

In the Middle of the Urban-Rural Divide: Entrepreneurship and Growth in Sweden's Micropolitan Regions

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Abstract

This paper examines the role of entrepreneurship in regional growth, with a particular focus on micropolitan regions – municipalities located between metropolitan cores and rural peripheries. While much of the existing literature has concentrated on urban or rural contexts, intermediate regions remain comparatively understudied despite their importance within national spatial systems. Using longitudinal data for all 290 Swedish municipalities over 2007–2023 and dynamic panel models, we analyze how different forms of entrepreneurship relate to growth in population, employment, productivity, and wages. The results show that entrepreneurship matters for regional growth, but in ways that are strongly place-contingent. In micropolitan regions, a higher share of micro firms is consistently associated with population growth, but effects are largely confined to the extensive margin, with limited evidence of productivity or wage gains. Entry rates show weak or negative associations with longer-term growth, while knowledge-intensive entrepreneurship contributes to wage and population growth over longer horizons. Comparative results reveal substantial heterogeneity across the spatial hierarchy: in urban regions, micro firms are negatively associated with population, employment, and wage growth, while rural regions exhibit positive short-run employment effects from firm entry. The findings highlight the importance of distinguishing between types of entrepreneurship and accounting for regional context when analyzing growth implications.

Keywords: Micropolitan regions, Entrepreneurship, Regional growth, Spatial heterogeneity, Sweden

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