

Local Communities as a Potential for Self-development in Resource Regions of Russia

N.M.Sysoeva
*Irkutsk Scientific Center SB RAS,
 Sochava Institute of Geography SB RAS*
 Irkutsk, Russia
 syssoeva@oresp.irk.ru

S.I.Violin
Irkutsk Scientific Center SB RAS
 Irkutsk, Russia
 sviolin78@gmail.com

Abstract—This paper deals with the sector of a regional economy that is related to local population's activity. This sector is considered 'embedded' and can be characterized by the share of personal income derived from entrepreneurship and property ownership. The importance of intellectual types of activities of workers with high level of education is emphasized. Authors of programs for socioeconomic development need to pay special attention to creating markets for business services to keep the population, especially highly educated young people, attached to the local territory. The program measures should include stimulating the establishment of strong ties between outside corporations on the one hand and local enterprises and scientific community on the other.

Keywords—*embeddedness, human potential, intellectual services, local community, regional entrepreneurship, residential sector.*

I. INTRODUCTION

Natural resources are often the primary source for growth in strategies for socioeconomic development on all levels. In regional strategies and economic development programs, there has been adopted a passive view on local population as workforce and consumers of produced goods and services not as the main actor. On the other hand, one of the primary goals of regional and local authorities, the indicator of their efficiency and effectiveness, is entrepreneurship development and expansion of small and medium-sized enterprises (SMEs). However, reliance on entrepreneurship is not feasible apart from viewing local community as a subject of socioeconomic development, not as a factor of production.

Understanding regional community to be an independent actor in local socioeconomic development requires identifying the part of the economy that depends on activities of local residents, their potential and established networks of interaction.

In transition economies, outside corporations have acquired local enterprises within sectors of regional economic specialization in most regions. This is particularly true for the regions specializing in extraction and semi-processing of mineral resources—industries characterized by high concentration of capital. The rest of the economy has not even been assigned a specific term to this point and exists as an antithesis to corporations' activities. Research that studies relationships between large enterprises and local economies for the most part contrast the two types of economic agents. For example, V. Nefedkin calls them extraterritorial and local agents correspondingly, the latter being economically closely aligned with the territory [13]. V. Tsvetkov identifies regional corporations, i.e. integrated into

the internal environment of the territory, as opposed to vertically integrated corporations [21].

II. MATERIALS AND METHODS

In order to identify the economic sector related to activities of local residents the institutional approach has been adopted. The most important attribute of this sector—alignment with the local community—is called embeddedness, which echoes the term used in the institutional branch of economic sociology. The principle of embeddedness has been first introduced by K. Polanyi [16] as a characteristic of "embeddedness" of economics into social relations and further developed by M. Granovetter [5] through the notion of social networks. Summarizing the extensive volume of work by the followers of Polanyi and Granovetter M. Hess identified the so-called "territorial embeddedness" by which he emphasizes the importance of locality, or territoriality, in unveiling the dependence of economic behavior on social environment [7].

The concept of embeddedness has received much attention in Eastern European countries in the analysis of economy transformation during the post-Soviet period. It has given rise to the study of relationships of local communities with outside corporations, development of new local industries, and promotion of creative and innovative aspirations of local entrepreneurs [4, 8, 11, 20]. In the contemporary scholarly work, the term "embeddedness" is used, among other fields, in the studies of networks as social capital [1, 6, 12, 17, 19, 23 and others] and regional identity [10, 22 and others].

In the context of the stated problem of regional development, embeddedness forms the natural basis for interaction among local community members concerning the use of resources. Regions dependent on natural resources serve as a periphery to large corporations. Thus, a key aspect for such regions is not the form of such interactions but a sufficient number of them, i.e. existence of well-developed networks of interaction among local residents. This approach allows us to rely on local human potential as opposed to the traditional approach associated with natural resources abundance or accumulated industrial potential of a region.

The criteria for residential or embedded sector identification should be formulated based on the level of property ownership or participation in entrepreneurial activity of local community residents. However, official statistics lack available data on any type of property ownership on a regional level. Besides that, the level of participation of local population in entrepreneurial activity can only be estimated using the general data on SMEs, which is not, however, identical to local entrepreneurship. That is

why in distinguishing this sector from others and in assessing its level of development we have relied not on production but on the characteristics of the local community itself.

The Russian system of statistics contains data on the structure of personal income by regions of the country that includes income derived from ownership and entrepreneurial activity. Combination of these two sources of income is considered in this paper to be a criterion for the subjective role of local communities in market-based development of a regional economy. This criterion can be used to estimate the general trends of local population participation in entrepreneurship and property ownership across the country, as well as of the degree of business embeddedness across different types of regions and federal districts. Social interactions and networks formed on their basis connect a local community with the outside world. Embeddedness provides a theoretical background for incorporating outside economic actors in the fields of regional specialization into these interactions. Such incorporation is achieved through an increase in outside actors' dependence on a regional institutional environment and subcontract relations with local industries [15].

III. RESULTS

Regional entrepreneurship has been traditionally analyzed in the form of SMEs. Enhancement of this sector is widely declared the driver for economic development, especially the regional one. Nevertheless, entrepreneurship as such cannot be considered an indicator of the local territory's development. It can reflect not only a market-based economic behavior of the population but also difficulties of market entry. Shares of income derived from entrepreneurship in the regions of Siberia juxtaposed with the per capita indicators of the Gross Regional Product (GRP) are presented in Fig. 1. Regions with higher per capita GRP, as a rule, have a lower share of the economically active population (in the sense we defined earlier). Regions with lower per capita GRP (right side of the figure) are most often characterized by involuntary entrepreneurship in the absence of other sources of income. The progress, however, is driven by voluntary entrepreneurship that provides a person with a higher social standing and material well-being in comparison with standard employment [3].

The key problem in business undertakings is the identification of promising areas of activities, which implies a search for potential markets for goods and services. Most of the embedded business activity is associated with the redistribution of funds derived either from business of industries of regional specialization or budget transfers.

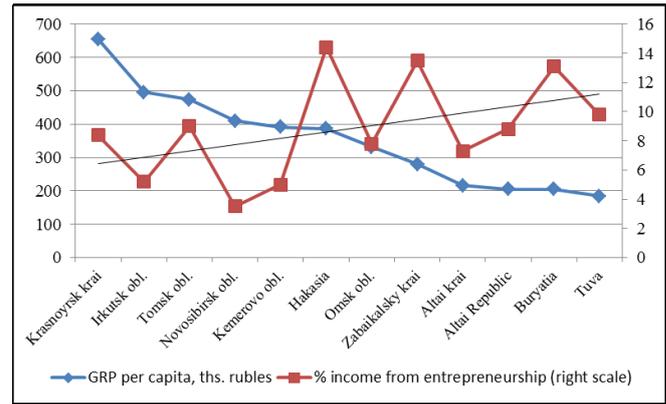


Fig. 1. Gross Regional Product and the Level of Entrepreneurship in the Regions of Siberia [18]

According to the survey of SMEs conducted by the Federal Service of State Statistics (Rosstat) for the years of 2010 and 2015, the predominant field of occupation for both legal entities and individual entrepreneurs is, as one would expect, trade and repair followed by operations with real estate, leasing, and services in that field.

Russian scholars' studies of the quaternary sector [2, 9] identify the so-called intellectual services, of which we have chosen four types included in the survey. Table 1 presents data on these types of services across the largest regions of Siberia in which the share of extractive industries in the economy is higher than in Russia as a whole. The last two columns represent activities that foster economic development through their innovative potential.

TABLE I. SHARE OF INTELLECTUAL SERVICES IN THE STRUCTURE OF SME IN RUSSIA (LEGAL ENTITIES), %

Year	Financial Services		Operations with Real Estate		Computing and Information Technologies		Scientific Research	
	Employment	Revenue	Employment	Revenue	Employment	Revenue	Employment	Revenue
Russian Federation								
2010	0.7	1.5	5.9	4.3	1.3	1.0	0.5	0.4
2015	1.0	1.1	7.7	4.0	2.0	1.1	0.7	0.4
Kemerovo oblast								
2010	0.7	1.1	10.2	2.9	1.0	0.5	0.3	0.2
2015	1.0	1.2	10.3	4.9	1.1	0.5	0.2	0.2
Krasnoyarsk Krai								
2010	0.8	1.1	6.8	3.7	1.1	0.5	0.2	0.1
2015	1.0	1.0	8.0	4.9	1.3	0.6	0.3	0.1
Irkutsk oblast								
2010	0.7	0.7	7.3	4.6	1.1	0.5	0.1	0.0
2015	0.9	0.4	8.3	4.5	1.2	0.4	0.2	0.2

Most of the parameters demonstrate positive trends in the development of these types of services. However, the share of those employed in the field of computing and information technologies in eastern regions of the country is lower than in Russia as a whole and the share of those employed in the field of scientific research is lower in all of the aforementioned regions than in the country as a whole. The latter occurs in spite of the fact that in each of the three regions scientific centers of the Russian Academy of Sciences operate.

IV. DISCUSSION AND CONCLUSIONS

The industries selling goods and services outside a region and accumulating financial and other effects from their economic activity on the territory of the region are of high importance to regional economic growth. The industrial specialization of SMEs is getting attention of regional authorities predominantly in the form of infrastructure support (such as industrial parks). However, small enterprises of this kind are not capable of growing larger because they are locked up in the existent industry structure that in resource-based and industry-based regions is dominated by large corporations. Local business finds its niches in servicing such industries, sometimes with the assistance of regional authorities. However, these enterprises are easily acquired by corporations and thus are removed from the residential sector. This doesn't encourage growth of the GRP because, as V. Nefedkin [14] points out, concentration of the corporate power in regions leads to a diminishing regional content produced by regional subsidiaries of large corporations and to a decrease in the regional component of generated value added. However, perception of the population as a subject of regional economy leads to the region's residents being more interested in those types of activities that rely on human potential, qualitative characteristics of agents themselves, their level of education, motivation and life experience. Unique role here is played by intellectual types of activities that, on the one hand, allow for the fulfillment of individual aspirations shaped by the level and quality of education and, on the other hand, do not require such levels of investment as material production, i.e. they are more affordable financially.

Intellectual activities are the hardest in terms of control for revenues, i.e. revenues are often higher than reported. In the case with the tax for imputed income, revenues only reflect the minimal estimation of the entity's profits. Besides, the last two activities in Table 1 have also been affected by the fact that the Federal Act No. 94 that regulates purchases by the State places price as the main indicator for state purchases at the expense of the quality of service [9].

At present, local and regional authorities in Russia develop their strategies and programs with the focus on corporate plans 'pressing for' indirect effects for the territory, mostly of social nature, at best providing work opportunities for local enterprises in related industries. Regional authorities ought to shift the emphasis in the analysis of drivers for territorial development putting the population's interests and potential, promising areas of entrepreneurial activity and its financial and investment resources above all else, which is most important in regions with the population outflow.

Pursuit for new opportunities requires not only wide public discussion of promising niches but also the disclosure of actual data on resources related to property, land, and capital. Opacity of such information intensifies the alienation of the largest part of the population, inhibits development of social networks, lowers the level of trust in a business environment, and encourages corrupt practices and cronyism. All this negatively affects overall competitiveness and effectiveness of a regional economy.

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