The factors that influence the dynamic development of the construction industry in a remote region

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Abstract. This article discusses the development of the construction industry on the example of a remote region. The construction complex has always played a leading role in the development of the Russian economy as a whole and in some of its regions. The construction industry accounts for 6% of global GDP. Moreover, the construction sector is interconnected with almost all other sectors of the economy. Construction is one of the main types of economic activity, as it provides for the creation of new, expansion and reconstruction of existing fixed assets. Due to the developed construction industry, the most important tasks of structural adjustment of the material base of the entire production complex in the country are being solved, as well as conditions for the development of non-production sectors are being created. Construction is a branch of material production where objects of production and non-production infrastructure (buildings, structures, highways, etc.) are created. The state of the construction market is always an indicator of the successful development of the country's economy as a whole. [1]

1. Introduction
The construction industry today and the past period of time retains the status of a significant and at the same time problematic industry among the main sectors of the country’s economy.
The construction industry is experiencing a powerful impact of the economic crisis. As a result, many construction and design projects are suspended or their budgets are subject to significant changes which destabilizes the implementation of the planned programs.

The main problems for construction companies (especially in remote northern regions) are:
- seasonal nature of the work performed (for example, in the winter time the works on the construction of objects are suspended), as a result a slow pace of completion of work, therefore a decrease in the amount of revenue received for commissioned objects.

Also the main reason is the high dependence of the construction industry on borrowed funds, that is, there is a problem of insufficient level of development of credit and financial mechanisms in the construction industry today.
2. Materials and methods
Special attention should be paid to the remote northern regions of the country where the problems in the construction industry are much greater than in the central regions, each region has its own characteristics. Despite this, according to the results of the first nine months of 2019, the Siberian Federal district has a positive dynamics of disbursed funds in the construction industry, the volume of work performed increased by 6.9% compared to the same period of 2018.

During the analyzed period the funds were disbursed:
- Kemerovo region – 119 billion rubles.
- Irkutsk region – 116 billion rubles.
- Krasnoyarsk territory-98 billion rubles.
- Novosibirsk region – 91 billion rubles.

The least developed is the Republic of Altai – only 4 billion rubles.

Some regions showed a significant over fulfillment of funds disbursements by 9 months of 2018, for example:
- in the Republic of Tyva mastered by 48.1% more than in 2018,
- in the Irkutsk region-by 43.7%,
- in the Omsk region - by 25.9%.

There was a significant decrease in some regions:
- in the Republic of Altai-reduced by 40.6%,
- in the Krasnoyarsk territory-by 20.7%. [2]

The main reason for the slowdown in the volume of work performed remains the high dependence of the construction industry on borrowed funds, i.e. today there is a problem of insufficient level of development of credit and financial mechanisms in the construction industry.

The conducted Express analysis of the Irkutsk region allows us to draw conclusions:
- high interest rates on loans for legal entities and individuals-significantly reduce the amount of work performed,
- the dynamics of the volume of loans granted to legal entities residents and individual entrepreneurs by type of activity "construction" for 2012-2016 is shown in figure 01. [3]
The volume of loans in 2013 increased by 30% compared to 2012 and reached the maximum value.

There has been a decrease in the volume of the loans taken in the following years:
- in 2014 by 4.54%;
- in 2015 by 38% compared to 2014.
- in 2016 the volume of the loans decreased by 4.7% compared to 2015.

This situation can be explained by the fact that the construction companies refuse the services of credit institutions and use their services less often due to the high interest rates.

An important indicator is also the housing commissioning indicator. The figure 02 shows data for the Irkutsk region for 2012-2016:
- it can be noted that the region reached its maximum value in 2013 but there was a significant decrease in 2014, as we can see this indicator does not have a certain stability.

The decline in consumer demand also negatively affects the dynamic development of the industry, for example, mortgage lending to individuals is not a panacea for purchasing the desired housing space due to the general increase in prices for all types of goods and services in the region.

Figure 2. Commissioning of housing in the Irkutsk region.

Also it is worth noting the fact that the heads of construction companies specialize primarily in the construction of commercial real estate (office space), this type of work brings a large profit and a quick payback period.

The price often becomes much higher due to the presence of many intermediary firms on the construction market also.

Another factor that reduces the dynamic development of the industry is the increase in certain taxes, the receipt of fines and penalties for certain inaccuracies or errors.

In the first half of 2019 there were no significant changes in the construction industry as a whole, investment activity did not increase and some major construction projects are underfunded, all this is the basis for the introduction of new measures to activate the construction market of the country and regions. In times of crisis, effective measures are always: first, reducing the tax burden for industrial structures, and second, reducing loan rates and concluding joint activity agreements with similar firms, both in the surrounding regions and with foreign partners. The development of joint industrial facilities will also help to activate economic processes in the domestic market of the country and
regions. All these measures should be implemented in a comprehensive manner, with the control and support of Federal management services, since today remote regions need significant support in the form of concessional loans, effective activities of leasing companies which should create more comfortable conditions for lessees, for example, by increasing the repayment period of debt [6].

Noting the problems in the construction industry, you cannot ignore many economic indicators, such as:
- the level of income of the population in each region (unfortunately, this indicator has significant differences, despite many existing state programs to support residents of the country),
- another important indicator is the volume of retail turnover, on the basis of which many social and economic processes in the region can be activated. Unfortunately, both indicators in the last three years tend to decline. Thus, in the first half of 2019, the real incomes of the population decreased by 1.3% compared to the same period last year.

An important condition for activation in the construction industry is mortgage lending to the population. This system of lending should stimulate consumer activity in the housing market, however, in recent years, the volume of mortgage lending is not developing as actively as it was 7-8 years ago.

Regarding equity participation, there may be difficulties due to changes in the law on shared construction. Previously, the population could buy apartments at an early stage of construction, so they saved up to 30% of the final cost of housing, now you can buy housing on other terms and at a higher price.

You can add to the problems of the construction complex also:
- the presence of high seismicity in the region which undoubtedly contributes to an increase in the price per meter of housing-about 15%.
- due to the territorial remoteness from the central industrial regions, to the problems in the Siberian regions, you can add quite high prices for imported building materials which also does not allow you to get a larger amount of profit and direct it to your own development and modernization.

The problems include the fact that many developers do not meet the established requirements during inspections and many must leave the construction market. This may lead to the emergence of the monopolistic firms in the region which will be able to inflate prices in the absence of healthy competition.

The banks have a significant impact on the dynamics of the construction industry and the provision of housing for the population also, setting inflated rates on loans. As a result, the developer will shift them to the buyer which undoubtedly reduces the purchasing power and a vicious circle is formed, since all participants in the process of construction and sale of housing are closely interrelated.

According to many experts despite these problems the construction market in the Irkutsk region has a good chance for successful development in spite of many existing problems, since housing is actively purchased by citizens coming from the northern territories or the Far East.

It is necessary to develop the domestic market (for each region) to solve many problems developing its own production of building materials, achieving the main goal to align demand and supply in the regional market.

Special attention should be paid to the topic of qualified personnel in construction for the implementation of many construction projects, there is a shortage of personnel in the Irkutsk region. Therefore, there is a need to quickly develop the system of training and retraining of specialists in the region and neighboring regions. [7]

In general, the prospects for the development of the construction industry in the region are quite optimistic, since there is a significant amount of old housing, and the need to improve their living conditions among the population is high.

However, another problem is the high cost of housing for many years there has been a noticeable increase in real estate prices, the reason is that Irkutsk is an attractive city for residents of more remote regions.
According to the statistics of 2018, almost 30% of the realized housing stock fell on nonresident buyers.

The prices of 1m² of housing stock are also affected by the high cost of survey work.

3. Results
The rapid analysis revealed two negative trends in the housing sector of the Irkutsk region:

1) The high unmet need of the population for housing is accompanied by a low level of income and a constant increase in the cost of construction and housing prices. At the same time, the current volume of housing construction does not cover even the existing effective demand of the population. The problem of providing citizens with housing can be solved with mass housing construction.

According to the indicator of the entered volume of housing for each resident, the region ranks 55th in the country. Among the Siberian regions:
- Buryatia is on the 71st place,
- The TRANS-Baikal territory is in 80th place.

The maximum increase in the rate of housing construction compared to the previous year-over the past five years was observed?
- in 2014-by 18.2%,
- the total housing area increased by only 1.4% in 2015,
- in 2016 decreased by 6.0%,
- in 2017-by 1.3%,
- in 2018 decreased by 4.5%.

Figure 03 shows data for:
- entering the volume of housing stock,
- the volumes of financing of the industrial enterprises,
- indicator of the average per capita income of the residents of the Irkutsk region for the years 2000-2017. [2, 6].

![Figure 3. Dynamics for 2000-2017.](image)

As we can see, the investments in fixed assets, growth of average per capita income of the population and the dynamics of housing construction in the region do not have a constant positive dynamic.
The significant factors that reduce the volume of housing stock input today are:
- still - high credit rates;
- administrative barrier;
- lack of an effective housing credit system,
- high cost-engineering infrastructure.

That is, for the dynamic development of the construction industry in remote regions, a set of the measures and programs is necessary, both at the Federal and regional levels, such programs are available but at present they cannot provide the necessary level of development of the housing and construction industry and solve the housing problem in the region.

The issues of housing security are particularly important because the availability of housing is an indicator that characterizes many others, for example:
- standard of living of the population,
- the level of prices in the housing market,
- the level of income and wages,
- the demographic situation in the region, etc., and these indicators, in turn, affect others the investment climate and investment attractiveness of the regions, the importance of the latter is especially important in the context of the ongoing crisis. [ 9, 10]

4. Conclusions

The express analysis allows us to draw certain conclusions:
- the problem of development of the construction industry is still important, the investors are currently not ready to actively invest in construction, production of building materials as they are not satisfied with the payback period which is difficult to predict.

The main problem is the slow implementation of many national projects, and weak control over the timing of their implementation. [ 11, 12, 13]

1. It is necessary to revive (as it was 30 years ago) the close relationship between educational institutions and industrial enterprises to solve the problem of qualified personnel in the construction industry.

2. Rapid implementation of innovative technologies will help to reduce the time of commissioning of objects and their quality characteristics.

3. It is necessary to actively implement methods of investment attractiveness to attract investors (domestic and foreign), for example:
   - provision of the benefits and tax holidays for major taxes: income, property, VAT.

   The regional government has been using and implementing a set of the measures in recent years but tax incentives could have been used more actively.

4. Special attention should be paid to the productivity indicator and the effective use of available resources.

5. Reducing the cost of work and materials used should be one of the priorities, since the constant increase in prices for the objects sold by the builders leads to a decrease in consumer demand.

6. The development of partnerships with neighboring regions will increase competition in the construction market, resolve issues of import substitution, etc.

In general, the development of the construction industry in remote regions is a rather complex task that needs to be solved at all levels of government: Federal, regional, municipal, important support measures can be a system of state orders and industrial structures with the allocation of priority industrial sectors for each region which can become the basis for the development of non-production sectors. [ 14, 15,16, 17]

All these measures should ultimately ensure economic growth and investment activity in the region.
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