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FACTORS DETERMINING ENTERPRISE LOCATION CHOICE IN RUSSIA

Abstract:

This paper studies determinants of enterprise location decisions in Russia, such as agglomeration levels, home market potential, transport infrastructure and institutional environment. Results confirm that agglomeration levels and home market potential affect foreign firms' location choice and probability that national firms will work in a city. Urbanization economies and home market potential positively affect location choice; localization economies have an inverted U shape. Estimation shows that foreign enterprises are interested in large demand. Under assumption that there are more innovations in diversified cities and cities with favourable business climate, strategic asset seeking might be present. The study confirms negative impact of regional business environment risks on foreign firms' location choice. Results will be useful for regional policy aimed at business development and attracting foreign direct investment.

Keywords:

enterprise location choice, cities, agglomeration economies, home market potential, business environment, foreign direct investment, Russia

JEL Classification: O12, R12, F21