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**POTENTIAL OF ETHNIC ECONOMY IN KRASNODAR REGION  
AND REPUBLIC OF ADYGEA**

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*Abstract*

The differentiation of Russian regions in a number of key social and economic areas results not only from natural differences and the history of development but also from the economic culture level of ethnic groups and the development of the native economic system. The problem of enhancing the development of regions is correlated with the problem of preserving the ethnic diversity and the specificity of economic models of ethnic groups. The solution to these problems is in the implementation of an ethnic economy model in the economic system of regions which can decrease their diversification while preserving ethnic specificity. Therefore, stable economic development of a territory can be achieved by already existing or emerging segments of the economy, where the ethnic economy belongs. The article assesses the potential for reproduction in the ethnic economy of the Krasnodar region and the Republic of Adygea as two agricultural regions of Russia. The analysis showed that territories in question have a high share of the ethnic economy. Both regions are marked with a low level of rural population employment and weak urbanization, which stimulates the growth of the ethnic economy in the territory of the region. The ethnic economy in the analysed regions is actively developing but its potential is not fully used. The authors think that it is necessary to brand the ethnic economy sector of Krasnodar region and the Republic of Adygea and support ethnic entrepreneurs in cooperation and advancement of their product to markets of other regions.

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**Keywords:** Ethnic economy, the potential of a territory, subsistence farming.



## **1. Introduction**

The importance of the topic is due to several factors. The active use of green technologies in the economy of regions enhances the interest for ethnic economy. For example, the households involved in ethnic entrepreneurship use local lands for farming more rationally. On the one hand, it stimulates the development of small-scale entrepreneurship in the countryside and provides opportunities for self-employment in the regions with employment problems. On the other hand, it allows to save and reproduce natural resources, based on traditional agricultural methods.

The multiethnicity of many Russian regions contributes to the necessity of ethnic methods for farming and that's why it is necessary to consider current institutional limitations, constraining the development of an ethnic economy.

## **2. Problem Statement**

As it is known, households are the main economic agents in which assets are formed and accumulated and which become the basis of economic development for the whole economic system of a territory (Ketova & Ovchinnikov, 2014; Perova, 2016; Akhmetov, 2018). Households possess private estate, land, transport means, and equipment. The main asset of households is the land, which can be privately owned.

Usually, the territory of households is occupied by both residential buildings and production facilities, including makeshifts, summer kitchens, and sheds, etc. About 90% of the population in the Krasnodar region and the Republic of Adygea has private transport. Land plots belonging to households in the settlements can be occupied by several production facilities, ranging from 1–2 buildings and more. This indicates that traditional forms of economy prevail in the studied regions of the Russian Federation.

Thus, we can say that the households of the Krasnodar region and the Republic of Adygea have assets that allow them to carry out economic activities, satisfying the basic needs of families.

The population of the studied regions cultivates the land plots during spring and autumn. Fruits, vegetables, and berries, as well as dairy and meat products, produced in this period, are sold in the local markets of settlements and cities in the Krasnodar region and the Republic of Adygea. Thus, people participating in household activities can acquire both farming and entrepreneurship skills that encourage the development of ethnic entrepreneurship. Because these are individual entrepreneurs involved in low scale farming where a huge segment of the ethnic economy comes from (Klochko & Prokhorov, 2016; Kolesnikov & Darmilova, 2018).

## **3. Research Questions**

The subject of this research is economic relations appearing in the process of transformation of the ethnic economy in the Southern regions of Russia in the current context of systemic changes.

## **4. Purpose of the Study**

The aim of this research is to assess the potential of reproduction in the ethnic economy and to

develop recommendations to activate its development in the Krasnodar region and the Republic of Adygea.

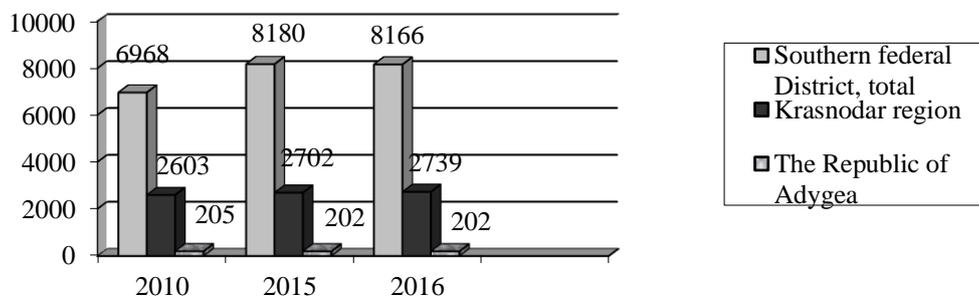
## 5. Research Methods

The methodology that forms the basis for the theoretical model of ethnic economy functioning in the economic sphere of the territory was formulated in the works by Grunberg (2011), Kolesnikov (2017), Ovchinnikov (Ovchinnikov & Ketova, 2016). The ethnic economy aspects of economic system development in the context of globalization were covered in the works of Akhmetov (2017), Panikarova (2012), Surnina (2012), Pechura (2012), Sadovoy (2017, 2018). We must note the diversity of approaches used to describe certain sides of the research theme in the works. However, the theoretical, methodological and applied aspects of research in an ethnic economy as a component of a meso-level economic system localised in particular territory is still on the periphery of research.

The article uses systematic, monographic, structural and logical methods of research as well as expert assessment. Each method is used with respect to its functionality.

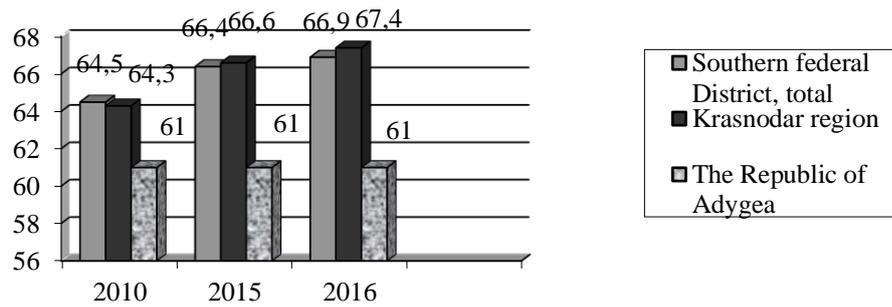
## 6. Findings

To assess the ethnic economy potential of reproduction we need to analyse the labour force in the Krasnodar region and the Republic of Adygea (fig. 1). Analysing the amount of population included in the labour force we should note its growth in the Krasnodar region and stability in the Republic of Adygea for the studied three-year period.



**Figure 01.** The amount of labour force in the studied regions of Russia, thousands of people

Notably, that gradual increase in the amount of population participating in the labour force of the Krasnodar region is connected with the growing rate of employment in the ethnic economy of the region (fig. 2).



**Figure 02.** The amount of population participating in the labour force of the studied regions of Russia, %

If we analyse the structure of employment in the analysed regions we can see a big share of the agricultural sector in the economy of the regions, which is characteristic of the ethnic economy sector (table 1).

The lowest employment rate in both regions is indicated in the mining sector. The second place belongs to hotels and restaurants in the Republic of Adygea – with 3,3 thousand people working in this area. The same place is occupied by the production and distribution of electric energy, natural gas, and water in the Krasnodar region – with 65,5 thousand people employed. The results of the regions in question correlate with the Southern Federal District average. The district is characterised by a high share of the ethnic economy. Thus, the analysis showed that the territories in question have a high share of the ethnic economy which is due to the low level of high-technology industries and the lack of natural resource industries. In turn, this will affect the income of the population in the Krasnodar region and the Republic of Adygea.

**Table 01.** Annual average distribution of employed people in the economy of the studied regions of Russia, thousands of people

The region of the Russian Federation	Agriculture, hunting and forestry; fishing, fish farming	Mining	Manufacturing	Production and distribution of electricity, gas and water	Building	Wholesale and retail; repair of vehicles, motorcycles, household appliances and household goods	Hotels and restaurants
Southern Federal District, total	911.9	53.1	857.1	202.9	616.4	1506.3	222.0
Krasnodar region	272.7	11.8	279.2	65.5	222.4	515.7	100.3
The Republic of Adygea	14.7	1.2	20.9	4.0	41.2	25.9	3.3

The ethnic economy is marked by a high level of women involved in activities and this is indicated in the statistics data (table 2). The amount of officially employed women in the Republic of Adygea is lower than in the Krasnodar region and accounts for 53.3%. The main reason for this is that the situation

with employment in the republic is hard and people are moving to the Krasnodar region, the city of Krasnodar in particular, searching for work. Local women grow and sell agricultural products in the markets of local settlements. In general, the rate of women participating in the labour force of two studied regions is lower than the Southern Federal district average.

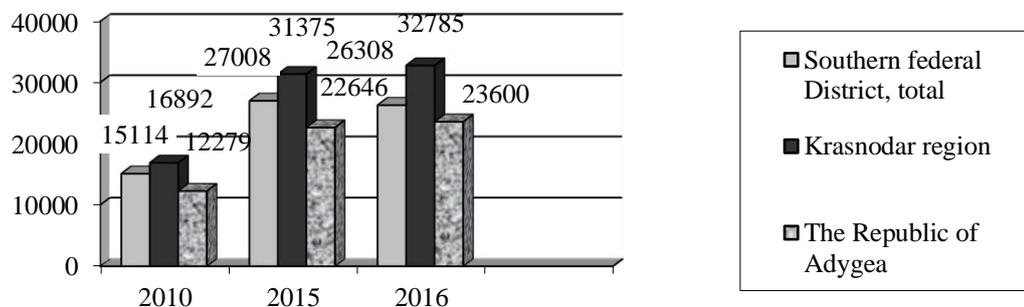
**Table 02.** The level of labour force participation in terms of sex and type of settlement in 2016 in the studied regions, %

The region of the Russian Federation	Entire population	Male	Female	Urban population	Rural population
Southern Federal District, total	66.9	74.6	60.0	67.9	65.1
Krasnodar region	67.4	75.1	60.5	69.1	65.4
The Republic of Adygea	61.0	69.5	53.3	62.1	59.9

The analysis of data in table 2 showed the low employment rate of the rural population in the studied regions which is interesting for the research. The low level of urbanisation, especially in the Republic of Adygea, stimulates the economic growth in the region.

The average income has been also rising for the last two years. However, there is a decrease of 3.3% in the revenue from business in the Republic of Adygea in comparison with 2010. It is necessary to say that the ethnic economy sector is hard to account and the share of the revenue from low-scale businesses may not be covered in statistics.

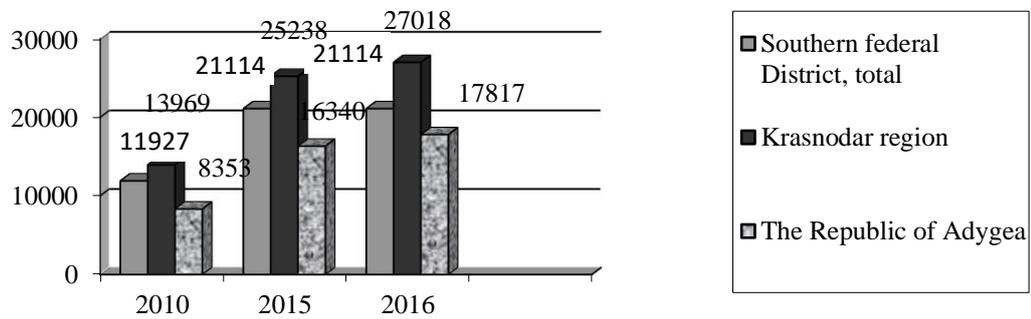
The structure of money income in the studied regions is represented in fig. 3. On one hand, there is growth in the income of the population. On the other hand, there is a reduction in purchasing power after Russia faced sanctions in 2014. In comparison with the Southern Federal District average, the income has grown in the Krasnodar region by 6 447 roubles and decreased in the Republic of Adygea by 2 708 roubles in 2016.



**Figure 03.** The development of average money income in the studied regions, roubles, monthly

The consumption expenditure in studied regions is growing (fig. 4), however, in the Republic of Adygea it is lower than the Souther federal district average by 3 297 roubles and higher by 5 904 roubles

in Krasnodar region. When comparing the income and expenditure data we can see that former prevail the latter.



**Figure 04.** The development of average money expenditures in the studied regions, roubles, monthly

As it was stated, the ethnic economy is hard to account statistically because of possible hidden activities. Let's try to find an indicator among official data that would show us the real income of population regardless of the distinction between official and hidden sources. We believe, that the number of private vehicles can be used as such an indicator (table 3).

**Table 03.** Trends in the number of private vehicles per 1000 people in the studied regions, at year end; units.

The region of the Russian Federation	2010	2015	2016
Southern Federal District, total	230.2	269.3	278.1
Krasnodar region	249.1	300.8	306.5
The Republic of Adygea	240.0	285.1	315.1

The analysis of this indicator shows that despite the low official rate of income in the Republic of Adygea the number of private vehicles has grown by 75.1 units per 1000 people in comparison with 2010. This amount is bigger than the number of private vehicles in the Krasnodar region by 8.6 units per 1000 people. Thus, there is quite a big sector of the ethnic economy in the Republic which is not statistically accounted for.

Having studied the structure of the ethnic economy in the regions in question we must pay attention that sectors, included in the ethnic economy, vary depending on natural conditions and the size of the consumer market. For example, agriculture in the Republic of Adygea was higher than the Southern macroregion average by 3.1% in 2015 despite the decrease of this indicator by 0.7% in comparison with 2010. The number of manufacturing enterprises in the republic is growing because local government creates a favourable investment climate for entrepreneurship. This indicator is higher than the Southern Federal District average by 2.1%.

At the same time in the Krasnodar region, this indicator has increased by 2.9% in comparison with 2010 but is still lower than the Southern Federal District average by 2.5%. The share of the construction industry in the Krasnodar region has decreased in 2016 due to the drop in purchasing power and saturation

of the housing market by ready-built dwellings. However, this indicator is higher than average by 0.8%. The shares of the hotel sector and electricity production and generation sector remains low in both regions and cannot reach the Southern Federal District average.

In 2016 the agricultural business was specialized in crop production: in Krasnodar region – 13,979 thousand of tons, in the Republic of Adygea – 699,6 thousand of tons. Sugar beet production prevailed on farms of Krasnodar region, while it almost ceased to be grown in the Republic of Adygea. The studied period is marked with the growth in milk production in the Republic of Adygea which is connected with the rise in production of ethnic types of food, for example, Adygea cheese. In contrast, the production of milk in the Krasnodar region decreased in 2016 by 39.7 tons in comparison with 2010. The production of eggs in the studied period increased in both regions, which is due to the desire of the population to eat home-grown eggs.

Statistical data shows that the Krasnodar region significantly contributes to the gross product of the Southern Federal District in terms of several types of agricultural products, e.g. grains, sugar beet, sunflower grains. It may be noted that this region prevails in crop farming as part of the ethnic economy. The contribution of the Republic of Adygea is much lower that is due to small production territory of the region.

## 7. Conclusion

Based on the analysis we recommend the following activities to develop the competitiveness of ethnic producers in the Krasnodar region and the Republic of Adygea:

- branding the green products produced in these regions to promote it in other regions of Russia;
- helping ethnic entrepreneurs sell products with information and logistic support from government authorities;
- helping ethnic economy entrepreneurs to cooperate;
- promoting local arts and crafts, ethnic and gastronomic tourism.

Concluding this research we should note that the potential of the ethnic economy is not fully used in the Krasnodar region and the Republic of Adygea. The development of this potential can help preserve the identity of these regions, increase self-employment and attract additional income to the budget in the form of taxes.

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