

EURASIAN JOURNAL OF ECONOMICS AND FINANCE

<http://www.eurasianpublications.com>

THE STATE AND DEVELOPMENT OF HOUSING AND COMMUNAL SECTOR OF RUSSIA

Svetlana Shulepina

Kuban State Agrarian University, Russia. Email: shulepinasv@mail.ru

Abstract

Reforming of housing and communal services in Russia led to the emergence of new social and economic problems in the industry. The authors identified the main tasks of the reform of housing and communal complex of Russia in article. An important result of the industry reforming has been the emergence of household organizations. Results of research revealed that currently active process of the new household organizations emergence and privatization of existing one passed. Statistical data analysis showed that the overall growth rate of the number of organizations providing services to housing maintenance, below the rate of entry into use of apartment buildings. This fact proves that today the market of housing maintenance has moved from the stage of formation to the stage of evolution. At this stage the existing economic unities will be actively compete and develop mechanisms to increase market share, reducing costs and maximizing profits. Key performance indicators of household organizations in Russia analyzed. Finally, in the article the main goals of household organizations activities in the current crisis of industry are presented.

Keywords: Householding Organization, Housing and Communal Service, Reforming, Statistical Data

1. Introduction

Reforming of housing and communal services in Russia leaves to the new social and economic problems in the industry.

Despite of the implementation of the main directions of housing and communal services reforming, the stage of it characterized as a communal disaster according to the opinion of several scientists (Nalesnaya, 2013; Degalceva and Shulepina, 2014).

The following main issues became the reason of housing sector concept reforming implementation the old and emergency housing stock, low reliability of utility systems, low efficiency of using fuel and energy resources.

The main tasks of the housing and communal complex reform in Russia are improvement of the housing and communal services quality and preservation of its availability that must be performed on the basis of institutional changes and development of market relations; construction of contractor relationships and development of competition, formation of private business, development of the institute of professional household organizations, raising up apartments owners literacy in the field of housing rights; rebuilding of financial industry through the development of the specific standards, modernization of subsidies system with the housing and communal services costs, increase of investment part in utility rates.

The main principles of development and improving the management of housing and utilities sectors investments are (Figure 1) economic validity, the contest basis, manageability, corporativity, competitive (Ivanov, 2011).

The first one means the needs to choose the institutional reform types, based on reducing share of government financial assistance, required and increasing foreign investments, economical maintenance management.

The contest basis suggests regional authorities should focus on attracting in industry such entrepreneurs, who offering the most effective programs for the economic entities development of the industry, as well as appropriate guarantees of their implementation.

Manageability assumes the control of local authorities of companies through participation in its capital, the use of contractual types of connections.

Corporativity presupposes to take into account the future integration needs of the economic entities in the process of privatization.

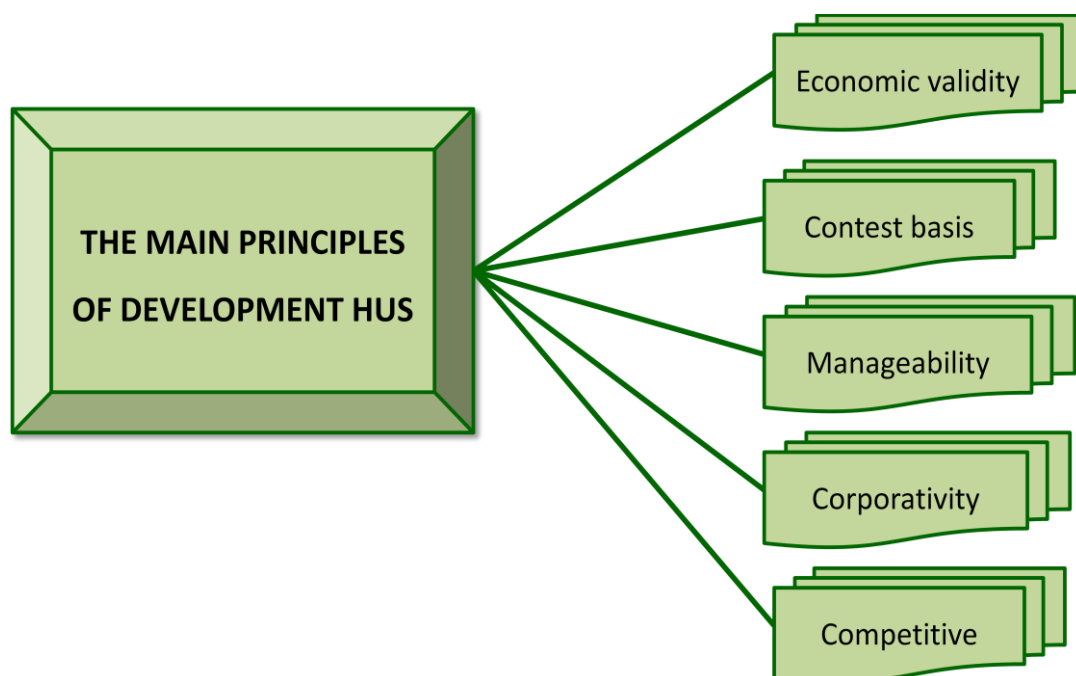


Figure 1. The Main Principles of Development Housing and Utilities Sector in Russia

2. Analysis of Industry Reform

The positive results of reforming the industry are (Table 1) improving of the citizens life conditions-the share of old and emergency houses in the total housing area in 14 years increased slightly (by 0.3%) due to government funding of demolition of such property, the share of government funding costs for the provision of housing and communal services has been decreased (so the level of reimbursement of costs by consumers increased by almost 2 times in the period from 2005 to 2012 (from 53% to 90%)) and decline in growth amount of payment for housing and communal services by 33.2% over analyzed period allowed 2 times reduce the amount of consumer debt.

Table 1. The Basic Indicators Characterizing of the Housing Sector Reform in Russia*

Indicators	Years						
	2000	2005	2010	2011	2012	2013	2014
The share of old and emergency housing in the total area of the housing %	2.4	3.2	3.1	3.0	3.0	2.8	2.7
The level of reimbursement of the costs of providing public services, % including housing communal	53.0	85.0	90.0	90.0	90.0	89.8	90.7
	51.0	83.0	85.0	84.0	84.0	83.0	84.0
	54.0	86.0	91.0	91.0	92.0	92.0	92.0
Debts on payment housing and communal services, million rubles - in percent of accrued housing and communal payments	13070	36121	95144	100622	104627	104732	104843
	12.9	7.0	6.9	6.4	6.4	6.13	5.7
The cost of housing and communal services per person per month, rubles	274,35	780,33	1,530.02	1,710.15	1,788.93	1,968.58	2,093.51
Consumer Price Index, %	142.6	132.7	113.0	111.7	109.4	108.3	111.3

Notes: *The data is retrieved from the Federal State Statistics Service of Russian Federation (2015).

The negative aspects of reform are the lack of a clear concept of communal and housing sectors development, imperfection of the legislation (taken at the all levels of authority decisions only consider the socio-political aspects of housing and communal complex), deficiency of research of important theoretical aspects of the implementation of property in the housing and communal sector, absence of conditions for competition and free pricing formation, high physical deterioration and commercial obsolescence of fixed assets housing and communal services organizations (Vashishin, 2009).

Reforming allowed allocating in the industry two segments: the housing market and communal services market. The need to this separation is justified by the presence of differences in the approaches to the formation and functioning of these markets.

3. Development of Householding Companies in Russia

Since 2005 the basis of the construction housing services market are householding organizations.

Householding organizations carry out works and provide services of the following types: works and services for maintenance and repair of common property in apartment houses, the owners of the premises included in the management contract, utilities - hot and cold water supply, sewerage, electricity, gas, heating, other works, services are not related to works and services for maintenance and repair of the common property of apartment buildings.

There are Alternatives for householding organizations: the direct management of the owners of premises in an apartment building and the management homeowners association.

The Advantages of house holding organizations are high qualified specialists, wide material and technical base, responsibility of the householding organizations for the quality of the housing and communal services (Ivanov, 2011).

Disadvantages are the lack of control cash flow on the accounts of the household organization the need owners' approval for all the costs and the lack of experience of housing management in the most of organizations.

At present active process of Establishing and privatization householding organizations passed. The data of the Federal State Statistics Service of Russian Federation <www.gks.ru> prove it (Table 2).

Since 2012 the numbers of organizations that provide housing and communal services are decreasing. However, the share privately owned companies has been increased. In general during the analyzed period from 2006 to 2014, the number of economic entities the sphere of housing stock servicing was increased in 1.8 times.

Table 2. The Householding Organization in Russia, 2006-2013*

Years	Amount of Organizations							
	Total		of which by ownership					
	Thousand units	%	Private		State and municipal		Mixed Russian	
			Thousand units	%	Thousand units	%	Thousand units	%
2006	47.8	100	39.2	82.01	7.3	15.27	1	2.09
2007	51.3	100	42.8	83.43	7.2	14.04	1	1.95
2008	70.8	100	57.3	80.93	6.3	8.90	6,9	9.75
2009	84.4	100	68.3	80.92	5.8	6.87	9	10.66
2010	90.3	100	74.6	82.61	5.3	5.87	10	11.07
2011	91.5	100	77.3	84.48	4.8	5.25	9	9.84
2012	89.6	100	77.4	86.38	4.3	4.80	7,4	8.26
2013	87.6	100	77.3	88.36	4,0	4.68	6,0	6.96
2014	85.7	100	77.0	89.81	3.3	3.89	5,4	6.30

Notes: *The data from the Federal State Statistics Service of Russian Federation (2015).

To detect trends in amounts of householding organizations of housing and communal sectors in Russia, we did a trend line. A result of calculations we received the equation:

$$y = 52,233 + 5,086 \times x$$

It means the quantity of householding organizations for the period from 2006 to 2014 were increased annually in average on 5 thousand units (Figure 2).

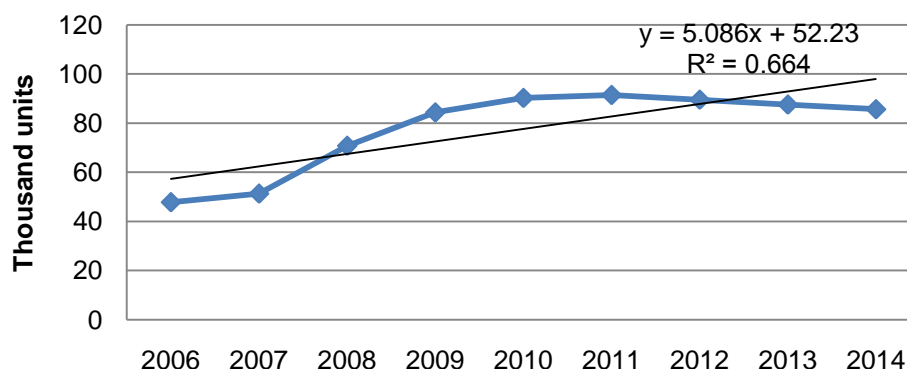


Figure 2. The Quantity of Householding Organizations in Russia, 2006-2013

Stabilization of householding companies' amounts is the reason for the same process to indicator number of employees. In general, during the analyzed period the number of employees has been increased by more than 120 thousand people (Figure 3).

THE NUMBER OF EMPLOYEES OF ORGANIZATIONS PROVIDING SERVICES IN HOUSING MANAGEMENT

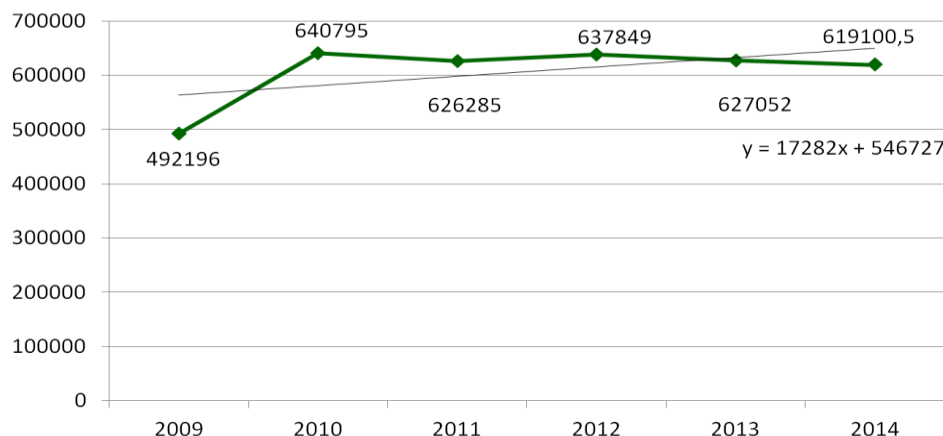


Figure 3. The Number of Employees of Organizations Providing Services in Housing Management

And the average of the annual increase in the number is 17,000 people. However, since 2012 this indicator has been decreasing.

Another positive aspect of the functioning of management companies is to reduce the value of overdue debts for the sold goods, works and services on 30%, in spite of average inflation level 9% per year (Figure 4).

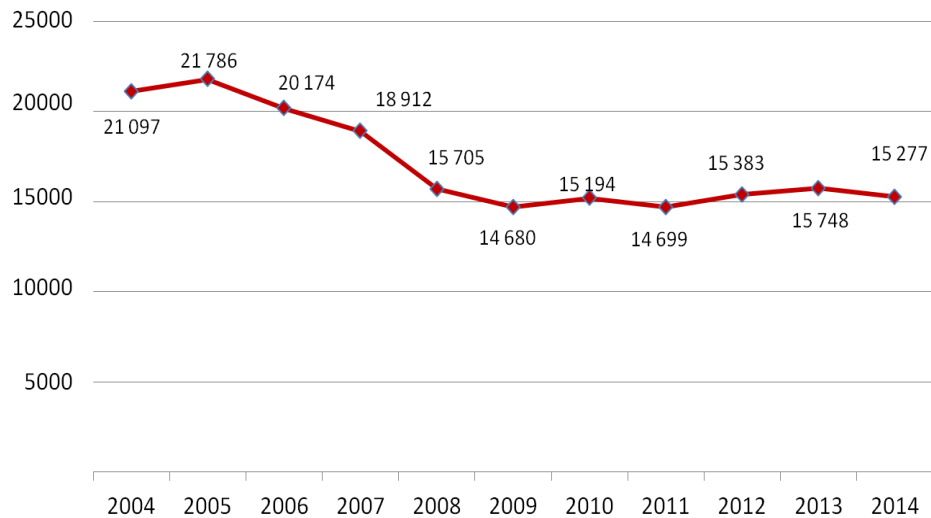


Figure 4. The Overdue Trade Receivables for Goods, Works and Services of Householding Organizations in Russia

All of the above factors were cause to improve the financial position of whole householding organizations across Russia. Positive dynamics is observed in the analysis of all the parameters in Table 3. However, the organizations that were researching in the total remain were unprofitable for eight years from 2005 to 2014.

Table 3. The Basic Parameters of Activity of Organizations Operating to Manage Apartment Buildings in Russia

Indicators	Years					
	2005	2010	2011	2012	2013	2014
Consolidated financial result, million rubles	-13595	-2567	-6635	-3714	-4346	-3224
The share of profitable organizations in the total number of organizations, %	42.1	57.6	60.0	63.9	79.7	12.8
Profitability (unprofitability) of sold goods (works, services), %	-17.0	-5.3	-3.1	-3.2	-3.1	-3.4
Profitability (unprofitability) of assets, %	-1.4	-1.0	-3.0	-1.3	-1.8	-1.6
Autonomy ratio (end of year), %	87.0	43.4	32.9	37.6	30.9	37.2
Equity ratio circulating assets (end of year), %	-32.1	4.9	-1.5	4.6	-8.72	3.29
The current liquidity ratio (end of year), %	66.9	111.8	108.4	113.4	118.8	111.5

Also work (services) provided by the householding organizations were unprofitable (-3.4% in 2014). On the background of unprofitability of this indicator, it should be mentioned the increase of the equity ratio circulating assets (from -32.1% to 4.6%) because it indicates the appearance of its own working capital in researching organizations. However, it should highlight the instability of this indicator. In some periods (e.g. 2005, 2011, 2013), the working capital of economic entities was fully financed by borrowed funds.

Increasing the current liquidity of research objects was almost two times - from 66.9% to 113.4%. These values indicate a loss of liquidity in 2005 and the restoration of creditworthiness of organizations of the branch management of apartment houses.

The research has allowed us to develop activities to improve management mechanism industry. We are suggest to improve the system of cost accounting in householding organizations, to implement a system of controlling including controlling communal resources, controlling costs and controlling payments for housing and communal services, to carry out R & D costs-in 2012 the amount of such costs was 480,000 rubles and in 2014 it was zero. It indicates a lack of development and innovation in activities of householding organizations.

References

- Degalceva, G. and Shulepina S., 2014. The development of management accounting in oorganization of housing and communal services. In: URALIntellect, *Problems of Economic, Organization and Management in Russia and World: Materials of VI International Scientific and Practice Conference*. Prague, Czech Republic, 22 October 2014. Prague: World Press.
- Ivanov, K., 2011. The perspectives of reforming a developing of housing in Russia. *Modernization, Innovations, Development*, 7, pp.115-118.
- Nalesnaya, Y., 2013. Reforming of housing and communal system in CIS countries. *Izvestiya UFU*, 6(143), pp.213-215.
- The Federal State Statistics Service of Russian Federation, 2015. *EMIS*. [online] Available at: <<http://www.gks.ru/>> [Accessed 30 April 2015].
- Vashishin, D., 2009. Reforming of housing and utilities sector: Modern state, problems and perspectives. *Vestnik OmGU*, 3, pp.48-53.