

Subregional Assymetry in the Development of Micro-Enterprises

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Abstract:

Modern economy gives specific challenges to every business unit, but for micro enterprises impossibility to overcome them may lead to disappearance. Transition economies sufficiently increase the role of small and micro enterprises because of the ability to respond to the systemic shock and generate jobs and income at the time when the large firm sector was undergoing a rapid decline. Micro-enterprises create favorable conditions for Russian sub-regional economic growth: they develop competitive environment, enlarge consumer sector and find a better use of local raw materials. The current study combines typology task with territory potential use analysis and the main objective of the study is Russian sub-regional differences analysis in micro-enterprises population development. The purpose of this research is to examine the national business environment on a regional basis, as well as to identify factors that determine the economic viability of different regions.

Keywords: SME, microenterprises, entrepreneurship, distribution intensity, Russian sub-regions, regional asymmetry, rank abundance curve, business demography, regional economy, variations

Micro-enterprises (self-employed people or entities with a number of employees less than 15 people and yearly turnover less than 120 million rubles) in Russia exist for a long time but have acquired an official status only in 2009. In 2010 was organized the first SME statistical monitoring, where micro-companies were represented as separate business units. The peculiarity of this type of businesses is that their birth and survival rates are used as indicators of the business climate in the region and also represent a social function of entrepreneurship. Micro-enterprises create favorable conditions for Russian sub-regional economic growth: they develop competitive environment, enlarge consumer sector and find a better use of local raw materials.

The recent shift of economically developed countries from a managed economy towards an entrepreneurial economy is reflected in the increasing number of small and medium-sized enterprises (SMEs) in an economy. Partially SMEs are presented by micro enterprises, large sub-population which is too far from homogeneous has low firm survival rate and therefore quite difficult for study. So, typologies are a useful means of gaining a better understanding of these firms and their roles in the economic growth (Jaouen et al, 2015).

Transition economies also increase the role of small and medium-sized enterprises (Hashi et al, 2010) because of the ability of small and medium enterprises to respond to the systemic shock and generate jobs and income at the time when the large firm sector was undergoing a rapid decline. Hashi and Krasniqi are sure that not only the business environment could affect to SME potential growth, but the territory characteristics are really important to the SME effectiveness increase and profitability growth, especially if the territories belong to the different stages of transition.

Russia has very big potential to enhance the economic growth involving more than 1 million of micro enterprises. The theoretical contributions from this stream have added knowledge to the growing body of literature on small businesses that were reviewed for this study.

The current study combines typology task with territory potential use analysis and the main objective of the study is Russian sub-regional differences analysis in micro-enterprises population development. Micro-enterprises in Russia are distributed across the territory of the country with a sufficient difference between sub-regions. The purpose of this research is to examine the national business environment on a regional basis, as well as to identify factors that determine the economic viability of different regions. In this paper, authors try to verify the possible relationship between the intensity of the distribution and the potential of the territory. It is clear that for a country ranked first in the world in terms of territory, the regional aspect of the analysis of micro-enterprises is very important because it characterizes the level of creating a favorable business climate.

The purposes of the study are the comparative analysis of territorial peculiarities of the micro-enterprises development and assess the impact of spatial differences in the potential of the regions on the performance of micro-enterprises results. Authors used rank abundance curves to study variation in sub-regions in terms of the intensity to identify areas that require the potential of micro-enterprises activation and reducing the risk. Several hypotheses were tested; two of them have been confirmed: first, that the performance of micro-enterprises is positively associated with the indicators of sub-regions potential; second, the existence of significant inter-regional asymmetry in the distribution of micro-enterprises increases the magnitude of the relationship between micro-enterprises intensity and risk indicators.

This article is fully based on official quantitative information published by The Federal State Statistics Service, analytical agencies, and experts. In the first part of the research, authors used to find the factors that characterize the micro-enterprise development in sub-regions of Russia in comparison with European countries. Simple instruments were used for this purpose such as descriptive statistics, cluster analysis, and hypothesis testing. The second part of the research is examining the possible relationship between the micro-enterprises development and

the investment potential ranks of sub-regions. Rank abundance curves, regression analysis were used for this relationship modeling. Indicators and models parameters are able to point out ahead of problem areas that require the implementation of special programs for the development of entrepreneurial activity.