Most of those who have registered their right to real estate regard relevant standard acts as clear and accurate. 60 per cent spent less than a month on this.
10. About half of the respondents engaged in foreign trade regard relevant documentation as acceptable. Others say that documentation is difficult. The answers show that customs procedures are more comfortable in Georgia and Turkey.
11. Most of the respondents regard the procedure of closing a company as acceptable. On average, the respondents spent 61.6 days on the closure of the company.
12. Only 90 of the 1,000 respondents have applied to the National Fund to Assist Entrepreneurship. 140 of those who have not applied are unaware of the Fund. 56 of the applicants succeeded in getting a loan. About half of those who received a loan regard relevant standard acts as clear and accurate. However, a quarter of the respondents believe that it is necessary to pay a bribe to get a loan from a commercial bank.
13. The biggest wish of the entrepreneurs is the reduction of tax rates (44 per cent of respondents) and types of tax (29.6 per cent of respondents). The answers to the question about the usefulness of the tax amnesty show that this idea has few supporters. Slightly more than one third of the respondents use electronic tax payment. Another 22.7 per cent are planning to use this system.
14. According to the respondents, in order to improve the business environment, it is necessary to reduce tax rates (64.3 per cent of respondents), improve conditions for getting credits (53.1 per cent of respondents), to reduce the number of groundless inspections (50.9 per cent of respondents), to improve conditions of competition (39.6 per cent of respondents), to protect entrepreneurs from officials who prompt them to pay bribes (37.6 per cent of respondents), to reduce social taxes (31.5 per cent of respondents) and ease customs procedures (27.2 per cent of respondents).
15. Asked what businessmen themselves should do to improve the business environment, the respondents gave more preference to the following two questions: To refuse to pay bribes and unite in unions and associations to protect their interests together.

You can obtain more detailed information about the results of the poll from the website of the EDF: www.edf-syf.org