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Large-Sized Enterprises in Russia: An Analysis of Federal Districts

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Abstract

The purpose of this article is the analysis of the distribution of large Russian enterprises between federal districts, including between Russian regions. The article shows heterogeneity and unevenness of geographical distribution of the large enterprises in Russia. The share of sales of large enterprises and the average amount of revenue varies within federal districts and in regions. This study pulled information for research purposes from indicators of accounting financial statements and tax reports of the large Russian enterprises for 2015. The First Independent Rating Agency is the supplier of the previously mentioned indicators. The results of this survey will allow for the analysis of the sector structure of large business in Russia. Further, it will allow for an estimation of the importance of large business for the Russian economy and its contribution to the economic growth and development of regions.

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1. Introduction

Today reversing the stagnation of the Russian economy and promoting its further growth and development directly depends on activity of the business sector. Both economists-theorists and businessmen speak about it. In economic science there is a set of theories about the importance of business for any national economy and this analysis includes the importance of large business. Many studies are devoted to the development of large business in Russia, problems of its functioning, its importance for the Russian economy. However, there is no uniform approach to understanding large business and to a specification of its signs. Moreover there is still no accurate reference criterion of the Russian business to apply successful principles from large and medium-sized business.

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J. Pappe and J. Galukhina (2009) conducted a complex study about Russian large business. In particular, they defined the term "large business" and at the same time differentiated the terms "large production" and "large enterprise". They apply to large business as such economic subjects that have significant effects on the national economy in general, or on its sectors. They consider large business as a basic component of an economic system and as its driving force. They also systematized forms of large business in Russia; in particular they called the integrated business group, the company, the independent enterprise.

N. Tyukavkin (2013) connects prospects of the development of Russian large business with the recurrence of economic events and processes that, in turn, allow periods of rise and recession in large business. This occurs up to its complete elimination. G. Makarova (2011) has another point in which she considers large Russian business as a factor which limits economic growth.

N. Zubarevich (2005) investigated stages of territorial development of large business in Russia, its influence on the economy, the nature of its penetration into regions, and also made comparative analysis of large business in Russian territorial regions. S. Sapozhnikova (2011) points out uneven placement of large sized enterprises among Russian regions. G. Sysoyev (2007), S. Mirosedi, V. Trofimov (2007), A. Kizim and Z. Vafayev (2008) focused on the necessity of integration of large and small business for the purpose of economic growth.

Small and medium business also acts as the important driver of Russian economic development, however its opportunities are not used to full advantage (V. Barkhatov, E. Nikolaeva, & I. Belova, 2016; V. Barkhatov, D. Pletnev, & A. Campa, 2016; V. Barkhatov & I. Belova, 2017). G. Kruminis and his colleagues investigated the influence of business on the economic growth of Latvia regions (G. Kruminis, I. Krumina, & S. Rozentale, 2015). A. Kirdasinov et al. have estimated the current state of large business in Kazakhstan (K Kirdasinova, A. Muftigaliev, etc., 2016). N. Langvinienė, I. Daunoravičiūtė (2015) have conducted an analysis of the factors impacting successful functioning of business in separate fields in Lithuania. Part of the economic community has the opinion of non-interference on behalf of the state relative to the functioning of large business. Another part of the community, conversely, considers that the state should regulate business. J. Haidar (2009) has studied the influence of business regulation reforms on economic growth in 172 countries. As a result of this research he established that each reform to business regulation leads to GDP growth of approximately 0.15%. Moreover, the studies published by S. Djankov, C. McLiesh, R. Ramalho (2006) and J. Haidar (2012) show that burdensome procedures of business regulation have an adverse effect on economic growth.

2. Methodology and data

The theoretical and methodological basis of this research is the scientific articles devoted to the problem of large, medium, and small business, their influence on economic growth, and the integration of small and large business as a key factor of economic growth in modern conditions. The data used in this study was pulled from indicators of accounting financial statements and tax reports of the large Russian enterprises for 2015. The First Independent Rating Agency is the supplier of above-mentioned indicators.

As methodical tools, we applied the general scientific methods of economic science including graphic and comparative analysis, synthesis, induction, and deduction systems approach have been applied.

3. Results

The information base of the research is the large sized enterprises of Russia. For the purposes of this study, we are upholding the criterion laid out by the "Russian Support Bank of Small and Medium Business" Joint stock company: a large enterprise is one with an annual revenue exceeding the most admissible level established by the Government of the Russian Federation for medium-sized enterprises. In particular, in Russia this sum is 2 billion rubles. Thus, based on these criteria the studied selection includes 8894 large enterprises. The distribution of the large sized enterprises between the federal districts is presented in Table 1 and in Figure 1.

Table 1. The large sized enterprises between the federal districts of Russia in 2015.

The federal district	Number of large sized enterprises	Sales, thousand rubles.	District share in the Russian sales, %
Northwestern Federal District	1137	14 724 808 584	11.0
Central Federal District	4493	81 087 524 884	60.6
Volga Federal District	1079	11 452 680 160	8.6
Southern Federal District	513	5 380 508 820	4.0
Ural Federal District	637	11 622 438 094	8.7
Siberian Federal District	639	6 721 014 692	5.0
Far Eastern Federal District	292	2 021 129 731	1.5
North Caucasian Federal District	104	738 689 105	0.6
Total	8894	133 748 794 070	100

Source: According The First Independent Rating Agency (www.fira.ru)

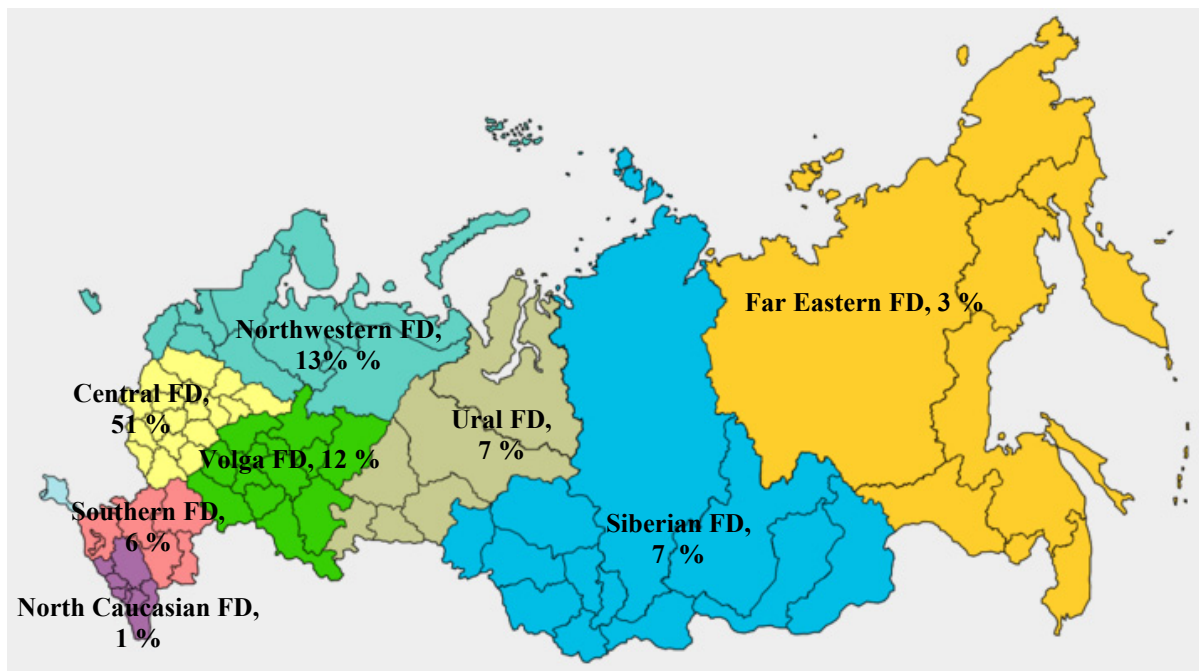


Fig. 1. Spatial location of the large sized enterprises in the Russian Federation (2015)

Source: According The First Independent Rating Agency (www.fira.ru)

Table 1 and Figure 1 show a number of conclusions. Firstly, there is uneven spatial distribution of the large enterprises in Russia. More than a half of the large enterprises are concentrated in the Central Federal District where the administrative center is Moscow. The distribution of other large enterprises for districts also differs, being characterized by heterogeneity and unevenness. Some pattern is discernible: the degree of concentration of the large enterprises in a district decreases relative to the territorial distance from the district's center.

Secondly, the geographic area of a district's territory does not influence the number of large enterprises in it. The overwhelming majority of the large enterprises is concentrated in the Central, Northwestern, and Volga federal

districts though the size of the occupied space of each one is less than the Ural, Siberian and Far Eastern federal districts.

Thirdly, the share of sales of the large enterprises of the district in total sales of all large enterprises decreases because of the fewer number of large enterprises in it. The only exception is in the Ural Federal District where the number of large sized enterprises is only 2 units less than in the Siberian Federal District, and the share of sales at the same time is 3.7% more. Such distribution patterns of large enterprises between the federal districts involuntarily leads to a thought that all large business is concentrated at the center, and on the periphery the small and medium enterprises should dominate and develop. But is it the reality? Perhaps this is the case only so far as the distribution promotes the achievement of regional welfare and its economic growth. We will try to find answers these questions in our further projects.

Further in more detail we will consider the distribution of the large enterprises within each federal district between the regions. The distribution of the large sized enterprises in the Central Federal District is presented in Figure 2.

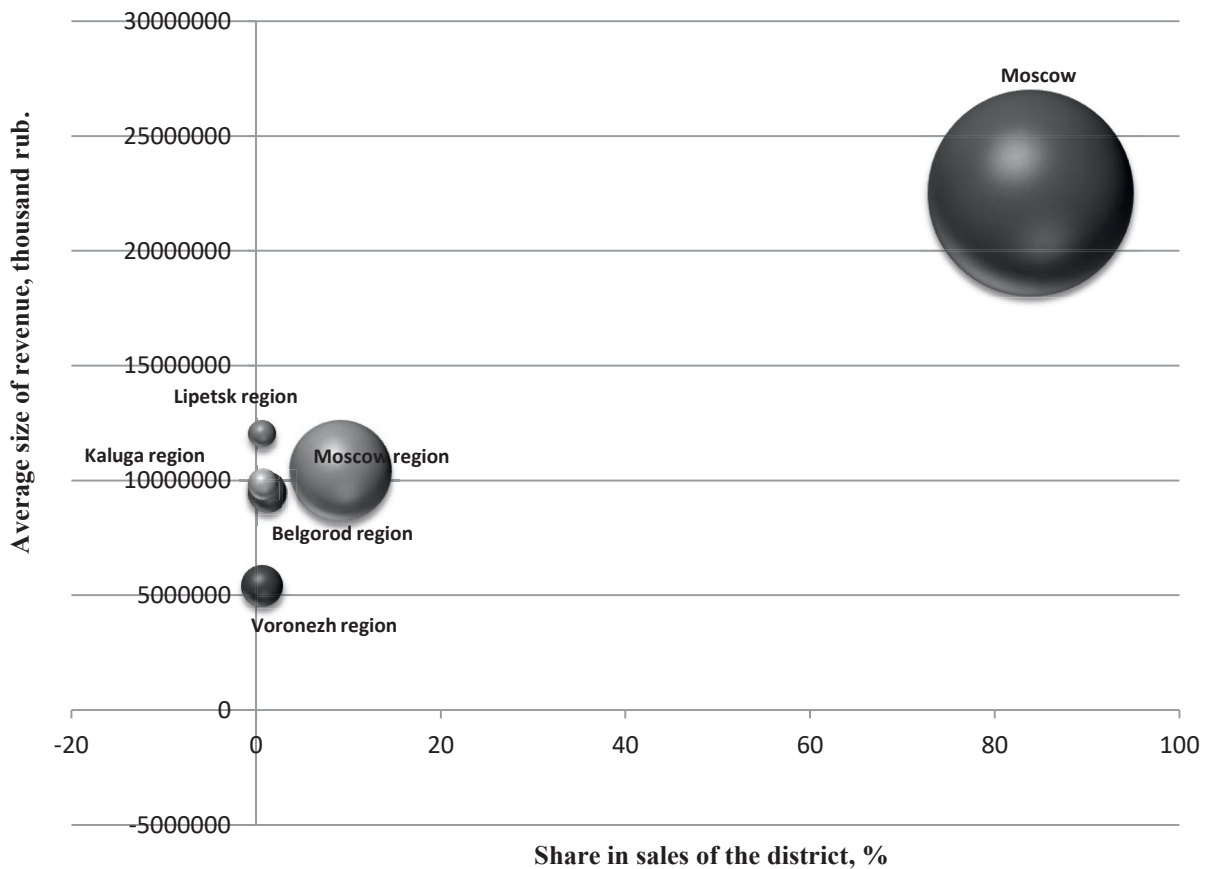


Fig. 2. Distribution of the large sized enterprises in the Central Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

The feature of distribution of the large enterprises in the Central Federal District shows a concentration of more than 67% of the large enterprises of the district in Moscow. Moscow dominates the shares of sales with about 84% of the total. About 9% of sales in the district are performed by the enterprises functioning in the Moscow region. Despite various numbers of the large enterprises in the Belgorod, Voronezh, Kaluga and Lipetsk regions, the share

of their sales is significantly lower at only approximately 1% each. In 12 other regions of the Central Federal District the share of sales makes less than 0.8%, therefore they haven't been shown in Figure 2. As for the average size of revenue in this district, its greatest value is reached by the large enterprises in Moscow. That means that not only the large number of the enterprises, but also a share of the enterprises with the greatest sales is concentrated in this region.

The distribution of the large sized enterprises in the Northwestern Federal District is presented below in Figure 3.

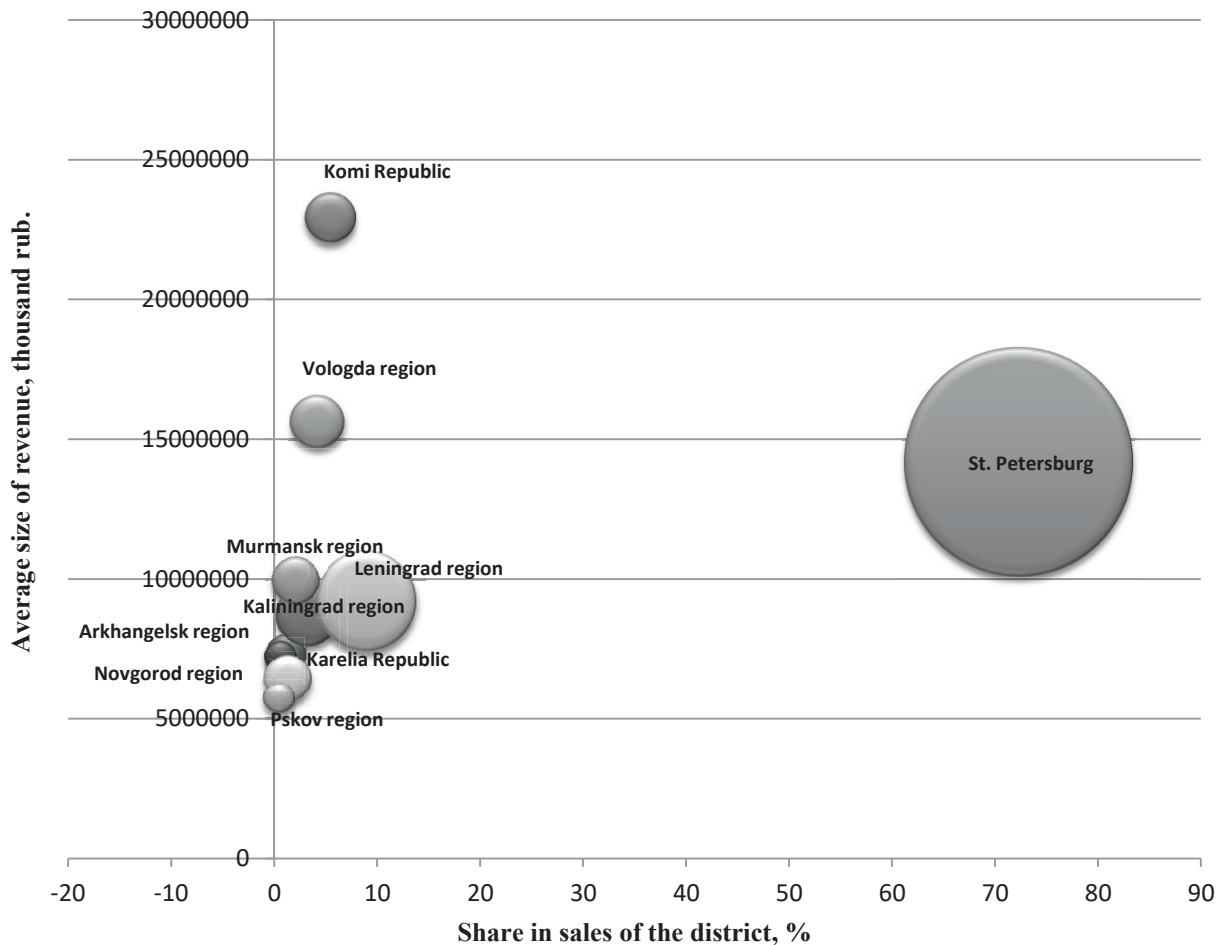


Fig. 3. Distribution of the large sized enterprises in the Northwestern Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

The situation in the Northwestern Federal District is similar to the one that we observed in the Central Federal District. The greatest number of the large enterprises, 66%, is concentrated in St. Petersburg with shares of sales nearing 72%. About 9% of sales of the district are performed by the enterprises from the Leningrad region, 5.4% – from the Komi Republic. About 14% of the large enterprises of the Northwestern federal district are distributed in 7 other regions. Despite a small number of the large enterprises, the largest average size of revenue is observed in the Komi Republic. Curiously, we do not observe this in the administrative center of the district. Special features of the territorial concentration of the large enterprises in the Central and Northwestern federal districts demonstrate an

essential distortion towards the administrative centers of these districts. Subsequently, this leads to a non-uniform distribution in the remaining regions in the district.

The distribution of the large sized enterprises in the Volga Federal District and the Siberian Federal District is presented in the Figures 4 and 5, respectively.

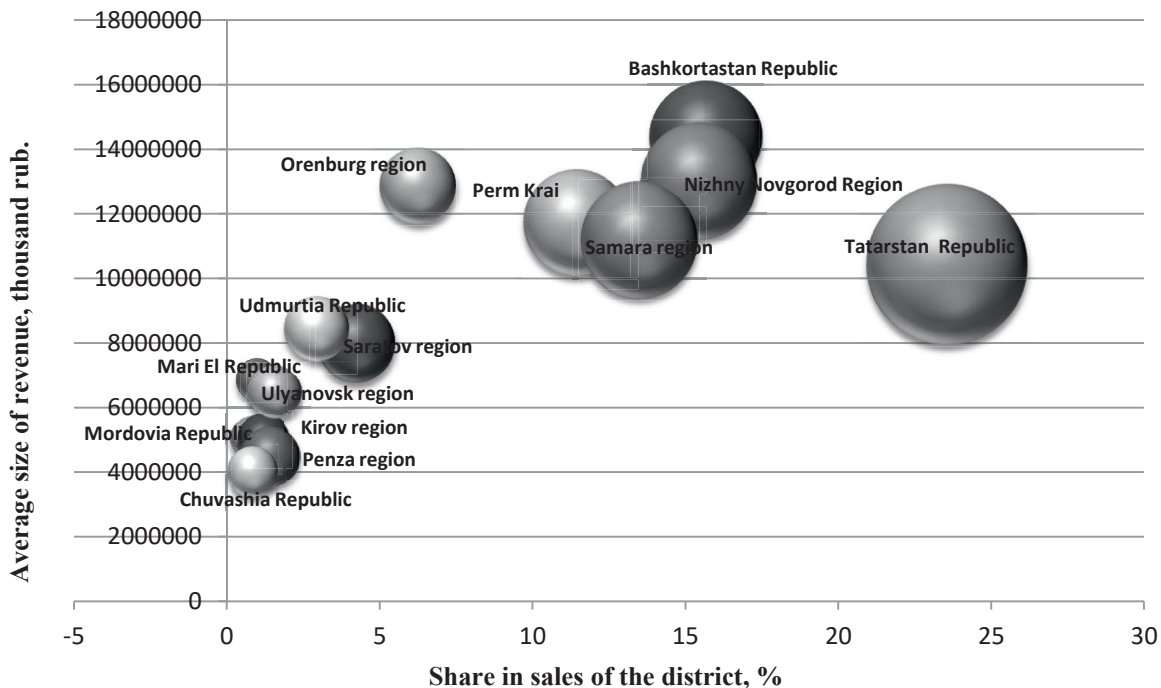


Fig. 4. Distribution of the large sized enterprises in theVolga Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

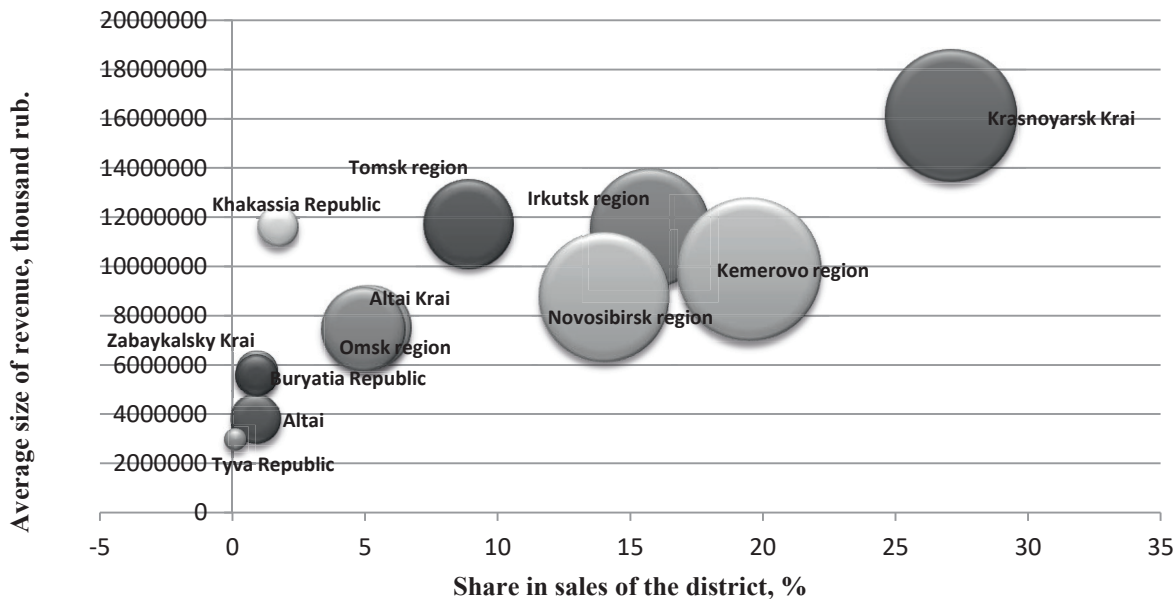


Fig. 5. Distribution of the large sized enterprises in the Siberian Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

Figures 4 and 5 show a greater number of regularity of the large enterprises location in the two districts. In particular, it is possible to note their more uniform distribution in regions. This regular distribution occurs in both number of the enterprises, and the share of sales in the district. Besides, the common feature of these two districts unlike Central and the Northwest, is the concentration of the large enterprises not in the administrative centers, but in other regions, which appear to be the most attractive to large business. The largest average size of revenue of the large enterprises for both districts is in range of 1000000 - 1800000 thousand rubles. The essential distinction between these districts is only in the significantly higher number of large enterprises in the Volga Federal District (1079 against 639).

The distribution of the large sized enterprises in the Southern, Ural and North Caucasian federal districts is presented in Figures 6, 7, and 8 respectively.

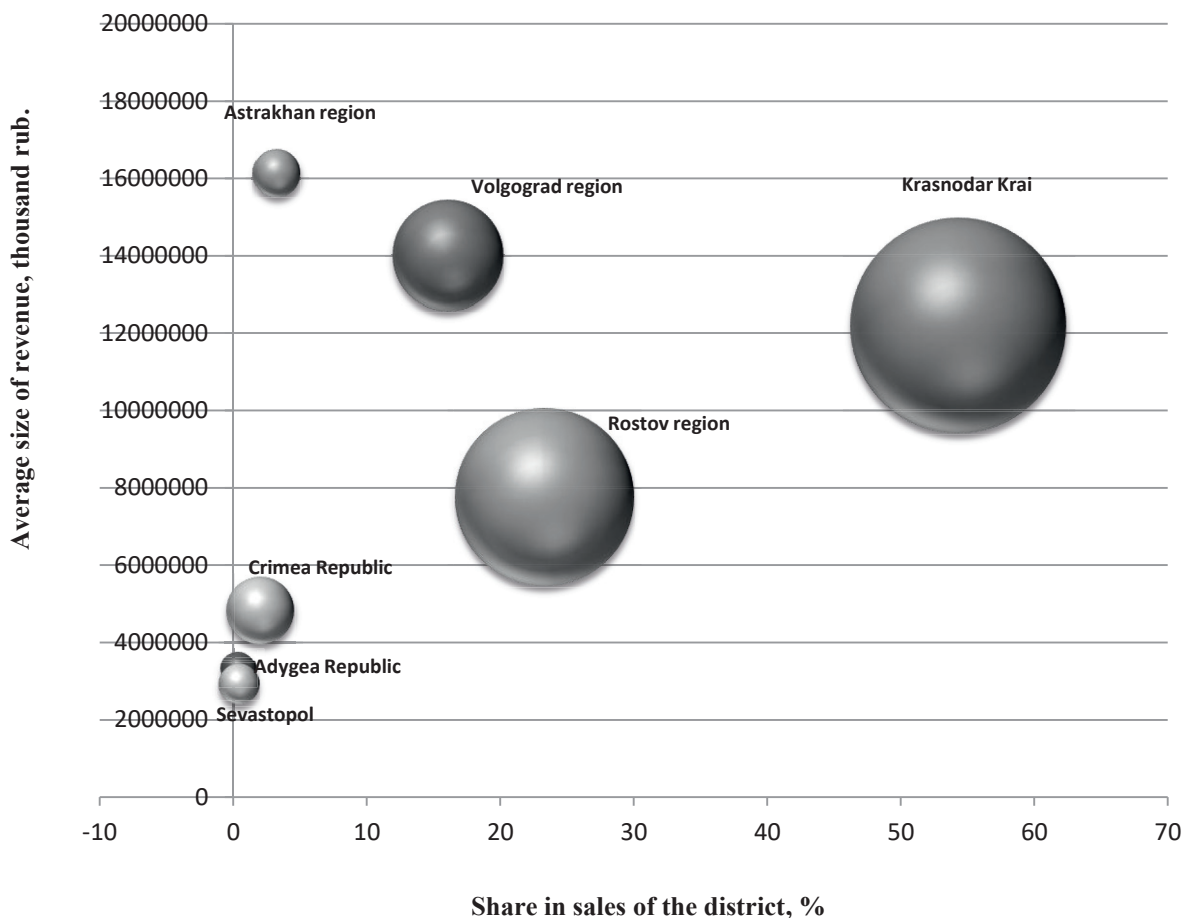


Fig. 6. Distribution of the large sized enterprises in the Southern Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

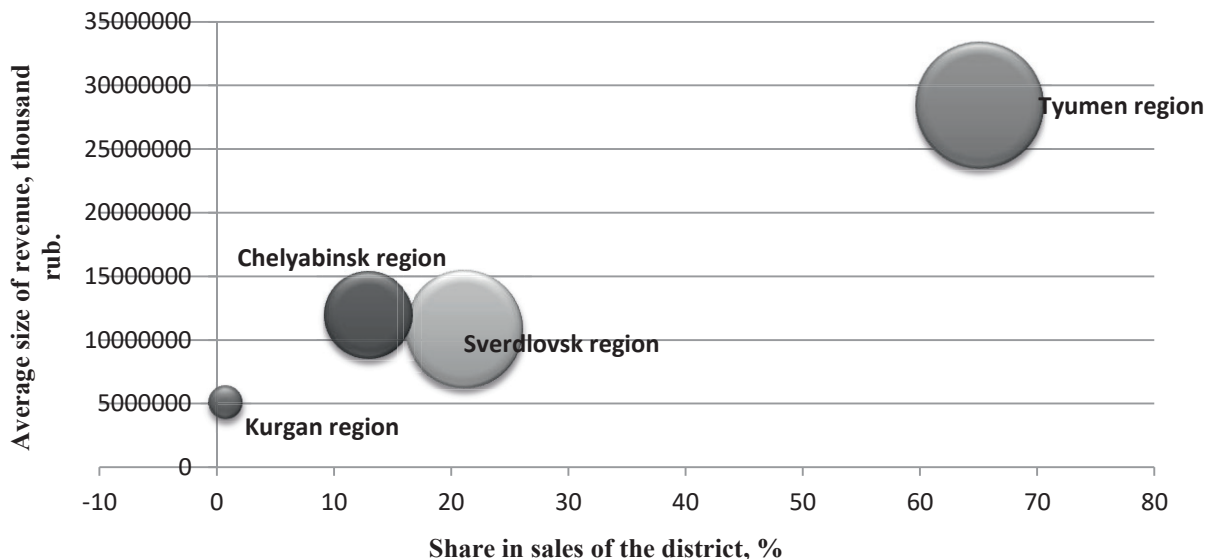


Fig. 7. Distribution of the large sized enterprises in the Ural Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

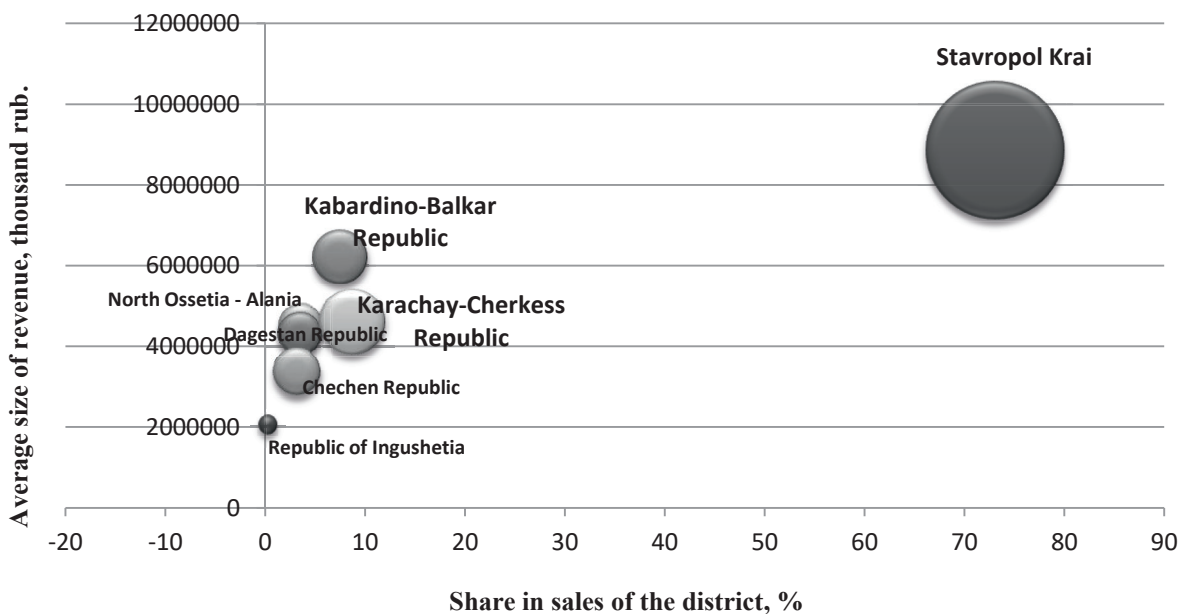


Fig. 8. Distribution of the large sized enterprises in the North Caucasian Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

Figures 6, 7, and 8 show a number of conclusions. Firstly, the concentration of the greatest number of the enterprises with the greatest share of sales is observed in only one region in each of three districts. Secondly, the distribution of the large enterprises is also non-uniform in other regions of these districts. Thirdly, only in one federal district, namely in the Ural, the absence of the large enterprises in two regions of the district (The Khanty-Mansi and Yamal-Nenets autonomous areas) is observed. Fourthly, in the Tyumen region of the Ural Federal

District the largest average size of revenue in comparison with all other examined districts of Russia is observed. And at last, despite an essential difference in concentration of number of the large enterprises in the Southern and the Ural federal districts over the North Caucasian Federal District (513, 637 and 104 respectively), the nature of distribution of these enterprises in the district identical.

The distribution of the large sized enterprises in the Far Eastern Federal District is presented in Figure 9.

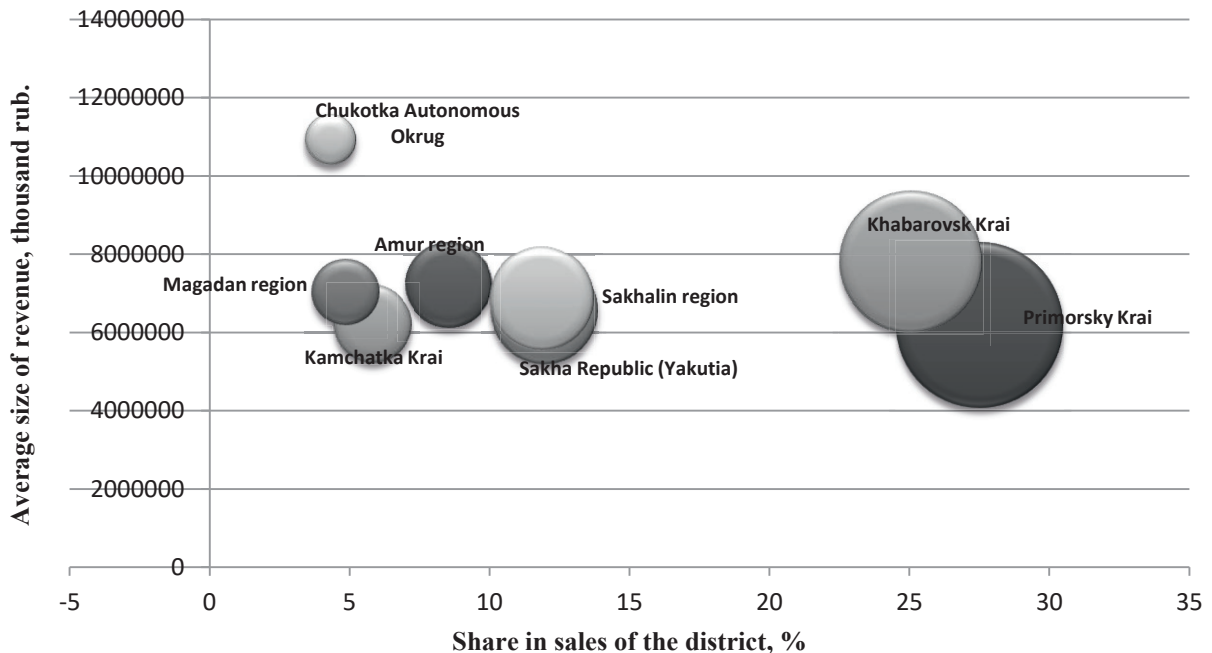


Fig. 9. Distribution of the large sized enterprises in the Far Eastern Federal District (the size of "bubble" corresponds to number of the large enterprises in the region), 2015

Source: According The First Independent Rating Agency (www.fira.ru)

Figure 9 exhibits the district with the most uniform distribution of the large enterprises between regions within the district. At the same time the average sizes of revenue of the majority of regions (the exception makes Chukotka Autonomous Okrug) are similar as well, getting to the range of 6000000-8000000 thousand rubles. Moreover, all regions have a share of sales more than 4.5%. This has not been observed in the other districts where the variation of a share of sales is significantly higher.

4. Conclusion

As a result of the research we can declare the following. Firstly, distribution of the large enterprises in the geographical space of Russia has non-uniform and uneven character. The largest part of the large enterprises (about 51%) is concentrated in the Central Federal District. There is one more regularity here: the degree of concentration of the large enterprises in a district decreases relative to the territorial distance from the center. At the same time the area of the district's territory does not impact the number of the large enterprises in it. Secondly, the large enterprises are present at 83 territorial subjects (regions) of the Russian Federation. The exceptions to this observation being the Khanty-Mansi and Yamal-Nenets autonomous areas of the Ural Federal District. Thirdly, the concentration of the large enterprises is the greatest in the administrative centers of only three federal districts (the Central Federal District, Northwestern Federal District, and North Caucasus Federal District). Fourthly, more

uniform distribution of the large enterprises within the district is observed in only three federal districts: the Volga Federal District, the Siberian Federal District, and the Far Eastern Federal District. The essential differentiation in distribution of the large enterprises is peculiar for the Central Federal District and the Northwestern Federal District. Fifthly, the share of sales of the large enterprises of the district in total sales of all large Russian enterprises decreases because of in the smaller number of the large enterprises in it.

As for the reasons explaining such uneven distribution both between federal districts, and between regions within each district we can tell the following. First of all, there are varying investment opportunities and investment climates of each territory. The concentration of large business is higher in that region where the optimal investment climate and economic potential is met. Besides, an essential role in concentration of large business in this or that region is played by the structure of economy in the region, the existence of raw material resources, and the opening of new fields. Other factors include favorable climatic conditions, stability of a socio-political situation, development of market infrastructure, existence of effective strategy of social, as well as the economic development of the region, etc.

The results concluded in this research will act as the basis for further scientific examinations. In particular, these results will allow the analysis of sector structure of the large Russian business to be carried out. One outcome may be the estimation of the importance of large business for the Russian economy and its contribution to economic growth and development of regions.

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