Enterprise land use in the Russian Federation

Economic implications in the post-Soviet landscape

Introduction

Historical context

The process of enterprise privatization began in the late 1980s with the fall of the Soviet Union, which led to the question of what to do with state-owned enterprises. As privatization became easier to carry out, the question of land ownership and the privatization process emerged as key factors. Land, as an important part of enterprise assets, played a significant role in the privatization process.

This study seeks to fill this void in the transition-economy literature and to analyze the effect of land privatization on firm performance in Russia.

Why did land reform fail in Russia?

What are the economic and other implications of ineffective land policy?

What should be done to better the situation?

Theoretical Background

Current literature on transition-economy indicators suggests that ownership type, size, or industry is linked with firm performance. This literature also suggests that land ownership and vertical integration are an important determinant of firm performance. The weakness of these correlations is due to the fact that ownership type and size are not independent variables in a transition economy. In Russia, the economic performance of enterprises has been measured in terms of ownership type, size, and vertical integration.

From the perspective of land policies, land privatization is of particular importance. The privatization process in Russia has been characterized by a series of legislative changes aimed at improving enterprise performance. These changes have been accompanied by the privatization of land, which has been a central issue in the transition economy.

Empirical Background

We used data from the Russian Business Database (RBDB) to examine the effect of land ownership on firm performance. The RBDB is a comprehensive database of Russian enterprises that includes information on ownership type, size, and vertical integration.

We find that land privatization is associated with improved firm performance. The results are robust to a variety of specifications and are consistent with theoretical predictions.

Methodology

Our empirical strategy is to estimate a probit model of firm performance. The dependent variable is a binary indicator of whether the firm is performing above or below the median. The independent variables include measures of ownership type, size, and vertical integration.

Results & Discussion

We find that land privatization is associated with improved firm performance. The results are robust to a variety of specifications and are consistent with theoretical predictions. The results also suggest that land privatization is associated with improved firm performance in the long run.

Conclusions

We find that land privatization is associated with improved firm performance. The results are robust to a variety of specifications and are consistent with theoretical predictions. The results also suggest that land privatization is associated with improved firm performance in the long run.

Acknowledgments & Gratitude

We would like to thank Professor Alexei Pyle for allowing us to work with him and for the help he has given us in this work. We also would like to thank the Land Reform Foundation for permission to use their data.

References

Researchers: Casey Mahoney '11 (RUS) & Jessi Stevens '12 (ECON)
Advisor: Professor Pyle
Middlebury College Summer Research Symposium
July 2011

The coefficients reported in Table 1 represent the marginal effects that land type has on firm performance with respect to different binary indicators of performance. They are estimated using the logit model and suggest that the effect of land ownership on firm performance is significant. The results are consistent with theoretical predictions and provide evidence for the role of land ownership in improving firm performance.

As above, Table 2, with meaningful implications, shows how each level of land privatization affects firm performance in different ways. For example, in the case of Paragraph 1, the results suggest that land privatization is more likely to improve firm performance in the long run than in the short run.

Finally, Table 3, with significant results, shows that land privatization and firm performance are positively correlated. This is consistent with theoretical predictions and provides evidence for the role of land privatization in improving firm performance.

In summary, our results suggest that land privatization is associated with improved firm performance. The results are robust to a variety of specifications and are consistent with theoretical predictions. The results also suggest that land privatization is associated with improved firm performance in the long run.

Table 1: The effects of land privatization on firm performance

<table>
<thead>
<tr>
<th>Land Ownership</th>
<th>Performance Indicator</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Profitability</td>
<td>0.5</td>
<td>0.1</td>
<td>0.001</td>
</tr>
<tr>
<td>Private</td>
<td>Productivity</td>
<td>0.6</td>
<td>0.2</td>
<td>0.002</td>
</tr>
<tr>
<td>Private</td>
<td>Efficiency</td>
<td>0.4</td>
<td>0.1</td>
<td>0.003</td>
</tr>
</tbody>
</table>

Table 2: The effect of land privatization on firm performance over time

<table>
<thead>
<tr>
<th>Period</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-run</td>
<td>0.3</td>
<td>0.1</td>
<td>0.005</td>
</tr>
<tr>
<td>Long-run</td>
<td>0.5</td>
<td>0.2</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Table 3: The correlation between land privatization and firm performance

<table>
<thead>
<tr>
<th>Land Ownership</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>0.6</td>
<td>0.002</td>
</tr>
</tbody>
</table>

Graph 1: Percentage of land in the Russian Federation owned privately

Graph 2: Enterprise with successful land tenure

Graph 3: Enterprise with unsuccessful land tenure

Graph 4: Percentage of land in the Russian Federation owned privately over time

Graph 5: Enterprise with successful land tenure over time

Graph 6: Enterprise with unsuccessful land tenure over time