The impact of transparency on funding construction companies in Russia

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Abstract. The article is devoted to the study of the impact of transparency on the formation of funding sources, by the example of a construction industry enterprise. The literature review covers studies revealing the concept of transparency as an initial condition for creating an environment in which there is complete, reliable and open information for taking various decisions. The issue of creating a trusted environment is particularly sharp when taking funding decisions, since, for the funding party, information transparency is a risk factor influencing efficiency of funding. Generalization of the available studies has shown a special significance of such studies for subjects of the construction industry, which have distinctive funding source choice industry features. The study was conducted on a selection of construction companies of Russia. The results of the study showed that transparency has a significant impact on the ability to attract funding, especially on a long-term basis. Achieving optimal transparency allows not only increasing debt sources of financing, but also optimizing their structure due to high confidence on the part of capital suppliers. Besides, a dependence of transparency and resistance of a company to external factors is revealed, i.e., financial stability of financially transparent companies is maintained in the long-term perspective.

1 Introduction

In conditions of global changes and transition to economic relations digital transformation, transparency, which characterizes openness of an economic entity for all economic entities that are interested in building relationships with it, obtains particular priority.

Many economists note that the current decline in investment attractiveness of real economy is subject not only to instability of the economic situation in both global and local markets, but also to extremely low transparency of Russian companies, which leads to increased risks and the cost of raising capital [1], and also the lack of confidence between economic agents [2]. All this has a negative effect on competitiveness of Russian companies.

The problems of financial transparency of companies are discussed in works of a number of scientists. Therewith, some of them note that "the concept of transparency goes beyond the scope of a particular enterprise and implies creating an environment characterized by availability of accessible, visible and understandable information about the essential conditions, decisions and actions taken for all participants (stakeholders)" [2], [3].

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The research in the field of corporate management [4] has shown that positive dynamics relative to the general level of transparency of the corporate sector is observed only in leading domestic companies that distribute shares and public debt obligations, including foreign stock exchanges. At the same time, a significant part of economic entities not involved in public international operations remains relatively non-transparent.

All of the abovementioned is also applicable to companies of the construction sector. Due to high capital intensity of construction products, the main problem for construction companies is attracting sources of funding.

Complexity of economic relations within the construction sector determines its dependence on various factors at the macro and micro levels, and there with a low response to their changes. The construction sector is one of the most investment-significant economic spheres, which implies the need of studying the issues of effective funding maximum possible number of its participants. Efficient funding is based on mutually beneficial cooperation and establishing trust between the parties, which determines fulfillment of the condition of optimal information transparency. For the funding party, information transparency is a risk factor that affects the efficiency of funding. That is why, despite the studies devoted to evaluating of Russian companies financing structure [5], financial constraints that affect investment decisions of Russian companies [6] and construction companies, in particular, the issues of interrelation between the level of financial transparency and the financial position of companies [7] remain essential.

2 Review of literature and hypotheses

The issues of improving the efficiency of corporate management, including improving the quality of the financial policy conducted by Russian enterprises, are related to the problems of their transparency. The term "transparency" has spread to all types of management activities, and now the question of strengthening the requirements for transparency not only of the business as a whole, but also of its elements [7] comes up.

There are different approaches to understanding the term "transparency". According to the OECD, budget transparency is defined as "the full disclosure of all relevant fiscal information in a timely and systematic manner". The WTO glossary defines transparency as "the degree to which trade policies and practices, and the process by which they are established, are open and predictable" [8].

As for the concept of transparency of enterprises, a number of authors define financial transparency as the ability to provide reliable (audited) reporting in the IFRS format [9], [10].

Despite differences in these interpretations, they are united by the fact that transparency is associated with openness, and when it refers to practice - with predictability of decision-making.

Financial transparency is necessary for Russian companies to attract funding, and first of all, credit resources. One has to agree [10] that the current loyal requirements of Russian banks regarding the transparency of borrowers affect the interest rates and the terms of loans provided.

On the other hand, from the perspective of a number of specialists, transparency increases the market value of an enterprise and represents "an important intangible asset that allows the most successful companies to receive added value." As [9] concludes, transparency reduces entropy of the economic environment and increases predictability of economic activity.

Optimal transparency from the point of view of a company is the disclosure of information about the best economic perspectives to stakeholders. As shown in [11], unsatisfactory transparency can show itself at the macro level with a high total capital cost, which can cause the slowdown in economic growth as a whole.

However, as [12], [13] conclude, there are stimuli that affect the receipt of information by stakeholders so that they can correctly assess competitiveness, even with the associated costs.

The effects of providing information can go beyond their influence on a particular company and show themselves as a market effect that impacts the entire environment, including competitors, as well as other companies in the industry or the entire economy of the industry, region or country.

The external effects of financial reporting have been recognized in the empirical literature, and the relationship between information asymmetry and liquidity, and also between the total cost of capital and the provision of information, were theoretically established by Lambert R. [11].

The paper also established that information transparency is related to the reporting of companies - untrue reporting has side effects for companies of one industry, which indicates not only the importance of having proper reporting rules, but also the value of the institutional infrastructure for their proper application.

This also includes the effect of greater transparency and supports the theoretical arguments in the paper of Verrecchia R. et al. [14], who state that corporate disclosure can alleviate liquidity problems and increase the value of the company, thereby impacting the policy of raising funds. In addition to the indirect relationship between the cost of capital and liquidity, [11] shows a direct relationship between the cost of capital and the provision of information, considering the risk evaluating in the theoretical model.

Further researches [15] have established that presence of information asymmetry and unfavorable selection impacts decisions about the allocation of capital through the sources of raising capital and its cost.

As for Russian practice, the study [7] has shown that it is small and medium-sized businesses that are mostly non-public. These businesses experience difficulties in attracting additional funding, which is related to financial constraints caused by greater exposure to information asymmetry.

Empirical studies of funding for domestic industrial companies [5] have shown that the main source of their funding, along with their equity, is bank loans, while the share of companies using venture and public financing is negligibly small. Therewith, the same study clarifies that own sources make up an enough high indicator - about 60% of all funding sources of Russian industrial companies.

Construction is one of the few sectors of the economy, the participants of which do not have a sufficient level of equity, which is conditioned by high cost of construction objects.

According to the Bank of Russia monitoring data, the construction industry maintains a satisfactory level of self-financing of 24%. At the same time, the significance of loan financing for the construction industry is increasing. In addition, in recent years, not only price, but also non-price conditions for financing the construction industry have been softened, which is evident as lengthening financing terms. That is especially significant for the construction industry, since the construction projects are characterized by a long implementation cycle and payback period.

The low financial transparency of construction companies limits the circle of lenders and investors. To form the funding policy is one of the key strategic decisions of the company management, which affects its value and long-term development. If we follow [11], the efficiency of construction companies as the main subjects of the construction industry directly impacts the condition of the entire investment and construction sector of the economy. As it is impossible to operate without debt financing, the subjects of the construction sector depend on institutions of real estate financing. In connection with the great influence of the construction industry on the growth of the economy, it is also necessary to ensure efficient functioning of institutions which finance real estate.

Crediting banks are the main lenders for construction borrowers. The main problems of credit institutions in financing of construction are a deficiency of understanding of the construction industry specifics and managing the construction process: ignoring the situation in the local real estate markets and low capitalization of regional banks that constricts funding for large projects. In addition to the above-mentioned factors, the efficiency of bank lending to the construction is also affected by macroeconomic stability. The stability of the banking sector largely depends on the correct evaluation of risks. Since, construction is the most risky sphere for banks, but at the same time it is a profitable and important part of the economy, it is necessary to ensure an acceptable level of efficiency of real estate lending.

It is necessary to note that the subjects of the construction sector are represented by different legal corporate forms. However, the basic factor affecting the funding opportunities is the degree of publicity. Public companies have the widest opportunities to attract financial resources, as opposed to non-public ones. However, the possibility of debt funding is determined by the legal form of the company, and its efficiency is determined by the degree of trust to the company or the level of its financial transparency. Business reputation is important for both public and non-public companies. In the first case we are talking mostly about attracting loan funding, and in the second one - about the possibility of forming sources as accounts payable, which is especially important for construction companies. The existing restrictions on attracting alternative financing instruments for most construction companies have identified the main supplier of financial resources. For both public and non-public companies, the main financing tool is a bank loan.

Taking into account the importance of loan financing for construction companies, it is necessary to determine the level of creditworthiness of borrowers of the construction sector, taking into account the impact of transparency, and study the structure of financing activity.

The dependence of financing structure and financial results on the level of transparency is the starting point for searching the optimal financial transparency from the point of view of a company, so the two hypotheses will be tested in the analysis:

1. For construction companies, the level of information transparency is an indicator of the level of risk on which the financing structure will depend. The optimal level of transparency allows not only increasing debt sources of financing, but also optimizing their structure due to high confidence on the part of capital suppliers.
2. Transparency determines resistance of a company to external factors when forming a financing strategy.

3 Methodology

The purpose of this study is the impact of the level of transparency on funding of the construction sector companies in Russia. The study selection includes 30 largest companies of the construction sphere that had published their panel data on financial reporting for the period from 2014 to 2019.

For checking the hypotheses suggested, the studied construction companies have been grouped by the degree of their financial transparency. Transparency is the first indicator by which a lender can evaluate a company (a potential borrower).

The grouping of construction companies allowed determining the impact of the company size and the degree of its publicity on the level of financial transparency and the possibility of attracting financial resources. The size of the company is determined by the value of the assets owned by the company during the studied period.

Economic subjects have to make decisions in conditions of uncertainty. In reality, information asymmetry always exists, it is impossible to exclude it, but it can be reduced. For the financing party, uncertainty means an increase in risk, which leads to an increase in the cost of resources. The receiving party seeks to attract financial resources at the lowest price, but their cost largely depends on its condition. Considering disclosure as one of the ways to reduce the cost of resources for the borrower and reduce risks for the lender, it is possible to determine financial transparency as a necessary factor for efficient financial relationships.

The degree of financial transparency can be determined by a number of criteria (Fig 1.).

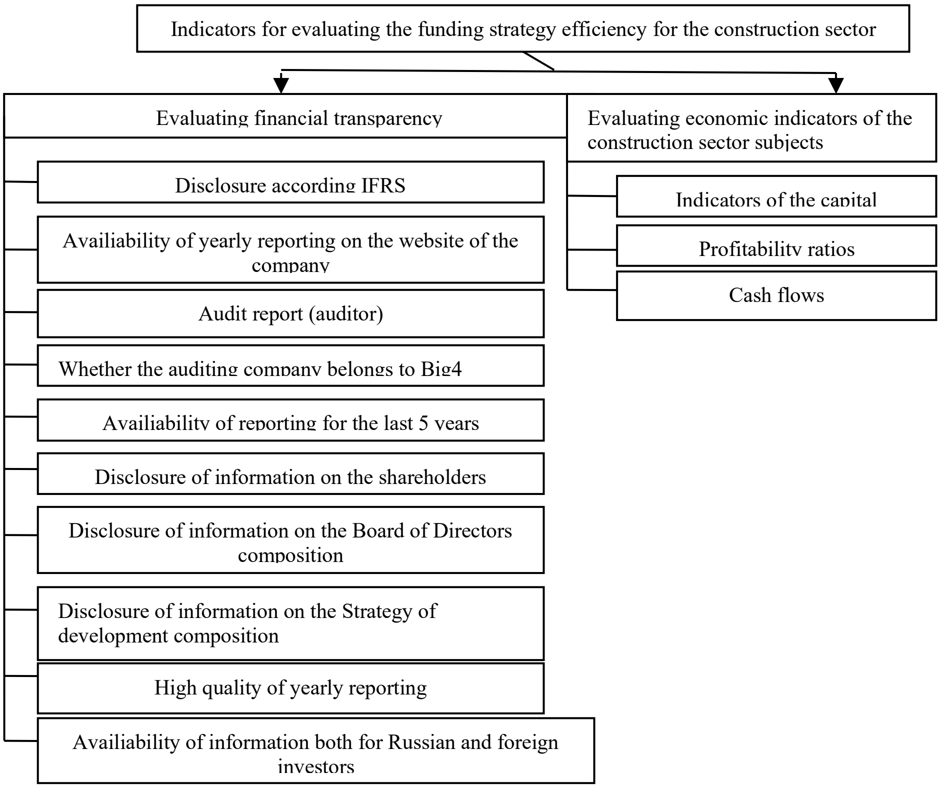

Fig. 1. Indicators for evaluating the funding strategy efficiency for the construction sector subjects.

The eligibility of a company for one of the criteria is estimated at " 1 "point, non-eligibility –" 0 " points. The maximum number of points is "10". For each of the companies, the points are added together. The first group includes enterprises with the sum of points-0-3 points, the second group-4-7 points, the third group-8-10 points.

Financial transparency of Russian construction companies is different. The evaluation of financial transparency of the studied companies allowed dividing them into three groups (Table 1).

Table 1. Grouping of the construction sector subjects.

No	Group	Company name	Evaluation of financial transparency, points
1		JSC Globalstroy-engineering	0-3
2		JSC SGK-transstroyyamal	
3		JSC SK Vozrozhdeniye Sankt-Peterburga	
4		JSC Stroytransgaz	

5	1	JSC Transmost	
6		JSC Dalmostostroy	
6		JSC Krupnopanelnoye domostroyeniye	
8		JSC Tveragrostroy	
9		JSC Gorstroyzakaschik	
10		JSC Spetsstroymontazh	
11		JSC TDSK	
12		JSC Invest-Stroy Shchelkovo	
13		JSC Stroy-trest	
14	2	JSC Krasnodargazstroy	4-7
15		JSC Svarochno-montazhniy trest	
16		JSC Korporatsiya Transstroy	
17		JSC Orelstroy	
18		JSC Magnitostroy	
19		JSC Tatagropromstroy	
20		JSC Svoy dom	
21		JSC Marspetzmontazh	
22		JSC Domostroitelniy kombinat N3	
23		JSC SSMO LenSpetsSMU	
24		OJSC Stroitel Astrakhani	
25		JSC Zhiloi dom	
26	3	PJSC Gruppa LSR (LSR Group)	8-10
27		PJSC Group of companies PIK	
28		PJSC Mostotrest	
29		PJSC OPIN	
30		PJSC Gals - development	

JSC, OJSC and PJSC - legal corporate forms: JSC – join stock company; OJSC – open join stock company; PJSC – public join stock company

This shows that the most financially transparent are public companies (5 companies), whose securities are listed on the stock market. One has to mention that such a high level of openness is caused by the requirements of the stock exchange when distributing securities.

The methodology of calculating the indicators that evaluate financing strategies of the construction sector subjects is presented in Table 2.

Table 2. Indicators for evaluating creditworthiness for the construction sector subjects.

Indicator	**Method of calculating**
Total leverage (D/A)	Debt / Assets
Long-term leverage (LTD/A)	Long term debt / Assets
Short-term leverage (STD/A)	Short term debt / Assets
Gearing ratio (D/E)	Debt / Equity

Return on equity (ROE)	Net profit(income) / Equity
Return on assets (ROA)	Net profit(income) / Assets
Gross profit margin (GPM)	Gross profit(income) / Revenue
Net profit margin (NPM)	Net profit(income) / Revenue
Return on fixed assets (ROFA)	Operating income / Fixed assets
Return on current assets (ROCA)	Operating income / Current assets
Return on debt (ROD)	Operating income / Debt
Operating cash flow (OCF)	Operating income + Non-cash charges – change in working capital - taxes
Cash flow from assets (CFA)	Operating cash flow – Capital expenditure – Working capital
Cash flow to lenders (CFL)	Interest payable – Net new debt
Cash flow to shareholders (CFS)	Dividends Paid - Net New Equity Raised
Payables (accounts payable) turnover (Tp)	Revenue / Average annual accounts payable
Payables turnover period, days (Ptp)	360(days)/Tp
Current liquidity ratio (Rcl)	Average annual accounts receivable / Average annual accounts payable

Grouping of the construction companies will allow determining the impact of the enterprise size and the degree of its publicity on the level of financial transparency and the possibility of attracting financial resources.

Based on the study findings, it can be possible to draw a conclusion on the existing financing strategies and the level of financial transparency of the construction sector entities.

4 Results of estimation

All the public companies studied (the third group) are characterized by availability of the IFRS reporting, disclosure of the composition of the Board of directors and shareholders, availability of reports for the last 5 years, equal access to information for Russian and foreign investors, and a description of the development strategy, i.e., optimal financial transparency. Twelve companies (the second group) have an average level of financial transparency (from 4 to 7 points), in addition to the basic information (annual report, audit report, availability of reports for the last five years), some companies also disclose information about their board of directors and development strategy. The companies of the first group do not disclose any information other than financial statements and audit reports. Special attention was paid to the availability of information at free access, i.e., on the website of the company. Table 3 represents the amounts of the construction companies assets by groups.

Table 3. Groups of construction sector subjects by volume of assets (2014-2019).

Group	Number of companies in the group	2014	2015	2016	2017	2018	2019	Assets in the group, average, million rubles (2014-2019)
		Total balance, average, million rubles						

1	13	12664	11507	10497	13024	14132	no data	12 365
2	12	7921	10160	10809	12065	11745	11821	10 753
3	5	85324	84069	90288	99599	101102	103277	93 943
-	30	35303	35245	37198	41563	42326	42488	39 120

The third group (the most information-open companies) is the largest by volume of assets. The first and the second groups are nine times less than the third one in terms of their balance sheets totals. The first group of companies is the most closed one in terms of disclosure of information, there is no their financial reporting for 2019 at the free access. However, in terms of the balance totals, the first group exceeds the second by 13%, which can be explained by the aggressive raising capital policies in the companies of this group.

The analysis of the indicators of the capital structure (Table 4) of the study selection (indicators of leverage and risk ratio (gearing)) showed that the dependence on borrowed funds is directly proportional to transparency.

Table 4. Indicators of the capital structure by groups of construction companies.

Group N	2014	2015	2016	2017	2018	2019
	Total leverage					
1	0.64	0.64	0.73	0.78	1.10	no data
2	0.69	0.74	0.71	0.80	0.94	1.14
3	0.61	0.58	0.60	0.60	0.63	0.68
	Long- term leverage					
1	0.14	0.13	0.13	0.13	0.07	no data
2	0.15	0.17	0.18	0.24	0.27	0.27
3	0.25	0.28	0.23	0.28	0.33	0.39
	Short -term leverage					
1	0.55	0.56	0.63	0.68	1.14	no data
2	0.62	0.59	0.54	0.58	0.70	0.89
3	0.36	0.31	0.38	0.32	0.30	0.30
	Gearing ratio					
1	9.68	4.29	8.89	2.03	- 0.41	no data
2	4.49	6.83	1.34	2.11	3.86	7.02
3	3.21	3.70	5.02	6.52	- 1.80	0.85

The same situation is with the urgency of borrowing - the high level of short-term liabilities of the companies of the first and second groups, and the companies of the third group demonstrate the maximum long-term leverage.

For determining the level of financial stability, the financial risk ratio (gearing ratio) is used. This ratio is directly proportional to the financial risk of the enterprise. The first group of enterprises has the highest level of risk. In the third group, this ratio is the lowest. When the risk ratio (gearing) is high, the financial independence of a company decreases, the financial situation becomes extremely unstable and it becomes more difficult to attract external borrowing. All the enterprises have a high-risk ratio (more than 100%), which indicates a high loan(debt) risk of companies belonging to this sphere. The multidirectional dynamics of the gearing ratio level indicates the influence of macroeconomic factors on the financial policy parameters of companies. Debt/loan capital is the main source of financial resources for all groups of enterprises. Therewith, the information openness of companies is also crucial – the most financially stable companies are those with optimal transparency.

Attracting borrowed funds into turnover of a company in the short-term period contributes to the improvement of current activities, provided that these funds do not turn into overdue accounts payable. When studying the classical indicators of the capital structure, it is necessary, given the particular importance of financing current assets, to consider the structure of current liabilities (Table 5). The largest share of short-term loans and borrowings is observed in public companies (50%), the first and second groups use loans less actively (30%). This can be explained by the high level of faith that resource providers place in companies with optimal transparency. For non-public companies, the structure of short-term liabilities is dominated by accounts payable.

Table 5. Structure of short - term liabilities (without intra-company reserves).

Indicator	2014	2015	2016	2017	2018	2019
Group 1						
Accounts payable	0.82	0.68	0.61	0.59	0.75	no data
Loans(Debt)	0.18	0.32	0.39	0.41	0.25	no data
Group 2						
Accounts payable	0.68	0.61	0.69	0.77	0.79	0.75
Loans(Debt)	0.32	0.39	0.31	0.23	0.21	0.25
Group 3						
Accounts payable	0.40	0.47	0.57	0.49	0.56	0.46
Loans(Debt)	0.60	0.53	0.43	0.51	0.44	0.54

Given the importance of accounts payable for financing the activities of construction sector entities, we will consider the indicators of accounts payable turnover (payables turnover), its ratio to accounts receivable, i.e., liquidity ratio, and also payables turnover period in days (Table 6).

Table 6. Characteristics of the payables (accounts payable).

Indicator	2014	2015	2016	2017	2018	2019
Group 1						
Tp	6.3	3.5	4.1	36.7	1.7	no data
Ptp .days	57.7	103.2	88.2	9.9	212.8	no data
Rcl	1.8	1.4	1.8	3.5	1.2	no data
Group 2						
Tp	2.5	13.5	4.5	3.4	3.8	3.5
Ptp .days	148.2	27.1	80.3	106.7	96.7	104.3
Rcl	2.9	6.2	7.7	1.6	1.4	1.7
Group 3						
Tp	3.6	33.6	6.3	7.0	18.3	113.6
Ttp . days	102.5	10.9	57.9	52.2	19.9	3.2
Rcl	4.6	56.3	8.0	10.1	11.0	184.9

A special place in the analysis of accounts payable is given to the payable's turnover. Public enterprises show a decrease in the payables turnover period (in days), while the opposite trend is observed for non-public companies. The ratio of accounts receivable to accounts payable (liquidity ratio) is higher for the public companies, i.e., their assets are many times greater than the liabilities. For the public companies, this ratio is greater than one, but still does not exceed tenfold.

The large public companies, along with a high share of equity (up to 30%), actively attract both short-term and long-term financing. A high share of equity for such companies, along with high financial transparency, significantly increases their ratings and is a guarantee of repayment of borrowed funds to creditors. This may explain the fact that large companies with optimal transparency mainly implement large construction projects, so there is a high proportion of long-term liabilities in the structure of liabilities. For small and medium-sized businesses that perform work on smaller facilities, the predominance of short-term liabilities is characteristic, in order to reduce the risk of uncertainty of the counterparty's receipts.

Thus, it can be stated that the hypothesis about the influence of transparency on the choice of sources of financing for construction enterprises is confirmed. Achieving optimal transparency allows not only increasing debt sources of financing, but also optimizing their structure due to high confidence on the part of capital suppliers.

Now we turn to the indicators of profitability of enterprises in the construction sector (Appendix D). The main criterion with which the return on equity can be compared is the percentage of alternative returns that the owner of the capital could receive. High profitability indicates the efficiency of financial decisions. However, there is a dependence of high profitability indicators in connection with the growing indicators of financial leverage. The second group of companies has the highest return on equity, which is explained by high enough operating profit(income). Return on assets indicates the quality of asset management. Given the high capital intensity of construction products, the return on assets potentially will not be high. The highest return on assets is observed in enterprises with optimal transparency. Besides, it should be noted the high variability of the return on assets of the first group during the study period, while the profitability of financially transparent companies is relatively stable being 5%.

Net profit margin, which shows the efficiency of activities in all groups of companies, is equally negative, which indicates that companies also bear large management costs, possibly related to maintaining business reputation, apart from the cost of construction works. For construction companies, the efficiency of asset use is very important. Indicators of returns on current and non-current assets are stable for enterprises of the second and third groups and change greatly over the years in the first group. Thus, the analysis of profitability showed that the financial stability of financially transparent companies is maintained in the long-term perspective. However, the efficiency of construction companies is largely determined by the real estate market conditions, which are influenced by many factors. Besides, the calculations confirm the conclusions [10] about the relationship between profitability and the financing structure: profitable companies prefer internal sources of financing, and growth of profit leads to reduction of borrowed sources.

An important aspect of attracting bank lending is generating cash in the future. However, future cash flows are quite difficult to predict, especially in such a risky sphere as construction. Forecasted cash flows are most often based on retrospective ones, so it is necessary to evaluate cash flows dynamics of companies. Table 7 represents the cash flows generated by the construction companies. Operating cash flow is the cash generated by principal activity of an enterprise. The third group of companies has the largest operating cash flow due to the scale of their activities. The first and the second groups have approximately the same operating cash flows. However, in 2016, while in the first and second group of companies there was a decrease in operating cash flow, the third group maintained the same cash flow. Cash flow from assets represents cash received from the operating the assets, which should be equal to the sum of cash flows to creditors and shareholders. If the second and first groups of companies already stopped increasing their debt capital in 2018, the companies of the third one continued to increase their loans, while maintaining the amount of operating cash flow. Since 2019, companies of all groups have increased their loan funding, which is associated with a revival in demand for construction products and a decreasing of mortgage rates.

Table 7. Cash flow indicators of the construction sector enterprises, million rubles.

Indicators	2014	2015	2016	2017	2018	2019
Group 1						
OCF	974.30	851.81	615.08	392.24	1 264.79	no data
CF_A	1 206.03	1 861.21	380.40	152.06	2 517.33	no data
CF_L	1 235.71	1 789.98	- 91.05	- 164.20	1 607.44	no data
CF_S	27.24	96.17	479.18	319.47	912.85	no data
Group 2						
OCF	666.65	758.47	655.15	720.22	734.68	- 219.05

CF_A	650.98	-223.78	252.55	- 611.56	1 028.97	17.52
CF_L	567.10	- 42.37	223.96	- 634.15	733.78	- 189.26
CF_S	83.88	-181.41	28.58	22.59	295.19	206.78
Group 3						
OCF	3 297.58	3 622.72	3 406.94	6 124.72	5 772.05	5 099.91
CF_A	3 545.13	126.07	4 303.73	438.95	1 833.39	- 764.45
CF_L	4 121.67	- 576.05	5 363.12	- 1 368.61	- 1 470.50	- 2 925.26
CF_S	- 576.54	702.12	- 1 059.39	1 807.56	3 303.89	2 160.83

Thus, transparency determines resistance of a company to external factors when forming a financing strategy, which confirms our second hypothesis.

5 Discussion

In conclusion, it should be noted that formation of financing policy is influenced by many factors, the key one of which is the level of transparency of the company. Efficient cooperation within the framework of the funding process is based on mutually beneficial relationships between the parties. For lenders and investors, the level of information transparency is an indicator of the level of risk on which the cost of financing will depend. Thus, minimizing information asymmetry becomes a key way to attract investment.

A high level of financial transparency accelerates and simplifies the process of raising borrowed funds and improves the company image. Another important factor in the formation of financing strategy is the potential range of financing sources, since depending on the specifics of the company, there are restrictions on attracting certain sources of financing. Business reputation is important for both public and non-public companies. In the first case it mainly refers to attracting debt financing, in the second one it is about the possibility of attracting commercial credit, which is especially important for small and medium-sized businesses in the construction sector that do not have access to the capital market.

Sources of financing for the construction sector are divided into existing and expected channels of financial resources. As our study has shown, the level of information transparency has a strong impact on the choice of funding sources and the conditions for attracting them. For efficient use of any financial instrument, all aspects of its applying must be clearly defined. The choice of the source of financing should be justified on the basis of the following provisions: the type of instrument, the term and the form of its attraction. Possible financing instruments directly depend on the characteristics of the company: creditworthiness, legal corporate form, degree of publicity, etc. Public companies have the widest opportunities for attracting financial resources, other than non-public ones. However, the possibility of debt financing is determined by the legal form, and its efficiency - by the degree of trust to the company or by the level of financial transparency.

As our study has shown, companies in the construction sector actively use debt financing, regardless of financial constraints, which does not confirm the results of [6]. For large companies, the share of loan financing is about 60%, for medium-sized companies up to 90%, and for small companies 70%. The construction companies differ in their level of financial transparency. The public companies are the most financially open. The profitability of the business varies over the years and depends on macroeconomic factors. The main source of financing for construction companies is bank loans and accounts payable, but the level of accounts payable also depends on the level of financial transparency.

6 Conclusion

Our study generally confirmed the conclusions of that small and medium-sized businesses in Russia experience financial constraints caused by information asymmetry. That affects structure and urgency of funding sources, as well as provision of a contractors orders portfolio. Achieving optimal transparency allows forming long-term order portfolios.

At the same time, the results of the study show that even public financially transparent companies have difficulties in achieving positive financial results. The negative net profit margin is noted, which makes these companies unattractive to a wide range of investors, and current shareholders do not fully understand the competitive perspectives and further development perspectives. The revealed feature may require additional research on the issue of misrepresentation of information in financial reporting and taking measures to improve its accuracy, and also possibly reviewing the approaches of the studied companies to their accounting policies.

Future research should focus on a more in-depth analysis of lending policies by the main resource providers, banks in the construction sector. The role of regional banks in funding the participants of the local real estate market also deserve special attention.

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