

Effectiveness of Administration of Economic Entities in State and Municipal Ownership

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Abstract—The article analyzes the structure of enterprises and organizations by forms of ownership in Russia. The main methods of state and municipal property administration are shown, administration tendencies are revealed that provide for effective tools, including those involving private funds in the implementation of state and municipal property administration programs on the basis of contractual relations and the mechanism of public-private partnership. The mechanism of public-private partnership on the basis of attraction of private investments should be aimed at the creation of public infrastructure, ensure the effectiveness of management of property in state and municipal ownership, as well as improve the quality of socially-significant services, provided to the population.

The assessment of economic effectiveness is carried out; and the factor dependence of formation of net assets on financial results of activity of the enterprises, which are in the state ownership, is revealed. The performance indicators of state-owned enterprises were calculated according to the "Systems of indicators to assess the effectiveness of State Property Management and forming statistical observation." The peculiarities inherent in state enterprises, the processes of formation of net assets due to the obtained financial results in the previous financial period on the basis of correlation-regression analysis are revealed. Based on the evaluation of performance indicators and correlation-regression analysis, proposals were developed aimed at improving the efficiency of state property management.

Keywords—Administration, management, state and municipal property, effectiveness, public-private partnership, institutional changes.

I. INTRODUCTION

One of the principal elements of economic basis of state and municipal administration is property in state and municipal ownership, which determines economic independence of public authorities. Public and local self-governing authorities undertake economic activity through economic entities – unitary enterprises, as well as mixed enterprises, public corporations. Profit-making from State and municipal property operating is not the crucial task for public authorities. Nevertheless, efficiency and effectiveness, more specifically, quality of the public property administrating is one of the key performance indicators of effectiveness of state administration, which influences the creation of finance system, and, consequently, standards of living. Above-stated issues were covered in studies by Mersianova I.V., Ivanova N.V. [1], Yakovlev A.A. [2], Levina I.A.,

Kazun A.D. [3], Manturov D.V. [4], Ignatova M. S. [5], Vinitsky A.V. [6] and others.

Issues of effective public and municipal property administration are quite urgent, because vast majority of cases of public property use are considered to be ineffective, especially concerning public and municipal enterprises. The principal problem of Russian unitary enterprises is that most of them are unprofitable and do not accord to the status of commercial organization, which is meant to bring a part of profit to the corresponding budget, while maintaining high profitability index and meeting population demands for public goods.

II. RESEARCH OBJECTIVE

Taking into consideration the designated issue, the study sets the task to determine the administration effectiveness of economic entities, which are in state and municipal ownership. Moreover, to reveal the most effective types of state ownership, justified by analysis and calculations, and to determine peculiarities of state enterprises on the basis of correlation-regression analysis.

III. THEORETICAL PART

State and municipal property differs from private property in specific features, which are determined by specific operating procedures in accordance with public interests. Economic administration and operational management compose legal framework of public and municipal property administration.

Interaction of public authorities and economic entities is based on certain principles, which enable to regulate public relations and functions of the owner, establishing the binding rules and regulations.

Main methods of public and municipal property administration and, accordingly, revenues of public property use are created by virtue of such sources as income from privatization, stock dividends, rental income, and unitary enterprises' profit, transferred to budget.

Main criterion to select a particular type of public and municipal property administration is social and economic importance for execution public authorization and resolving local issues, as well as economic effectiveness of various methods from the owner viewpoint.

One of the recent trends of public and municipal property administration turns out to be joint participation of private funds to implement the program of public property administration on the basis of contractual relationships, or public (municipal)–private partnership. Scholarly dispute of its development is reflected in academic papers [7,8]. The most effective method of public and municipal property administrating is concession agreement, which intends to increase the effectiveness of public property use, restore its operational condition, keep in working order, attract additional investment, and increase quality of services in the public interest, provided to the population. Clear advantage of this administration mechanism is that under concession agreement property rights are always retained by a public party (concession grantor), and execution is always laid at a concessionaire, which allows to control the use of property, protecting public interests.

As at the beginning of 2017, 2446 infrastructure projects, involving private investments attraction on the principles of public-private partnership, have been approved to be carried out in Russian Federation. Concurrently, 2200 projects have been being carried out with concession agreement [9].

It is important to note that public and municipal unitary enterprises (property is related to economic administration) are able to act for concession grantor in concession agreement to build or reconstruct road infrastructure objects, which leads to effectiveness increase in these economic entities administration.

Concerning administration of economic entities, which are unitary enterprises in the state and municipal ownership, it is necessary to state that public authorities throughout almost the whole Russia come up against a great problem: the majority of enterprises fully relies on financial support of the budget, does not have interest in increasing profitability index and having resources saving program. Ongoing strict administrative and financial control over economic activity of unitary enterprises is necessary [10].

This organizational and legal form occurred to be ineffective, sometimes non-conforming to size and financial abilities of public institution. Foreign practice displays that privately-owned companies happen to be the most effective in meeting public needs in conditions of free market economy and competition.

Concerning state or municipal procurement in the context of unitary enterprises administration, public authorities should be indifferent to which kind of enterprise, private or public, will execute the contract. The major criterion is the quality of performed work or services at an economical price.

As owners of unitary enterprises, public authorities have the interest of profitability and productivity of an enterprise. However, in many cases, giving preference to these enterprises while allocating municipal and government contracts leads to monopoly abuse, overpricing for works and services, violation of the competitive exclusion principle, and, as a result, to additional budget expenditure.

Due to the current situation the Government of the Russian Federation is planning to reduce the number of unitary enterprises by alienation of non-core assets in accordance with the

privatization law, for example, corporization (into LLC and JSC), which significantly improves efficiency of economic entities administration. This is becoming particularly relevant in conditions of cyclic economy development, focused on natural resources recovery. [11,12,13,14]

Virtually, in terms of budget income, the most effective economic entities are joint-stock companies, shares of which are in the federal property. State property of the Russian Federation has been the leading form of ownership, which has the largest weight. For the period from 2000 to 2016 structural changes of organizations in economy of Russia occurred: the quantity of enterprises and organizations increased by more than 1 mln. units or by 42,4%, among them the number of private organizations increased by 1612 thsd. units. or by 64,2%; simultaneously, the number of public- and municipal-owned enterprises reduced by 75 units or 15,5%. [15]

Institutional developments provoked the growth of entrepreneurial activity in Russia.

Ranking “Doing business 2017” from The World Bank states positive dynamics in major areas of business friendly environment (compared to 2005 criterion value is increasing upon: property rights registration, drawing upon a credit for economic entities, development of international trade, solutions of insolvency). Russia was ranked 40th in 2017. [16] According to the ranking “Global Competitiveness Report” by World economic forum, Russia also reached higher figures of business regulation and moved up from rank 63 in 2009-2010 to rank 43 in 2016-2017. [17]

By transferring public property assets into other organizational and legal forms (Joint-stock companies, non-profit organizations and etc.), the government monitors the results through enforcement. [18]

IV. PRACTICAL SIGNIFICANCE, SUGGESTIONS AND IMPLEMENTATION RESULTS, EXPERIMENTAL RESULTS

It has been revealed that the effectiveness of mixed enterprises (state-owned joint-stock companies) is significantly higher than of unitary enterprises.

Firstly, based on data from “Systems of indicators to assess the effectiveness of State Property Management and forming statistical observation” the indicators of effectiveness of state-owned enterprises have been calculated (Table 1).

Despite the organizations quantity decreasing, the efficiency of joint-stock companies is notably higher than of federal state enterprises. Value of real value (net assets) of joint-stock companies is ten times higher, they boost profit by 88,4%, coefficient of ratio of accounts receivable and payable in 2016 is closer to the acceptable value (0,9-1,0).

Secondly, joint-stock companies use their assets more effectively. We have applied mathematical modeling in economics, commonly used to study financial and economic processes in Russian and international practice [19-22]. Method of correlation-regression analysis revealed positive correlation between profit, received in accounting period (P) and net assets value, received in preceding financial year (NA). The use of data base of 50 types of economic activity in 2015 and 2016 allows ad-

mitting the following results of correlation equation to be representative:

TABLE I. INDICATORS OF STATE-OWNED ENTERPRISES EFFECTIVENESS

Indicator	2015	2016	Growth of 2016 to 2015, %
Federal State Unitary Enterprises			
Qty of enterprises, units.	1536	1293	-15,8
Value of net assets, bn.rub.	1595,9	1213,7	-23,9
Net asset value per 1 organization, bn.rub.	1,0	0,9	90,3
Profit, bn.rub.	75,6	45,7	-39,6
Percentage of profit-making enterprises, %	74,2	71,0	-3,2 pp.
Coefficient of ratio of accounts receivable and payable	0,70	0,74	5,7
Profit to net assets, %	4,74	3,77	-0,97 pp.
Joint-Stock Companies, Shares of which are in Federal Ownership			
Qty of JSC, unit.	1557	1356	-12,9
Value of net assets, bn.rub.	20002,8	20499,6	2,5
Net asset value per 1 organization, bn.rub.	12,8	15,1	117,7
Profit, bn.rub.	740,8	1395,3	88,4
Percentage of profit-making JSCs, %	66,9	68,4	1,5 pp.
Coefficient of ratio of accounts receivable and payable	1,42	0,98	-1,0
Profit to net assets, %	3,7	6,8	3,1 pp.

a) for federal state enterprises

$$P = 12707,3 + 11,1NA \quad (1)$$

Increasing the amount of net assets by 1 mln. rub Federal State Unitary Enterprise obtain the increase of profit by 11,1 mln. rub. Reliability of the correlation reaches coefficient 0,797. According to Cheddok scale, correlation ratio is high.

b) for joint-stock companies

$$P = 53782,0 + 22,8NA \quad (2)$$

Increasing the amount of net assets by 1 mln. rub. Joint-stock companies receive major increase of profit by 22,8 mln. rub. Reliability of the correlation reaches coefficient 0,922. Correlation ratio is high.

V. CONCLUSIONS

Above-stated researches allow identifying structural and dynamic changes of property of economic entities in Russian Federation. It has been proved that activity of joint-stock companies is more effective than of state enterprises. According to developed patterns (1 and 2) financial results of economic entities may be forecasted for the next period. Supporting enterprises to acquire net assets, government is able to plan exact values of revenues and payments of the budget system.

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