

RUSSIAN VENTURE MARKET – STATE, STRUCTURE, FEATURES AND PROSPECTS

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Abstract

The state of the Russian venture capital market can be called very difficult. To be more precise, the venture capital market in Russia is showing a record decline and it is still unknown when the market will be able to recover. The investment in Russian startups has also fallen significantly. Such a state of affairs raises the question whether this situation is caused by a lack of free cash among the households, an unwillingness to take risks in an unstable macroeconomic situation or the lack of interesting and promising startups with potentially tangible return. In this article, we will look into the current state of the Russian venture capital market, consider its structure and functions of investors, analyze the place and role of a startup as the main participant on this market and define the development potential of this market in the near future.

Keywords

Venture market, startup, stage (round), investor, fund.

PREFACE

Kirill Varlamov, the executive director of the Internet Initiatives Development Fund, described the state of the Russian venture market as extremely difficult. To be more precise, he claimed the following: “Strictly speaking, the venture market in Russia basically died last year or, at least, lies in a coma and shows no signs of life. And when it will come to life is unknown” [1].

Does this view imply that technological initiatives have died in Russia, or, to put it more colorfully, the potential has died since no one wants to invest in startups and risk their money anymore? Or there are no startups worth investing money in? Or finally, even if promising projects and startups exist, there is no way to make money on this?

Let's try to figure it out and start with the “classics”.

A startup is still a high-risk investment for an investor who realizes that only 1 out of 10 startups is likely to «take off» or even 1 out of 20 [2]. This one successful startup must not only cover all losses from unsuccessful investments in the remaining 9 projects but also provide excess return in general. The investor expects rapid growth of the company, scaling product, and therefore surge in value of the company. His goal is to exit at a late stage with the highest possible valuation for the startup. Thus, the investor leaves the company when his initial investment has “risen in value” so much that he can earn several tens of X. The classical investor exits in the middle rounds (A or B), but there are also cases when the investor even went so far as to sell the company or to effect IPO and earned several hundred X.

The simplified classical model without adjusting for the dilution of the investor's share stake looks like this:

1. The investor invested 1,000 rubles with a value of 1,000,000 rubles and gained a 0.1% stake in the company.

2. A year later, the company enters the next round of fundraising, but with a value of 10,000,000 rubles - thus, the value of the investor's stake is already 10,000 rubles.

3. Two years later, after the next stage of rapid growth, the company again enters a round of raising funds at a valuation of 100,000,000 rubles and the value of the investor's stake is already 100,000 rubles.

4. Therefore, the investor earned X 100 in 3 years meaning his investment rose 100 times.

*This example is for illustration purposes only and does not take into account the dilution of investor stake at each investment round.

An investor, aware of the risk of his investment (a startup may not «take off» and the idea may not be feasible, which leads to the company's death in a year or two, and the investor will lose his money), strives to be as careful as possible in selecting “his” project.

However, it is not necessary for the startup to make a profit. The main thing is to grow the business, develop new markets, and gain momentum. Probably one of the best examples in world practice is the UBER company. Having raised billions of dollars of investment in all rounds and gone public, the company did not earn a single dollar of profit until the end of 2022 [3].

Or, for instance, WeWork, a startup specializing in the development of coworking space, which reached the NASDAQ with billions of dollars in investments, but never earned anything and declared bankruptcy at the end of 2023.

STATE OF THE RUSSIAN VENTURE MARKET

In Russia, according to the analytical company Dsight, the number of startups remains stably at the same level - about 13,000 [4].

The Russian venture capital market, both in terms of the number of startups, transactions, checks, and the number of investors, has never been among the world leaders. For instance, compared to such countries as Israel and the United States, Russia is significantly inferior in this respect.

An equally indisputable fact is that the number of transactions and the volume of investment in the Russian market have declined considerably over the recent years. This trend started in 2014 and intensified in 2022 and 2023, with the exception of 2021 when, after the pandemic, there was an incredible rise in investment worldwide up to \$2.5 billion due to the intensification of all economic activities, including investment [5].

The Russian state can rightfully be considered one of the most advanced in digitalization. Where else can you conclude real estate deals online using a unique digital signature? For instance, in Germany, still one of the world economic leaders, digital services are far less developed and resolving private issues requires a lot of time and a very large number of papers that must be certified at the post office with the presentation of a passport for identification. It is telling that the German government has just now announced a course towards digitalization and red tape reduction in interaction with business and the public. In the private consumer sector, the picture in Germany is not so sad but also leaves much to be desired. While in the daily consumer segment the market level is comparable to that of Russia, of course, taking into account the specifics, the level of digital services of the banking sector in Germany is lagging behind the Russian one by at least 5 years. This can be explained not only by the fact that banks in Germany are, in principle, very conservative and are not very keen to introduce new technologies, but also by the fact that Russian banks started to develop their own ecosystems through digitalization, expanding the list of services and areas of activity. SBER ecosystem alone says a lot.

This paradoxical picture is explained by three facts:

1. The structure of player-investors on the Russian market.
2. Limited growth potential for startups on the Russian domestic market.
3. Limited amount of investment funds.

The structure of player-investors on the Russian venture capital market is widely known, and we do not deviate much from it. In Russia, it is as follows:

- Corporate funds.
- Government funds.
- Private foundations.
- Ecosystems and laboratories.
- Private investor clubs.
- Business angels.
- State innovation support centers and clusters.

Let's try to understand a little about the trends, market features, and the roles of different types of investors.

Using the analytical material of Dsight and the Skolkovo Foundation for 2023, it is possible to see a rapid decline in investment: it decreased five-fold, and the share of foreign investment reached its minimum - only 3 transactions worth \$2.6 million. At the same time the number of transactions in 2022-2023 even rose by 23% from 137 to 180 [6].

Table 1

Dynamics of venture investments in Russia, 2023

1) Dynamics of venture investments in Russia 2023		
Year	Investment, million dollars	Number of transactions
2020	672	256
2021	2 528	305
2022	422	146
2023	82	175

Source: Compiled by the author based on Bloomberg data.

If we look at the distribution of transactions and investments by type of investor, we get a rather interesting picture, where private investors - business angels "occupy" more than a quarter of the market, both in terms of the number of transactions and the volume of investments. For statistics purposes, the figures of both private investor clubs and classic business angels are combined.

Table 2

Distribution of investments by type of investor in Russia, 2023

2) Distribution of investments by type of investor in Russia, 2023.		
Investor type	Investment, million dollars	Share
Private Funds	30,00	37%
Business Angels	22,00	27%
Corporate/ CVC	16,00	20%
State corporations/ funds	8,80	11%
Foreign Investors	2,60	3%
Accelerator*	1,50	2%
Undisclosed	1,09	1%

Source: Compiled by the author based on Bloomberg data.

Table 3

Distribution of transactions by type of investor in Russia, 2023

3) Distribution of transactions by type of investor in Russia, 2023.		
Investor type	Number of transactions	Share
Private Funds	52	30%
State corporations/ funds	39	22%
Business Angels	43	25%
Corporate/ CVC	22	13%
Accelerator*	15	9%
Foreign Investors	3	2%
Undisclosed	1	1%

Source: Compiled by the author based on Bloomberg data.

Table 4

Distribution of checks by type of investor in Russia, 2023

4) Distribution of checks by type of investor in Russia, 2023.		
Investor type	Average check, million dollars	Median check, million dollars.
Accelerator*	0,10	0,06
Business Angels	0,52	0,20
Corporate/ CVC	0,73	0,40
Foreign Investors	0,88	0,64
Private Funds	0,58	0,20
State corporations/ funds	0,23	0,04
Undisclosed	1,09	1,09

Source: Compiled by the author based on Bloomberg data.

*Accelerator should not be considered as a “market player”, but as a tool for selecting and “shaping up” a startup for further investors’ decision to invest.

Table 5

Distribution of checks by stage of startups in Russia, 2023.

5) Distribution of checks by stage of startups in Russia, 2023.		
Startup development stage	Average check, million dollars	Median check, million dollars.
Seed-stage	0,32	0,15
Early-stage	0,81	0,44
Late-stage	2,52	3,33

Source: Compiled by the author based on Bloomberg data.

The checks show that the investment amounts are very modest compared to other markets. For comparison, in the US venture market checks in later rounds reach several hundred million dollars [7].

Table 6

Distribution of transactions by technology in Russia, 2023

6) Distribution of transactions by technology in Russia, 2023.	
Business Software	26
Healthcare	18
Fintech	16
Edtech	15
Transport and Logistics	12

Source: compiled by the author based on data from Dsight and the Skolkovo Foundation.

Business Software and Fintech are priority areas for investors since these areas are popular, and corporate demand for such services is very high. Healthcare arouses quite unexpected interest since highly specialized areas

such as Deep Tech, Healthcare, or Agrotech are usually not in mass demand [8].

Let's try to understand the "role" and share of each category of player-investor to better understand the situation on the market.

STRUCTURE OF THE RUSSIAN VENTURE MARKET

1. Corporate funds.

Corporate funds (CF) are created by large industrial corporations and technology companies using their own funds.

The initial goal of the industrial company CF is to find promising solutions for their own needs. An example is Severstal Ventures, aimed at supporting and developing projects in new production technologies and materials. It is also worth mentioning Kirov Group Ventures, the corporate fund of the Kirov plant, which focuses on industrial innovation in Industry 4.0, Agro Tech & Agricultural machinery, Energy Tech, Big Data & Machinery learning [9]. That is, it focuses on areas intended for developing its own business and its own product line, as well as optimizing production.

At the same time, these funds are not against investing in "non-core" startups if they have gone through corporate accelerators and presented promising ideas and products. The geography of investments was not limited by state borders and the search for promising startups was carried out all over the world.

The role of these funds on the venture market in 2022-2023 faced a sharp decline. The reason for this is a reduction in exports and revenues and, as a consequence, a reduction in investment funds. Today, industrial funds only act selectively on the market and concentrate on the development of investments made before. At the same time, the focus has shifted specifically to Russian companies, since when investing in foreign startups, there is a risk of arrest and loss of funds due to sanctions imposed by Western countries.

Corporate funds of technology corporations, on the contrary, have recently become more active, since IT today is an unconditional driver of life and the economy as a whole.

Recently, the funds of the Russian companies Softline (Softline Venture Partners) or Lanit (Lanit Ventures), focused on projects in AI, Cloud Tech or Big Data, have shown themselves to be very active. This trend is confirmed by the emergence of new corporate funds in 2022. (Vympelkom - Hive, MKB - Izba VC) [10].

It is also worth noting the corporate funds of large banks, such as SBER, VTB, or the new MKB fund. These funds are focused not only on profitable investments when the investment subject is not interesting for their own ecosystem but promises good returns, and on startups interesting for their own ecosystem requiring initial funding to become a worthy member of their own ecosystem in the future as well.

2. State funds.

State funds are divided into federal ones, such as the NTI Fund, IIDF, Skolkovo Capital, and into funds of constituent regions of the Russian Federation, such as the Moscow Seed Fund or IVF Tatarstan [11].

If federal funds operate throughout Russia, then regional funds focus primarily on promoting and developing startups in their regions.

All funds invest exclusively public money and also resort to the development of pools engaging other structures and funds for co-financing. At the same time, the funds themselves, having a lot of freedom in selecting projects and evaluating them, used to consider the entire range of potential startups, but now they focus on nationally significant projects and existing investments.

If in the period until 2022 state funds, along with private and corporate

funds, worked on the market, today there is a decline. The investments made suggest that today the number of potential buyers of stock has decreased significantly, the evaluation of shares as an asset class has decreased and the prospects for a successful exit have deteriorated. Apart from that, state funds are undergoing a transformation phase, reducing grant programs.

Regional funds are still active, and we should not expect new major initiatives and large investments from state funds, despite the specified objectives of promoting start-ups and market development.

Separately, it is worth noting the Skolkovo venture fund (Skolkovo Capital). Since it is part of the Skolkovo ecosystem, the prospects for the right investments, taking into account the many programs to support and assist startups, are a little brighter. Moreover, the choice of companies for investment is quite large (more than 3,900 companies as of January 2024).

3. Private funds.

Contrary to all economic forecasts new funds are still emerging in Russia. Only in 2022-2023, more than 10 new private funds have appeared in Russia, which, in addition to the already well-developed segment of private funds in the country, create additional potential for the development of startups [12].

The founders of new private funds are mainly large Russian businessmen, such as Andrey Krivenko, founder of the VkusVill company, or, for instance, Andrey Olkhovsky, co-owner of Avtodom, who invite partners and like-minded people to shape an investment portfolio. This trend suggests that large private businesses in Russia have accumulated a large amount of available funds and that the willingness to invest these funds in promising projects is only growing. Undoubtedly, the current political and economic situation also plays a role, when placing available funds abroad is unsafe, but the domestic market still promises quite interesting prospects.

Given the changes in investment activity on the market, private funds have taken over even more initiative and are the most active by the number of transactions.

a) "Old-timers" of the market have historically invested predominantly in foreign startups, since the chance of rapid growth, scaling and entering new markets was (and still is) significantly higher.

b) Investments at the initial stage have been reduced in favor of investments at the middle stages, when the startup is already showing sustainable growth and even profitability.

c) There is a tendency to move to a dividend investment model, when the company's profit and the possibility of return on investment are taken into account for evaluation, as a combination of dividends and the future sale of the acquired stake, but at least X-fold growth, compared to the standard venture investment model.

d) Checks have decreased significantly, the lack of large transactions is caused by the caution of funds in the current political and economic situation.

e) Preference is given to technology startups that promise either a high-tech solution with a very wide range of applications, or narrowly focused solutions where the business application and, accordingly, return is clearly predictable.

f) Taking into account the exodus of foreign investors, in the near future the market can expect further activation of private funds, since, on the one hand, there are funds, and, on the other hand, there is a willingness to finance promising projects.

4. Ecosystems and laboratories.

In common practice, ecosystems and in-house laboratories are not identified as a separate category. But taking into account the specifics of the Russian market, they should still be considered separately.

In recent years, the role of internal corporate startup accelerators and

laboratories has risen dramatically. With the beginning of the era of ecosystems, to expand the portfolio of services and products corporations began not only to monitor the market for relatively interesting startups and solutions but also to purposefully create an internal structure for the “nurturing” and development of new products. At the same time, companies pay attention to the very early stages of startups and offer opportunities within their structure for the creation and development of a product, its piloting, and successful introduction in the ecosystem.

The investment is effected both in a classical (but not very publicized) form or through project financing with a monopoly right to intellectual property and in a “simple takeover”, that is, the acquisition of a startup. Apart from that, corporations are following the path of parallel development using both in-house resources for development and startups from such laboratories.

The most advanced market leaders can certainly be called SBER, MTS, Yandex, Tinkoff. Other players (communication operators, social networks, postal services, banks) are much inferior but are trying to create their own niches and their own ecosystems with the necessary set of complementary services to improve competitiveness.

The obvious drawback for a startup is that, having become part of such an ecosystem, regardless of all the “privileges” and opportunities there is no longer a “return ticket”, and the monetization of the product depends solely on the success of the ecosystem itself. Thus, there is a limit to development and the inability to freely enter new markets, as well as the lack of chance to make good money on your product - this is a price to pay for comfort and investment from the ecosystem.

It is also worth noting that large ecosystems create not only in-house corporate structures for the development of startups but also their own funds for venture investments, using parallel options for investing in the future, for instance, MTS AI, the MTS fund, and the already mentioned Hive, Vympelcom fund.

5. Private investor clubs.

There are quite a lot of private investor clubs in Russia. They are clubs of interest where anyone can become a member by paying a small annual fee (from 150,000 rubles). Such clubs bring together both experts in venture capital investment and businessmen who do not have special knowledge of startups or simply people with sufficient capital and the willingness to successfully invest this capital. The main goal of clubs is to raise the required amount of investment through individual checks of club members. In this case, the check can be either very small (\$10,000), where the pool of club members consists of 50 people with a total transaction amount of \$500,000, or quite large sums of \$100,000 from 10-20 members, which enables raising quite a significant transaction amount of several million dollars. The names of well-known clubs include the Syndicate, United Investors, SOBA [13].

Clubs train their members, offer opportunities for communication and exchange of experience. Often club leaders are former top managers of funds and financial institutions or successful “start-ups” who once started by creating their own product, were able to develop and subsequently introduce it.

The members also include company owners who grew up through startups.

The clubs are open to applications for funding and investment from startups. They collect and select interesting projects and offer them to the attention of their members, conduct their own pitch sessions and accelerators. To determine the potential of a project, clubs collect the opinions of expert members, thus providing not only objectivity but also an expert model for evaluating potential and risks.

Such private investor clubs are unknown to the general public, but they

play a significant role on the Russian venture capital market and have even captured a tangible share of investments in the last 2 years.

The explanation is simple - there is nowhere else to invest free funds. If previously it was possible to buy stocks and securities both within the country and abroad, invest money in a foreign business, or simply keep money in accounts in Switzerland, today the safest option (from the perspective of funds safety) is to keep money in Russia and invest it in promising businesses. Taking into account the large number of cases related to the blocked accounts in foreign banks, the negative attitude towards Russian business and, despite the wealth of club members, the rather limited opportunities, this option is quite consistent and logical.

However, there are also noticeable changes in the life of clubs. If previously any startup with a good idea could count on success and raising investments from the club by going through an accelerator or selection process, today the club members are particularly interested in products aimed at technological aspects: AI, Deep Tech, Bio Tech, FinTech, Agri Tech. There is also interest in products aimed at increasing industrial efficiency if the potential circle of "clients" and the potential of investments are already clear.

Moreover, private clubs have also moved towards a dividend model, looking at proposed projects through the lens of profitability and capital growth. It is difficult for very "young" startups, without a tested product and a proven MVP, to raise investment in private clubs.

The clubs themselves have also changed their strategy for evaluating the potential of startups. If previously one of the key aspects and requirements for a startup was entering foreign markets, the potential to scale a business abroad, successfully passing through foreign accelerators and the prospects of attracting big checks from foreign funds and investors, today they are looking more at the real business model of making a profit in Russia and the prospects of its resale to a major player from the Russian market. All this affects the investor's "appetite" since today the return is lower than a couple of years ago, but this return is real and it is still higher than that of a regular bank deposit.

6. Business angels.

If a fairly narrow circle of people know about private investor clubs, then even fewer know anything about business angels. This is the case, on the one hand, since business angels themselves try not to make their participation in projects public, and on the other hand, because investments are almost always confidential and very rarely end up in public statistics.

The role of a business angel is not only to provide investment in exchange for a stake in a startup but also to assist the founders. This may involve the active participation of a business angel with the necessary experience and expertise, as well as the opportunities to pilot the product or properly introduce it to the market. At the same time, a business angel can also act as an official advisor, using his own image to promote the startup's product.

But it is a mistake to believe that business angels act alone. They often unite to raise large investment checks, and sometimes even act together with institutional investors, who are also part of the project or provide the necessary impetus for further raising investments from venture funds. One such example is Take Charge, where both business angels and Quantum-A company are involved. State innovation centers for support and promotion of technology development and technology clusters.

This category is worth considering separately since it is a unique solution: the state, by allocating significant funds, promotes the development of startups and innovative solutions.

Numerous regional and federal technology clusters (ITCs), startup development assistance centers, technology parks, etc., have been created in Russia. (Skolkovo, Moscow Innovation Cluster, Innokam Tatarstan, etc.). Such

clusters offer startups space (premises, production sites, laboratories) and preferential tax conditions, subsidies and opportunities to receive various grants. Moreover, the process of taking out loans from commercial banks is simplified for members of such clusters, they are offered opportunities to participate in government programs and pilot products in state agencies or corporations.

Clusters hold exhibitions and presentations for their residents, take on administrative support tasks, providing accounting services, reporting preparation, obtaining patent rights, and various business advising.

Of course, Skolkovo occupies a special place. Skolkovo residents benefit from not only the services listed above but also the entire infrastructure of the most modern cluster. Programs for co-investment and subsidies for pilot projects (up to 70% of the project cost are reimbursed to the customer), reimbursement of expenses for promoting products on an industrial scale, participation in exhibitions, and promoting business abroad were developed especially for residents. Apart from that, a program for reimbursement of investments to business angels up to 20 million rubles has been developed for Skolkovo residents, which allows them to successfully raise private capital for their startups.

The number of residents rises annually (more than 3,900 companies as of January 2024), but expectations for “dividends” from the state are also growing. For 2024, Skolkovo has drawn up a plan to increase the total revenue of all resident companies to 550 billion rubles [14]. The bar is very high, but according to market experts, it is achievable since all the conditions and prerequisites for this exist.

STARTUPS

When analyzing the structure of the Russian venture investment market, of course, one cannot ignore the main player - startups.

The number of startups, as noted earlier, remains stably at the same level. This suggests that decline is offset by new ideas, projects, and technological solutions. At the same time, Russian startups perform quite well on the market(s). It is worth highlighting such companies as Truv, Apron, Polyn Technology, Careerist, Qummy, Whizz, Take Charge, HR Link, Parkly and AppMagic [4]. However, when assessing these startups, it is worth considering the following features:

1. Only 4 out of the 10 most promising startups are truly Russian - Take Charge, Qummy, HR Link, Parkly. The remaining 6 are foreign startups with a “Russian footprint”.

2. If the startups Take Charge, Qummy and Parkly have the potential to enter other markets (Take Charge is already successfully operating on the CIS markets), then HRlink is exclusively focused on the Russian market, and the potential for its upward development is clearly limited. Foreign startups are initially focused on the global market and have every chance for further growth.

3. All startups began their journey with significant equity capital, which allowed them not only to develop a promising solution, but also to successfully pilot it.

The chance and prospects for the development of Russian startups to reach billion-dollar valuations should be considered with some caution. It's worth explaining why:

- a) Only if you have “good” start-up capital you possess a chance to grow and develop, show a decent MVP and the ability to scale your business.

- b) To raise investment it is necessary to demonstrate good profitability of a business since investors start shifting to the dividend model; at the pre-seed and seed stages investors now have great prospects of investments and there is restraint. Startups lack the ability to seek initial investment to develop a product. This is the main cause why many promising solutions “die in the same

garage where they were born.”

c) If a solution and product have proven themselves well in Russia and are developing successfully, then there is no guarantee that the same success awaits the startup abroad. And entering new, primarily Western, markets is the dream of every founder, due to great prospects for investment there. The reason for this was that, on the one hand, foreign markets differ significantly from the Russian one in terms of consumer preferences (abroad the service often does not meet the requirements of the target market), while customer orientation and market positioning “in Russian way” do not work abroad.

d) There is a very skeptical, one might even say unfriendly, attitude towards Russian startups. Foreign funds and investors refuse to invest in startups whose main business is located in Russia. There are enough examples of when a startup, going beyond Russia, successfully goes through an accelerator in the USA and attracts the attention of investors, but when due diligence reveals that the main business is located in Russia, the interest disappears. It doesn't matter that the startup is registered abroad and the founder transferred his main assets there. As a result, the startup turns out to be neither one of our own (since it is American) nor a stranger (for foreigners it is Russian). There is an example that a startup thus lost not only the opportunity to raise investment from abroad, but also support in Russia due to the fact that it became “American.”

e) The time of “first mover advantage”, searching for a unique niche and an opportunity to surpass competitors and market leaders, is most likely gone and only in rare cases (for instance, InDriver or Take Charge) founders have found a solution that really «took off.» It can be assumed that we will no longer see such successful startups as City Mobil, 2GIS, Samokat, as the markets are replenished with competitive solutions from ecosystems [15]. Unicorns of this kind develop both depth and breadth of their services, preventing other companies from turning into a worthy rival.

On the other hand, excessive pessimism is also not appropriate since in Russia, taking into account changes in technological trends and a well-developed base to support promising ideas and projects, new opportunities for development in Deeptech, Industry Tech, Med Tech or Agro Tech are emerging. Clusters and technology hubs play a significant role here, providing support for startups and a base for development.

QUO VADIS?

Is the patient in a coma? Most likely not; he is suffering from a bad flu.

The Russian venture market, taking into account all the economic and political problems, is going through a stage of transformation, one might even say a stage of revaluation of values.

Investment activity by government and corporate funds has fallen sharply, but new private funds are emerging, allowing private investors to take over the baton. Ecosystems are developing and implementing more and more new technological solutions, taking their services to a new quality level.

You can expect, especially from private investors and business angels, that they will invest in the early stages of startups since the potential to earn small checks in this case is higher in the later stages with larger investors and funds. We will also see that the amount of money in the rounds decreases.

Entering foreign markets beyond Russia and successful development on international markets is not ruled out but requires adaptation of the development strategy. If the founder is initially focused on the international market, then he should take into account the needs and foreign demand for his product from the very beginning and develop it as unique, easily adaptable to different preferences. That is, his product must be so promising that it can also find its place on other markets. The option of developing an exclusively Russian

solution and then going abroad as experience has shown, does not work.

Founders should also take into account that a Russian passport will make it difficult to raise investment from abroad. Therefore, as a proposal, one can consider entering the foreign market at an early stage with the creation of a separate unaffiliated legal entity and developing the product in parallel with the Russian solution. The opportunities that the synergy between Prod Dev and cross-border piloting provide can still be used to develop your own technological product. There are first successful experience cases. Private funds that are not subject to sanctions and can support the project will play a special role on their own or through their “network”, and startups, both in Russia and abroad.

Fin Tech, Retail Tech and E-Com remain favorites among investors. Moreover, taking into account the departure of Western solutions, we can expect great interest in Business Software.

But special attention should be paid to new trends in the development of Deep Tech, Industry Tech, Bio or Med Tech solutions [16]. The development of such solutions differs considerably from classical startup solutions - they have a long technological development and “establishment” cycle, requiring substantial capital investments. The investor, unlike Fin Tech, does not see quick profit and results here, even if the development is very promising and has a potential demand - in the end, it may turn out to be of no use to anyone. In general, these companies cannot even be classified as classical startups since in this sector product development requires more time, there are specific conditions for piloting, the product can only be in demand by a narrow circle of consumers, and creating an MVP in the form of a prototype can be a very expensive result of development [17]. Although it is precisely such solutions that technology clusters and centers across the country provide development platform to through support, including those related to the provision of platforms for piloting and testing the product.

We can expect that areas of activity requiring solutions with a long development cycle will develop in clusters and technology hubs, while classical startup solutions will find support in the private sector of the venture market.

In recent years, the government has done a lot to create transparent prerequisites promoting business in the legal field. The state takes an active part both in the framework of digitalization of the economy program and its own services and in business support. It is also worth recalling that the state acts as an investor, a customer, and a consumer of startup solutions through its funds and support programs.

However, there is a lack of incentive solutions for private investors. A private investor acts solely at his own peril and risk without an ability to accept tax benefits and credits in the event of loss of investment [18]. In this case, a program to reimburse part of Skolkovo's investment can be called a good initiative, but it is limited and does not cover the entire market. Another solution could be microfinancing for startups with a clear plan and an understandable solution at an infant stage through the banking system on preferential terms and without support from the founder. Funding by banks to support micro-businesses, unfortunately, is often an impossible task for new startups since banks, when assessing the risks and possibilities of repaying borrowed funds, are not ready to provide loans only for “good ideas.”

2024 promises to be very interesting and experts expect a revival of the venture capital market in Russia, including IPO of technology companies [19]. Investment funds are available, the willingness to invest is there, and the subject of investment in the form of existing and new solutions is also there. All that remains is to bring all the players together, refine the attractiveness of private investment on the part of law and the patient will very quickly get back on his feet.

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