

# Problems of Strategic Development of Regional and Meso-Regional Securities Markets in Russia<sup>1</sup>

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## **Abstract**

In the conditions of deepening inter-state contradictions and the decline in oil prices on world markets, there is a need for efficient redistribution of financial resources within the fragile national economy. In this regard, the significance of the securities market as a mechanism for such redistribution increases. Despite the integrity of the national securities market, in the Russian Federation there exist relatively isolated regional and meso-regional securities markets (those ones of the Russian Federation subjects and Federal Districts). The subjects of the Russian Federation (regions) and Federal Districts (meso-regions) differ in the degree of their investment development and attractiveness as well as maturity of infrastructure of regional securities markets. As a consequence, there is a considerable gap in the possibilities of ensuring regional issuers with attracted financial resources for the purpose of their innovative development.

The development of regional and meso-regional securities markets occurs in tandem of two opposite trends: on the one hand, it is centralization of local markets, their integration into the national and global financial markets; on the other hand, it is decentralization and promotion of regional development. The development of regional and meso-regional markets should not violate the integrity of the national securities market and should take into account regional socio-economic characteristics. The analysis carried out has shown that the main problems of regional and meso-regional securities markets in Russia are caused by external and internal factors. Among the identified problems, the main ones are: the problem of combining national and regional interests under a single national legislation in the field of securities; the lack of adequate understanding of the role of the securities market in solving regional socio-economic challenges; reassessment of the speculative role of the securities market; and underestimation of the instruments of the securities market in the innovative objectives of the region.

Since the main function of the securities market is the investment function, one should note that while elaborating the development strategy of regional and meso-regional securities market, emphasis must be placed on the development of the primary securities market mechanisms.

## **Keywords**

Regional securities market, meso-regional securities market.

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## Introduction

The regional aspect of the securities market is important for countries with complex administrative and territorial arrangement, revealing the internal territorial inequality of locations. One should agree with Urozhaeva and Ivanov (2011, p. 9) who believe that "the regional factor is of great importance for Russia: the country has a magnitude comparable to the continents". Despite the integrity of the national securities market, in the Russian Federation there exist relatively isolated regional and meso-regional securities markets (those ones of the Russian Federation subjects and Federal Districts).

The need for research in the field of formation of the strategy of development of meso-regional and regional securities markets in Russia is caused by several reasons. Firstly, the Russian securities market refers to the emerging markets, securities market institutions are at different stages of the life cycle, they are formed uneven from a territorial point of view and do not provide the proper level of financial affordability. Secondly, new economic conditions (the decline in oil prices on the world markets, the use of economic sanctions and aggravation of inter-state conflicts) impose certain restrictions on the mobilization of financial resources both into the Russian economy as a whole and into the economy of certain Russian regions. Thirdly, the prospects for the national economy development depend on the degree of implementation of the innovation policy in the regions of the Russian Federation. Considering the fact that rapid economic growth is almost always accompanied by the increased inequality of territories (Scott, 2002, pp. 137-161), it is important to note that the significance of the securities market, as a mechanism for redistribution of financial resources in the regions, increases against a backdrop of the government spending reduction.

The lack of an integrated strategic approach to the development of securities market in the new economic conditions of Russia and inadequate consideration of significant differences between regions do not allow taking advantage of the potential of the securities market. Therefore, it is important to identify problems that, once solved, will contribute greatly to the formation of adequate meso-regional and regional strategies for the development of the securities market.

## 1. The concept of regional and meso-regional securities market

There are different methodological approaches to the study of the regional economy and industry regional markets in the economic literature. In these works a region is considered as a quasi-state, a quasi-corporation, a market or as a society (Granberg, 2003). Despite the differences in approaches, researchers agree that the regional market is a system concept which is characterized by a complex structure (Kleiner, 2014; Fatykhov, 2007). The analysis of the literature does not give a clear idea of the regional securities market. It is primarily explained by the fact that a region can be seen as a separate state, several countries, united by a set of attributes (mostly by geographical proximity) (Granberg, 2003, p. 23) or a part of the state (established on the basis of complex principles) (Adzhich & Roy, 2013, pp. 45-46; Regulation (EC), 2003). Therefore, there remain some debatable issues concerning both the concept of regional and meso-regional securities market and its integration into the national securities market.

The regional securities market can be understood as: a set of economic relations in the issue and circulation of all types of securities on a separate territory with the participation of all legal entities and individuals - residents and non-residents (Rau, 2004, p. 8.); a market, territorial boundaries of which are determined by taking into account sources of replenishment and the purposes of financing and investment (Samaruha, 2009, p. 62). Edronova and Novozhilova (2007, p. 78) limit regional markets by the territory of a city, region, or state. Some scientists consider the regional market as stock exchanges that operate outside the main financial centre of the country in New York (Teweles, Bradley & Teweles, 1992). Berdnikova (2011, p. 195) defines a regional securities market as a complex socio-economic, functional, organizational system of relations of issuers, investors and professional market participants, intermediaries and consultants on the ownership, disposition, management and securities lending (in the region) and the funds of regional issuers (outside the region).

Scientists emphasize different essential characteristics of the regional securities market, based on the objectives of their own research. While studying the regions at the supranational level in the era of globalization, the most important are the processes of integration and harmonization of legislation in the sphere of securities market

(Chee-Wooi, & Kim-Leng, 2006) or the issues of the regional financial centers' creation (Drobyshevskiy, Krut'ko, & Velikova, 2010). But if one studies the regions at the level of individual states, the issues of decentralization remain relevant (Berdnikova, 2011).

From the perspective of a system and institutional approach, the regional securities market should be seen as a stable system of economic relations concerning the issue and circulation of securities, mechanisms, institutions and tools that are used to attract investment in the region's economy in order to build an innovative regional economy and enhance its competitiveness, improving the quality of life in the region. The regional market as a system includes an emission, trade, investment and mediation, accounting (infrastructure), regulating, control and evaluation subsystems (Gorlovskaya, & Miller, 2014, p. 208). In this article, the term "a regional securities market" should be construed to the local market of the subject of the Russian Federation, and the term "a meso-regional market" means the Federal District market. These markets will be considered in terms of a system and institutional approach.

## 2. The genesis of the regional securities markets in the Russian Federation

Regional securities markets appeared in the Russian Federation in the early 1990s. The main factors of their formation and development were privatization of the state municipal enterprises, the search for new sources of financing of deficits of the regional and local budgets in the conditions of financial crisis, the formation of the legal framework of the securities market regulation. As a result, such types of markets were created in the regions: the market of the state (sub-federal) and municipal securities, which were issued primarily to finance the deficits of regional budgets; and the regional markets of corporate securities, which were issued during privatization. A three-level system of the issuers was developed during privatization: open joint-stock companies of the national level (they were registered in the regions), open joint stock companies of the regional level and closed joint-stock companies of the regional level. In the same period there was a rapid establishment of regional exchanges and quasi-stock exchange structures (Mirkin, 1995, pp. 415-416). The asymmetry of the securities market was laid in the 1990s. As noted by Granberg (2003, p.

305), rapid but chaotic development of the financial market in Russia did little to interregional integration. According to him, the formation of financial capital until 1998, "contributed" to the deformation of the Russian economic space. The dominant trend was the concentration of financial capital in Moscow; most regions were disconnected from financial "games" and were hostages of the macroeconomic situation zigzags. After the crisis of 1998, there was a period which can be called the stage of centralization and concentration of the securities market in the capital region. Gradually, all regional stock exchanges were closed, the number of regional professional securities market participants reduced. The asymmetry of the securities market in Russia was entrenched, despite the fact that in 2004 due to the transformation of regulatory bodies the Federal Financial Markets Service (FFMS) (consisting of 13 regional offices of the FFMS) was established. They were formed in the federal districts and groups of the subjects of the Russian Federation to monitor the observance of the requirements of the legislation of the Russian Federation by the issuers, professional securities market participants, market entities of collective investments, as well as to participate in the development and implementation of federal, meso-regional and regional projects and programmes for the development of financial markets and their infrastructure. The analysis carried out by the authors has shown that 46% of the subjects of the Russian Federation adopted programmes for the development of their regional securities markets (calculated by the Legal reference and information system "Consultant plus". The regional legislation).

By 2010 meso-regional and regional programmes had become less relevant, since the focus of the development of the national market had changed: the Strategy of creating an international financial center in Russia was adopted. Nevertheless, in the context of globalization the Russian regional securities markets integrated into the global financial market through the issue of Eurobonds and the American and global depository receipts.

The global financial crisis has changed the situation: the adopted strategies of development of financial markets in the regions became irrelevant. Currently, in an unstable economic environment "regionalism" of the securities market in Russia is becoming more actual, as the subjects of the Russian Federation face a task of finding financial resources for the purpose of innovative develop-

ment of the regions' economy (Dudin, 2015). We agree with Samaruha (2009, p. 62), who writes that: "... for the economy of Russia and all its regions, particularly the regions-locomotives, it is necessary to form a strategic plan for the development of financial markets in such way, so that it will allow to obtain reasonable, technologically and resource-ensured opportunity for rapid transition from the survival tactics to the active strategy of innovative development".

### **3. Factors affecting the formation of the problem field of strategic development of meso-regional and regional securities markets**

The development of regional and meso-regional securities markets is in line with two opposite trends: on the one hand, it is centralization of the local markets, their integration into the national and global financial markets, and, on the other hand, it is decentralization and stimulation of the regional development. Centralization is manifested primarily in mega-regulation of financial markets by the Bank of Russia. The unified national legislation in the field of securities market does not allow establishing regional barriers to the flow of capital. At the same time meso-regions and regions have different investment potential, and therefore, various opportunities to attract financial resources through the securities issue. The harmonious development of regional and meso-regional markets should not violate the integrity of the national securities market, but it should take into account regional and socio-economic characteristics.

The global competitive environment leads to the need for attracting and building up strategic investments that will provide stable economic growth. That is why the strategy of development of meso-regional and regional securities markets stems from the necessity of innovative development of the Russian economy in general, its meso-regions and regions.

At the national level in Russia two important strategies have been adopted: the Strategy of development of the financial market of the Russian Federation for the period until 2020" (Government of the Russian Federation, 2008); the Strategy of innovative development of the Russian Federation for the period until 2020" (Government of the Russian Federation, 2011). These two national strategies should define a development vector of the regional securities markets. However, in the

Strategy of development of the financial market of the Russian Federation for the period up to 2020 particular emphasis is given to the development of the Central Federal district, specifically Moscow. The Strategy of innovative development of the Russian Federation for the period until 2020 pays more attention to the regional aspect, but the role of the securities market in innovative development of economy is not revealed.

The factors that influence the formation of the strategy of development of meso-regional and regional securities markets should be traditionally divided into external (towards the region) and internal ones.

The main external macroeconomic factors, affecting the nature of the strategy of development of regional securities markets, include: disruptions in integration processes (cracks of globalization on the basis of aggravated socio-economic and political contradictions); a high risk of uncertainty of economic environment (it reduces incentives for long-term investments); a high key rate, inflation growth and low level of the population savings. According to the forecast of the World Bank (2015), "the maintenance of sanctions, low oil prices, limited access to capital and uncertainty of economic policy will continue to restrain investment activity, which significant recovery is not expected before 2017". This means limited access of the Russian regions to international financial resources and concerns both corporate issuers and the subjects of the Russian Federation. During the years 2007-2009 (i.e. in the pre-crisis period), the average amount of borrowings of the Russian regions in the Eurobond market averaged \$ 1.3 billion a year; in 2013 it amounted to 0.6 billion dollars, and in 2014 this sum was equal to \$ 0.5 billion (Russian Stock Market, 2014, p. 32). Data on the corporate issuers are better: in 2009, the volume of Eurobonds was 99.1 billion dollars, in 2013 it was 181.8 billion dollars and in 2014 there was a decline by 11 % (calculated by the authors on the basis of: Russian Stock Market, 2014, p. 32).

External institutional factors, influencing the formation the strategy of development of meso-regional and regional securities markets, include:

(a) equal access to the activities in the securities market for both banks and non-bank institutions. About 44% of the total number of brokers, dealers and trustees are credit institutions (Russian Stock Market, 2015, pp. 29-30). Therefore, competition between deposit and credit institutions and the securities market institutions is ra-

ther rigid. According to Solovyov, Astapov and Chistilin (2015), the banks have the advantage of attracting customers from the point of view of the network organization of their activities, but they do not always provide high-quality services; regional securities companies have lower costs and higher yield on long intervals at a higher level of management;

(b) reduction in the transparency of regional financial markets and securities market in particular in connection with transition to mega-regulation. In our opinion, the transition to full mega-regulation in Russia has not finished yet. In the context of the theme of this article, it refers to the activities of the territorial offices of the Bank of Russia as the successors of territorial branches of the Federal Service for Financial Markets (FSFM). They should publish full statistics on meso-regional and regional securities markets so that regional investors can make appropriate decisions.

(c) instability of the legal framework of the securities market regulation. For example, since September 1, 2014 changes to the Civil Code, according to which the form of organization of joint stock companies was changed, were made. All open joint stock companies should be transformed either in public (PJSC) or non-public joint stock companies. In this regard, regional issuers face the problem of choosing between two organizational forms. This, in turn, will affect their emission potential. According to the National Association of stock market participants (NASMP) (Russian Stock Market, 2015, p. 23), the number of open (public) joint stock companies, which, in principle, should make potential of the public financial market, remains rather large - more than 26 thousand of companies. Nevertheless, there are extremely few of them on the organized market: at the end of 2014 the number of listed companies was 260 and in the middle of 2015 this sum amounted to 252 companies (Russian Stock Market, 2015, p. 23).

(d) the stock market does not fulfill its primary investment and redistributive function: there is a predominance of speculative transactions, the primary market remains underdeveloped (Table 1). At the same time, the volume of secondary trading on Russian stock exchanges in the same period amounted to: in 2010 - 43.2 bn rubles, in 2012 - 226.4 bn rubles, in 2013 - 260.2 bn rubles (Russian Finance, 2014).

**Table 1** Characteristics of the primary securities market in the Russian Federation (for the year)

Primary market indicators	2010	2012	2013
The number of registered issues (additional issues) of corporate issue securities, units.	8605	7079	5447
including:			
the proportion of registered issues (additional issues) of shares, %	97,7%	97,5%	97,2
the proportion of registered issues (additional issues) of bonds, %	2,3%	2,5%	2,8%
The volume of registered issues (additional issues) of corporate issue securities at nominal value, bn rub.	4,06	3,45	8,55
including:			
the proportion of registered issues (additional issues) of shares, at par value, %	74,3%	66,6%	31,3%
the proportion of registered issues (additional issues) of bonds, at par value, %	35,7%	33,4%	68,7%

Source: Authors' calculation based on the data of Russian Finance, 2014

The primary market is dominated by bonds. Such investor preferences correspond to the traditional values of the population (Mirkin, 2000). The main proportion of share placements account for nonpublic joint stock companies. For example, an initial public offering of shares of the Russian issuers in the first half of 2015 is episodic in nature (Russian Stock Market, 2015, p. 6).

Let us look at the internal factors which are related to economic and institutional differences between meso-regions and regions of Russia. They include:

(a) significant differences in the investment attractiveness of regions (Table 2).

**Table 2** Classification of the Russian regions based on "the investment potential – risk"

The ratio of "Investment potential - risk"	Number of regions			
	2014		2015	
	The amount (number)	Proportion in% to the total number	The amount (number)	Proportion in% to the total number
Maximum potential - minimal risk 1A	4	4.7	3	3.5
Maximum potential - minimal risk 2A	3	3.5	2	2.4
Reduced potential – minimal risk 3 A 1	6	7.0	6	7.0
High potential - moderate risk 1B	1	1.2	2	2.4
Average potential – moderate risk 2B	10	11.8	11	12.9
Reduced potential – moderate risk 3B1	34	40.0	31	36.5
Insignificant potential - moderate risk 3B2	12	14.1	12	14.1
Reduced potential - high risk 3C1	3	3.5	5	5.9
Insignificant potential – high risk 3C2	10	11.8	10	11.8
Low potential - extreme risk 3D	2	2.4	3	3.5
Total:	85	100	85	100

Source: Authors' calculation based on the data of the rating agency ExpertRA, 2014; 2015

In 2015 the number of regions that have the rating "1A-3A" decreased by 15%, while the number of regions that have the lowest rating of "3C1 to 3D" increased by 20%. The research of Ivanov (2011, p. 251) showed that the developed regions with significant institutional resource for the development and implementation of applications for public funding and raw materials regions, attracting the attention of the development institutions within the paradigm of "conquering new lands", take the advantage of funding at the expense of the state development institutions. This is also confirmed by another research: in 2010-2011 78% of the total volume of direct foreign investments were intended for the top 10 regions, 50% of them were absorbed by the cities-subjects of the Russian Federation (Moscow and St. Petersburg) and the Moscow region (Investing in Russia, 2013, p. 19). This indicates a significant differentiation of regions in Russia. The content analysis showed the following: the higher the investment attractiveness of the region is, the less attention is paid by the regional authorities to the need to develop a strategy for the development of the regional securities market (Table 3).

**Table 3** Characteristics of meso-regions in terms of the adopted strategies of development of the regional securities markets

Meso-region (Federal District, FD)	The number of regions in the meso-region			
	Total	Including:		
		the regions which have a strategy (programme) of the regional securities market development	regions with the rating	
			1A-3A1	1B – 3B1
Central Federal District	18	10		
Northwestern Federal District	11	3		
Southern Federal District	6	3		
North Caucasian Federal District	7	4		
Volga Federal District	14	9		
Ural Federal District	6	2		
Siberian Federal District	12	7		
Far Eastern Federal District	9	3		
Total	83	41		

Source: Authors' calculation based on the data of the rating agency ExpertRA, 2014; 2015; Government of the Russian Federation, 2011

At the same time, the research has shown that one of the factors of the investment attractiveness increase is the presence of such head of the region, the absolute priority for whom is to attract direct foreign investment in the region (Investing in Russia, 2013, p. 19).

(b) significant differences in the budgetary provision. This leads to the fact that in some regions (so-called "donor regions") there is enough budget for their innovative development, but most regions in Russia (their share is 88% of the total number of the Russian Federation subjects) refer to so-called "recipient-regions". Therefore, the search for extra-budgetary sources of financing of innovation becomes relevant for them;

(c) the unevenness of the population income (Gini coefficient in 2010 was 0,421, in 2012 it was 0,420, and in 2014 it amounted to 0.416) (Regions of Russia, 2013; 2015a). Table 4 presents data showing changes in the level of average per capita income of the population in different meso-regions of Russia.

**Table 4** The ratio of average per capita income of the population by meso-regions of the Russian Federation (per month)

	2010	2011	2012	2013	2014
The Russian Federation	1.00	1.00	1.00	1.00	1.00
Central Federal District	1.30	1.30	1.29	1.29	1.26
Northwestern Federal District	1.05	1.02	1.00	1.00	1.03
Southern Federal District	0.80	0.80	0.81	0.84	0.88
North Caucasian Federal District	0.70	0.72	0.74	0.73	0.75
Volga Federal District	0.84	0.83	0.85	0.84	0.87
Ural federal district	1.15	1.15	1.13	1.12	1.10
Siberian Federal District	0.80	0.80	0.80	0.79	0.77
Far Eastern Federal District	1.10	1.10	1.10	1.12	1.15

Source: Authors' calculation based on the data of the Regions of Russia, 2015b

The result is a low investment activity of the population in regions with low income.

According to the data of the National Association of Stock Market Participants (NASMP) the number of private investors-residents in 2015 amounted to 980.7 thousand people (Russian Stock Market, 2015, p. 24). Despite the fact that the number of investors-individuals is increasing (in 2012, their number amounted to 824.1 thousand people; in 2013 this figure was 818.1 thousand people and in the first half of 2014 it was equal to 900.9 thousand people), their share does not exceed 1% of the working population of Russia. Thus, in the first half of 2015, the share of investors-individuals in the total volume of deals with shares, committed on the Moscow Stock Exchange, amounted to 31,8% (Russian Stock Market, 2015, p. 25). It is worth noting that the number of non-resident individuals who are the clients of the Moscow stock exchange, in the same period, was 3 652 people, and their proportion in the total volume of transactions in shares amounted to 41,4% (Russian Stock Market, 2015, p. 25).

(d) the lack of financial literacy of the population, mentality and some differences in the traditional values of the population living on the territory of different regions. In general, Russian citizens prefer bank deposits to securities, which seems logical in terms of simplicity of their nature understanding and historical practice. The low level of public trust in the securities is responding to the lack of compensation and compulsory insurance system in the securities market, in contrast to the system of mandatory deposit insurance of private pension funds. The lack of compensation funds is contrary to international practice and

prevents the development of the securities market. According to research by Mirkin (2000), "the securities market in Russia will be more likely to exist as a debt market (in fact, "the German" or "Japanese" model), where transactions with shares will have a subordinate value";

(e) uneven distribution of the professional securities market participants across the regions and a high level of concentration of financial services in Moscow. While studying the problems of the banking sector of the financial market Ketova and Rachilov (2013, p. 43) identified such problems as: growing differences between the banking groups of the Moscow region and other Russian regions, the problem of fair competition development, inadequacy of the resource base. This problem can be also extended to the regional securities markets because banks are the dominant financial intermediaries in the regional markets.

(f) reduction of the competition level. The maximum concentration is observed among the professional securities market participants: 80% of assets are accumulated among 8.1% of participants (44 organizations including 934 professional participants of the Russian securities market make up this proportion) (Bank of Russia, 2015, p. 39).

Thus, the overall problem situation related to the development of national, regional and meso-regional securities markets is generated by non-compliance of the results of the national market development with the goals and objectives of the innovation economy.

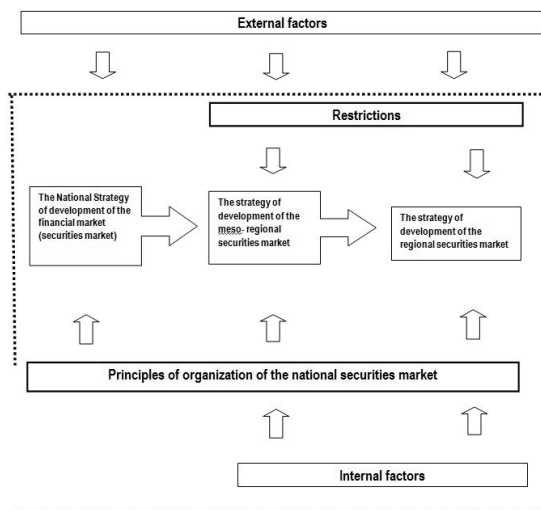
#### 4. The formation of the strategy of development of the regional securities markets

In the report of the Russia's Region Drivers of Growth: 4x4 (2014) it is noted that the main driver of the economic growth of Russia is the improvement of institutions; so, the reforms of the business environment can have a significant impact on the growth of the regional economy in Russia. However, these reforms should not be selective, they should be comprehensive in nature.

The conceptual vision of the strategy of development of meso-regional and regional securities markets involves systematizing of the requirements and conditions of its formation for each region and meso-region (Picture 1).

The strategies of meso-regional and regional securities markets' development should be based on the principles of organization of the national securities market. The principles of organization

of the national securities market in Russia include: the principle of free movement of capital throughout the territory of the Russian Federation; the principle of continuity, sequence of public policy in the securities market and its commitment to the emerging Russian model of the securities market); the principle of mega-regulation of the financial markets aimed at protecting the rights and interests of the financial markets' participants, reducing systemic risks and increasing transparency of the securities market; the principle of combining mega-regulation and self-regulation of the securities market; the principle of the unity of the regulatory legal framework of the securities market on the territory of the Russian Federation; harmonization of the objectives of development of meso-regional and regional securities markets; the principle of competition support; the principle of orientation on international experience and taking into account the trend of globalization of financial markets.



**Figure 1** The formation of the strategy of development of regional and meso-regional security markets

Source: authors' research

The strategies of meso-regional and regional securities markets' development should be formed based on the priority of the national policies in the field of financial markets and other national strategies associated with them. The goals and indicators of the low-level strategies should be logically incorporated into the purposes of the national securities market development, without disrupting the unity of the national securities market and at the same time taking into account socio-economic characteristics of the region and meso-region. A distinctive feature of the strategy of development

of meso-regional and regional securities markets is that while detailing the methods and tools of its implementation, it is necessary to comply with the rules and restrictions arising from the applicable laws of the Russian Federation in the field of securities market. Specification of the strategic programmes of regional and meso-regional securities markets' development and their further adjustment are done under the influence of external and internal factors that were discussed above.

## 5. Classification of problems related to the development of strategies of meso-regional and regional securities markets

The problems caused by the factors mentioned above should be described as semi-structured development problems relevant to the adaptation level of decisions. External factors form the basis of the problem field of meso-regions and regions; they strengthen and expand constraints in the development of their strategies in the field of securities. It seems to us that the main complex of problems is caused by internal factors and contradictions.

The problems associated with the development of strategies of meso-regional and regional securities markets, should be divided into three groups.

**Group A.** The problems of creating a consistent three-level system of strategic development of the securities market in Russia: blurring of priorities and a lack of the strategy of regional securities market development in most regions, a complete lack of the strategy of meso-regional securities market development. To solve these problems one should develop of a set of measures, which could reveal the interests of all stakeholder groups, determine the strategic development tools within the developed and coordinated strategies. It is necessary to create expert groups to develop the projects of documents, defining quantitative and qualitative indicators and tools of regional and meso-regional policy in the field of the securities market.

**Group B.** The problems of the primary securities market development in the regions and meso-regions: motivation of issuers, investors and professional participants of the regional and meso-regional securities markets. To solve these problems one should introduce tax incentives in terms of competence of the regional authorities to enhance the placement of new (additional) issues of securities by the regional issuers; simplify the



registration of additional securities issues by non-public joint-stock companies; support socially responsible regional issuers.

Group C. The problems of increasing of the investment climate in the regions and meso-regions: disproportionate investment of regions and meso-regions, the problems of low investment attractiveness of the majority of the regions in Russia. These problems are understood by the authorities of the regions best of all. However, the mechanisms and tools for solving these problems in the regions need to be further detailed. In particular, it is necessary to develop the institution of investment consulting, construct regional securities intended for the public. It is also necessary to: create regional private venture capital funds to finance innovation; create insurance funds for regional investors; create regional trading systems; form a system of information disclosure for regional investors; improve financial affordability; revitalize programmes aimed at improving the financial literacy in the regions.

To solve these problems one should specify the mechanisms, tools and roadmaps of the planned activities' implementation; enable the "alignment" of regions and meso-regions in their abilities to take advantage of the securities market. In addressing these issues a big role is reserved to the legislative and executive authorities at the regional level, territorial units of a mega-regulator (Bank of Russia) and territorial units of self-regulatory organizations which unite professional participants of the Russian securities market.

## Conclusion

The complex structure of the Russian securities market is connected with the features of the federal arrangement of a large state and the relations of such type as "Federation - meso-region - region". The result of socio-economic differences of meso-regions and regions and their investment differentiation is a significant gap in the ability to attract resources through the securities market instruments for the purpose of innovation development of the regions. The conducted analysis of the external and internal factors that influence the formation of a three-level strategy of the development of the securities market in Russia has allowed us to identify three basic groups of problems: Group A. The problems of creating a consistent three-level system of strategic development of the securities market in Russia; Group B. The problems of development of the primary securities

market in the regions and meso-regions; Group C. The problems of improving the investment climate of the regions and meso-regions. The solution of these problems is in line with strengthening the function of the securities market. **SM**

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