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RANEPA
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
AND PUBLIC ADMINISTRATION

Centre for Entrepreneurship Research
Russian Presidential Academy of National Economy
and Public Administration

Regional entrepreneurial ecosystems in Russia

Speaker:

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Santiago de Compostela

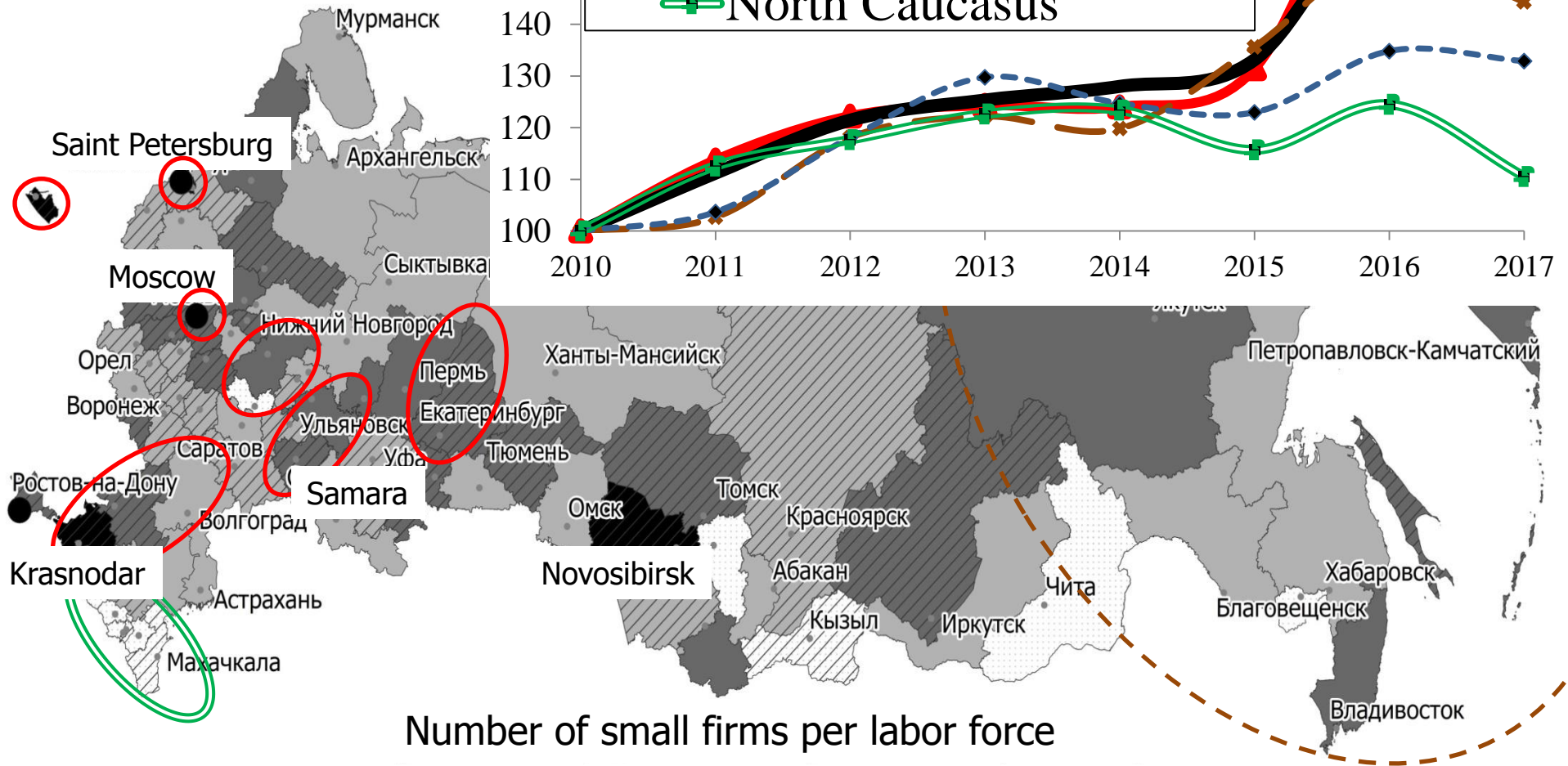
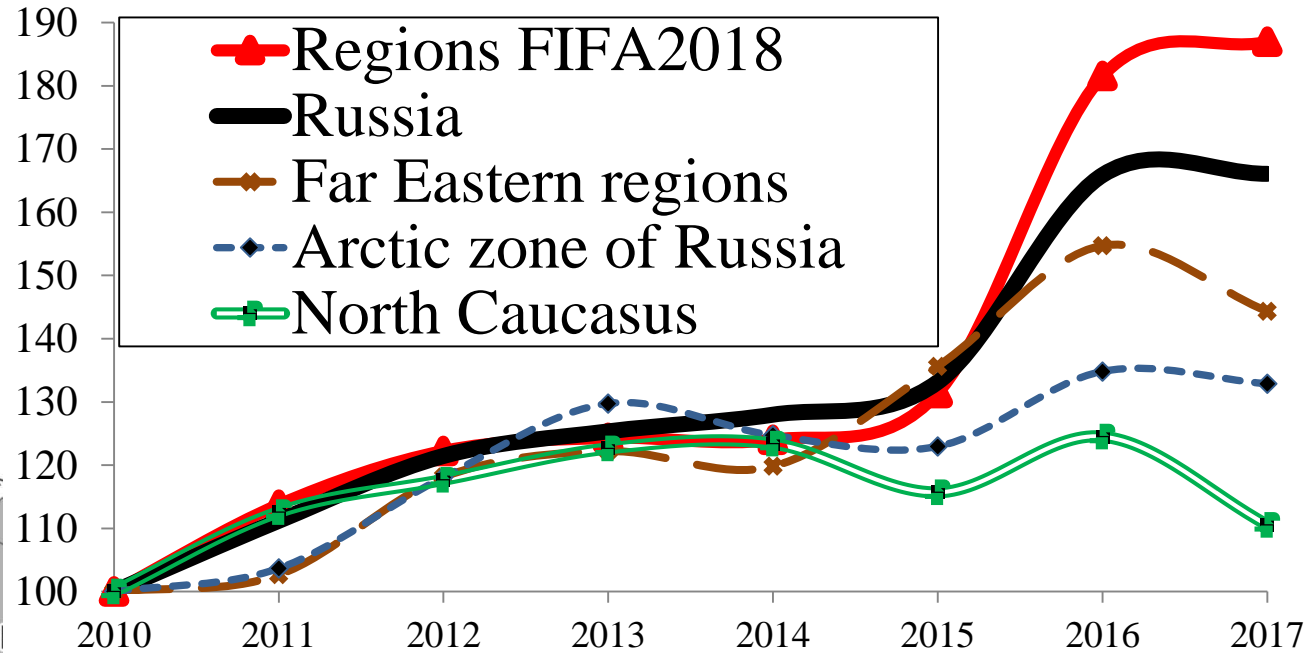
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- Uneven development of small and medium enterprises (SMEs) in Russia [*Chepurenko, 2015; Barinova et al., 2018*]
- Stable regional, institutional, sectoral and other features of SMEs have developed over the past 30 years [*Zemtsov, Tsareva, 2017; Zazdravnykh, 2019*]
- New firms formation ***increases differently*** in the Russian regions depending ***on the quality of their institutions*** [*Yakovlev, Zhuravskaya, 2011*] during the implementation of federal initiatives to simplify business procedures
- SME support do not take into account regional diversity; no regional incentives due to centralized fiscal system
- The goal is to ***identify the types of regional entrepreneurial ecosystems*** for differentiated policies



Spatial and temporal SME dynamics





Regional institutions and market access

Dependent variable: number of small firms per labor force.

Fixed effects. 83 Russian regions; 2008-2015

<i>Investment risk index (RAEX)</i>	-2,90 *** (0,83)
<i>Index of bank services availability (Bank of Russia)</i>	7,90 ** (3,50)
<i>Number of perpetrators of economic crimes per capita</i>	-0,04 *** (0,01)
<i>Market access</i>	0,12*** (0,03)
<i>Population density</i>	0,01* (0,01)
<i>GDP per capita</i>	0,01* (0,01)
Unemployment	0,06 (0,14)
Constant	2,87 (7,59)
LSDV R^2	0,871
Within R^2	0,493



➤ **Regional entrepreneurial ecosystem** - network of business agents, formed in certain natural, institutional and other regional conditions

Several approaches :

- Environment → networks → new firms [Stam, 2015]
- Domains combinations [Isenberg, 2011]
- Wider context of regional environment [REDI; Ács, et al. 2012]

Ecosystem characteristics [Stangler, Bell-Masterson, 2015]:

- *Agent density* (density of SMEs, new firms, etc.)
- *Fluidity* (dynamics of entrepreneurial activity)
- *Diversity* (complexity of SMEs structure, specialization, etc.)
- *Connectivity* (how agents connect, network, institutions, etc.)



➤ ***Ecosystem density:***

- the number of small firms per labor force in 2017

➤ ***Ecosystem fluidity:***

- dynamics of small firms per labor force (2017/2010),%

➤ ***Ecosystem diversity:***

- share of manufacturing in SMEs turnover, %
- share of agriculture and forestry in SMEs employment, %

➤ ***Ecosystem connectivity:***

- index of bank services availability

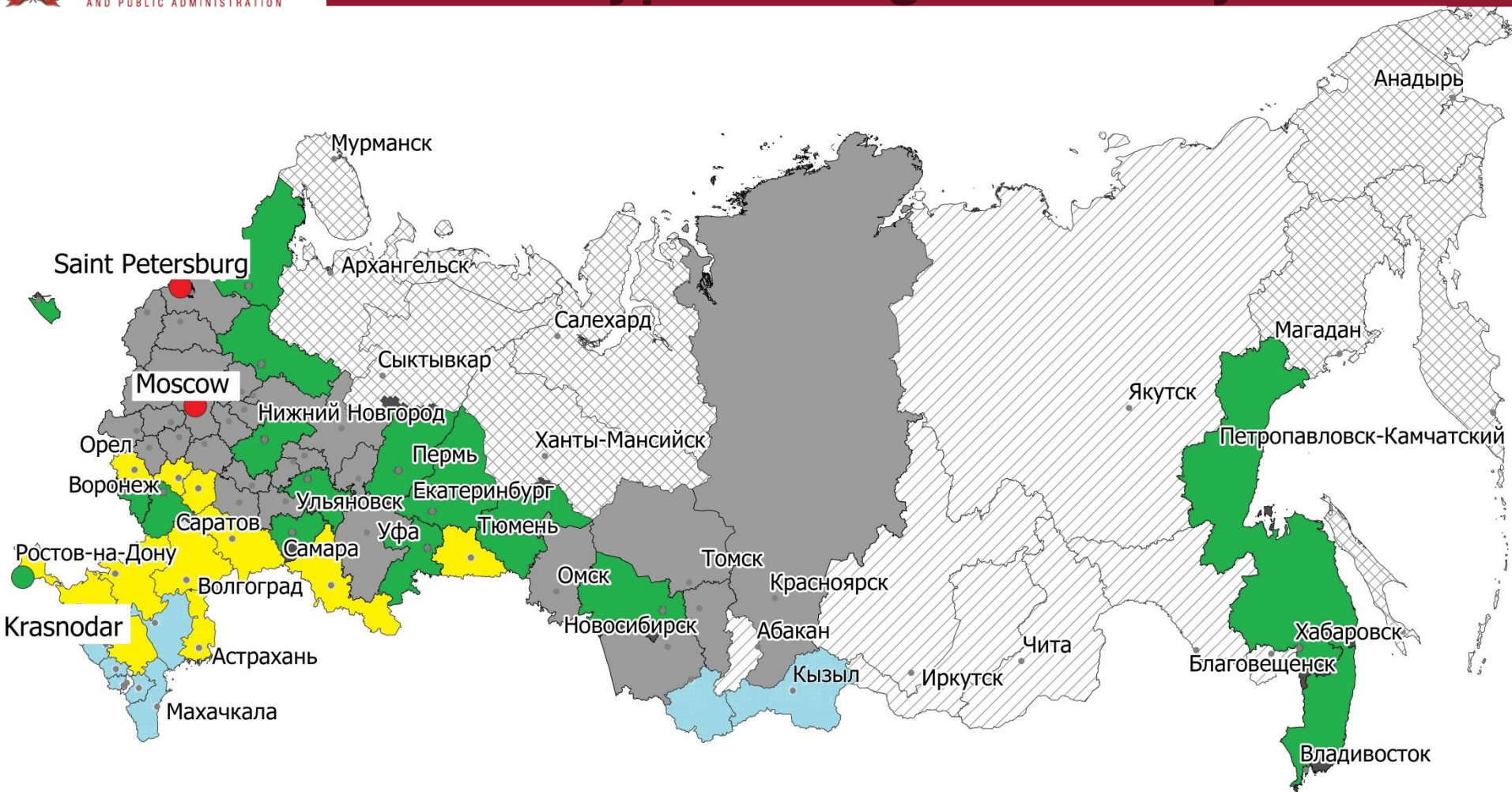
➤ **Basic regional conditions:**

- market access, billion rubles
- share of informal employment, %

	small firms per labor force	SMEs dynamics (2017/2010),%	manufacturing in SMEs turnover, %	agriculture in SMEs employment, %	bank services availability	market access	informal employment, %
1. Largest market with a developed SMEs service sector, good access to capital and a low share of informal economy	74.5	203	8.3	0.5	1.48	299	7.9
2. Large cities with diversified SMEs sector in favorable business climate, good access to the markets and capital	40.6	169	11.4	3.9	0.88	279	19.1
3. Diversified regions with developed SMEs manufacturing sector near major regional markets	29.6	146	18.7	4.3	0.84	285	20.8
4. Regions with medium business activity, increased role of agricultural business and informal sector	24.5	131	13.8	7.4	0.74	284	26.9
5. Weakly diversified northern regions with medium SMEs activity, low access to markets	25.5	133	6.2	2.7	0.79	268	13.2
6. Remote regions with low business activity and high share of informal employment	23	140	8.4	8.4	0.74	266	24.2
7. Underdeveloped mountain regions with low SMEs activity, high informal employment and worse conditions for access to capital	13.4	127	13.4	24.2	0.44	280	42



Types of regional ecosystems



- 1.** Largest market with a developed SMEs service sector, good access to capital and a low share of informal economy
- 2.** Large cities with diversified SMEs sector in favorable business climate, good access to the markets and capital
- 3.** Diversified regions with developed SMEs manufacturing sector near major regional markets
- 4.** Regions with medium business activity, increased role of agricultural business and informal sector
- 5.** Weakly diversified northern regions with medium SMEs activity, low access to markets
- 6.** Remote regions with low business activity and high share of informal employment
- 7.** Underdeveloped mountain regions with low SMEs activity, high informal employment and the worst access to capital



- Socio-economic limitations in the development of SMEs cannot always be overcome by improving institutional conditions or public support
- The level of ecosystems development determines their ability to withstand external shocks: falling incomes and the World Cup2018
- Different types of ecosystems - differentiated policy support
- The most developed ecosystems with high density and sectoral diversity SMEs are formed in regions with access to large consumer markets and capital with low risks for investors: Moscow, St. Petersburg, Novosibirsk, Belgorod, Kaliningrad, Samara regions, Tatarstan, etc.
- Developed ecosystems with production clusters formed near large agglomerations in Kaluga, Tula, Leningrad, Tomsk regions
- Least developed ecosystems in areas with high costs of doing business: the North Caucasus, the Far East and the Arctic zone



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