



## Leasing Relations, its Nature and Stages of Development

Bakhriddinov Asror<sup>1</sup>, Sadikov Akbar<sup>2</sup>

<sup>1</sup> senior teacher, Tashkent branch of Samarkand state university of veterinary medicine, livestock and biotechnologies

<sup>2</sup> Master student, Tashkent branch of Samarkand state university of veterinary medicine, livestock and biotechnologies

**Abstract:** In the conditions of the market economy, efforts are being made to achieve deep changes in the country's economy, to study leasing relations and its impact on agricultural investment activities, to develop entrepreneurship in economic sectors and to use them as efficiently as possible from limited financial resources through new mechanisms. . Also, the further development of the economy begins with the expansion of investment processes in any country.

**Keywords:** leasing relations, financial resources, leasing operations, leasing transaction, expansion, competitive environment.

In the economic literature, the concept of leasing has been sufficiently defined by a number of domestic and foreign economists. Leasing practices in developed countries are rationally organized and have many years of experience. Until now, there are different definitions of the concept of leasing. In general, the first economic views that reflect the nature of leasing are even presented in Aristotle's work "Rhetoric", which contains ideas about the economic efficiency obtained with the help of rent.

In ancient Rome, information about the income from the right to rent military equipment has been preserved. According to historians, information about leasing agreements was first mentioned in the historical works of 1066. According to him, William leased ships from the Normans to occupy the British Isles.

First of all, we found it necessary to pay attention to the meaning of the word "leasing". The term "leasing" is derived from the English word "to lease" and means "to rent".

Lease is defined in the Civil Code of the Republic of Uzbekistan as follows:

"According to the lease contract, the lessor (lessor) is obliged to agree on the purchase of property for the lessee from the lessor (lessor) on the instructions of the second party, the seller and the third party, and the lessee, for this undertakes to pay lease payments to the lessor<sup>1</sup>»

In the mid-70s and early 80s in the economy of developed countries, due to the rapid development of leasing operations in various sectors of the economy, serious changes took place in its structure.

In order to explain the widespread use of leasing and its place in the structure of the market economy (there are objective reasons for this), it is necessary to emphasize the following basic conditions:

Leasing is a very ancient form of financing, which has gone through several stages during its development, thus proving its importance and ability to adapt to different market systems.

<sup>1</sup> Civil Code of the Republic of Uzbekistan. - Tashkent.: Adolat, 2003. - B. 477

In our opinion, the main stages of the leasing business and their economic conditions can be described as follows (Table 1).

**1 table. Stages of evolution of leasing services**

Stages of evolution	Characteristic features
I stage 1877-1952 years	<ul style="list-style-type: none"> <li>• 1877. Emergence of leasing system (telephone company "Bell").</li> <li>• 1952. Establishment of the first independent United States Leasing Corporation leasing company.</li> <li>• In many ways, this stage became the organizational basis for the development and operation of leasing.</li> </ul>
II stage 1952-1974 years	<ul style="list-style-type: none"> <li>• Formation of leasing infrastructure.</li> <li>• Effectiveness of tax benefits and application of quick depreciation method.</li> <li>• Automation and mechanization of production and management processes took place under the influence of scientific and technical progress.               <ul style="list-style-type: none"> <li>• Expansion of the assortment and differentiation of products</li> <li>• Development of small and medium-sized companies</li> </ul> </li> </ul>
III stage from 1974 to the present	<ul style="list-style-type: none"> <li>• A wave of crises in the USA and Western European countries.               <ul style="list-style-type: none"> <li>• Emergence of new technologies.</li> </ul> </li> <li>• State support for leasing due to the increased problems of product sales.</li> <li>• Recognition of the efficiency of financing with the help of leasing.</li> </ul>

It is known from the experience of foreign countries that the main economic tool for influencing investment policy was tax and depreciation benefits. The effect of tax benefits, the use of the rapid depreciation method, which is calculated without taking into account the service life of the object, turned out to be economically useful in leasing. What is remarkable about this is that this benefit was equally beneficial for all participants of the leasing transaction.

The lessor will have a tax benefit, although he would not have been given such a benefit if he had purchased the same equipment. In turn, the lessee would benefit from this, because the lessor could lower his rates, taking into account the tax benefits, and these rates could be 1.5-2 times less than the interest rate of the bank's refinancing. In addition, the lessor would be entitled to a 10 percent equipment credit, and the amount of the lease payments would be deducted from the user's gross taxable income.

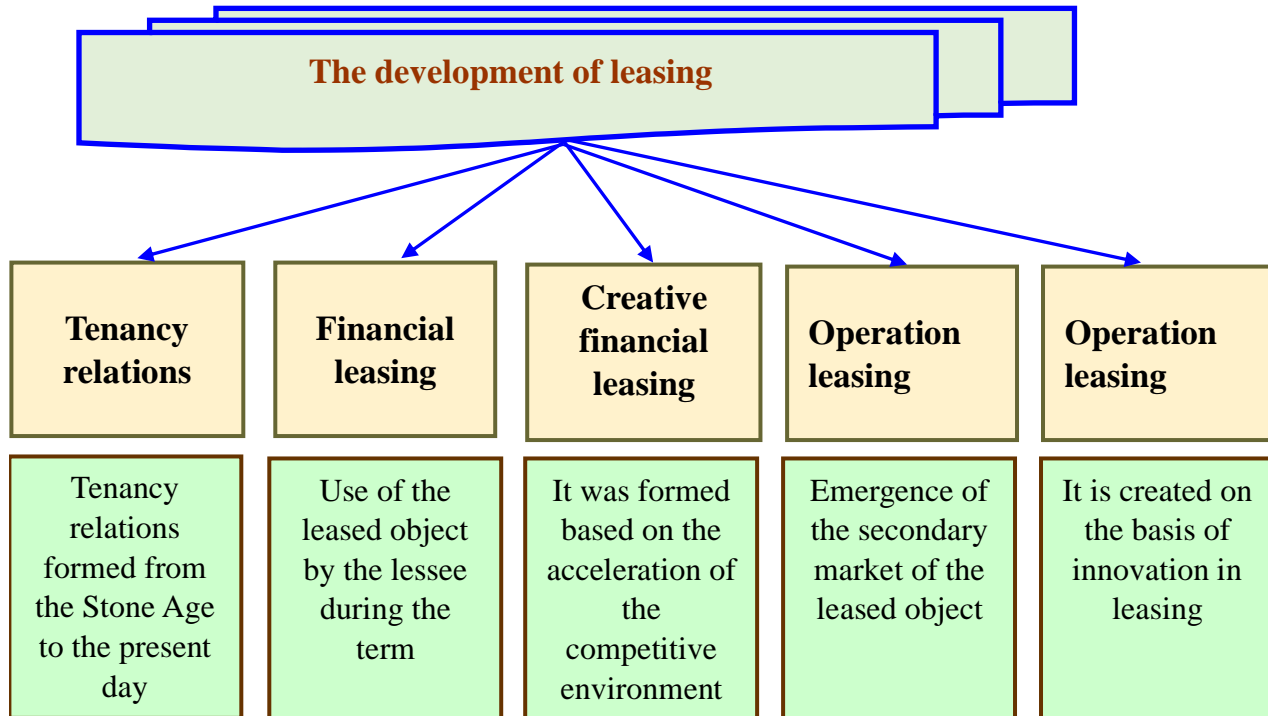
In the conditions of increasing competition in the domestic and foreign markets, great importance has been attached to the financial conditions on which equipment is offered to consumers. It is no longer possible to fully satisfy the constantly changing demand of industrial and commercial companies only through the classic operations of credit institutions. The priorities in the sources of economic management began to change in favor of leasing. The above-described factors and their effects increased the importance of leasing.

The III stage in the development of the leasing business began during the economic crisis of 1973-1974, and during this period, in 1980-1982, the process of revising the relations of monopolies with the leasing business accelerated, and the development of leasing was connected with the expansion of the field of activity.

At this stage, banks gradually began to join such operations. They started providing loans to leasing companies. According to the available information, in the 70s, many of the world's leading banks established special leasing departments or leasing companies. For example, "Citibank" through its leasing company and subsidiary branches of this company was engaged in leasing the powerful tractor equipment of the "International Harvester" corporation.

As mentioned above, the unique aspect of this stage is that large corporations turned to leasing in the conditions of two major economic crises, decreased business activity, narrowed demand, and reduced profit margins. At the same time, this determined the activity tactics of leasing companies, that is, it became possible for them to increase the volume of rental of manufactured products.

Usually, the "price" of the transaction is the main factor. The "price" for the lessor is related to the profitability ratio, including the lease term, the residual value of the property, the tax regime, the level of risk, the presence of lump sum payments, the rights and obligations of the parties. For the lessee, the amount of costs related to the lease, including the percentage of the lease agreement, or the change in exchange rates in the international market, is often considered a price indicator. In Figure 1 below, we can see the stages of leasing development.



**Figure 1. Development stages of leasing.**

So, according to Figure 1, the first rental relations in the world economy were created in the Stone Age, in which the property was leased for a short period of time with the condition of returning it to the owner..

Financial leasing relations were formed as a result of the use of the lessee's assets for a certain period of time and his lack of interest in returning the leased object, the full payment of the value of the leased object and the structure of the payment schedule.

Financial leasing was created with the formation of an active competitive environment, a special approach to the terms of the contract, the conclusion of agreements taking into account the direction of the client's business, the emergence of large leasing companies and specialized lessors, and state support of leasing as an innovative activity.

As a result of the rapid development of technologies, the emergence of the secondary market of the leased object, the requirements of lessees and the growth of their financial situation, operational leasing appeared. New products are created as a result of innovation in leasing. These include synthetic leasing, venture leasing programs, and other types of leasing.

The International Financial Leasing Convention (UNIDRUA), adopted in 1988 in Ottawa, Canada, defines leasing as follows: "A lease is a transaction in which one party (the lessor) assigns the other party (the lessee) enter into an agreement with a third party (manufacturer) on the delivery of goods according to under the terms of this agreement, the lessor buys machines, means of production or other equipment based on the terms of the lessee and enters into an agreement with the lessee based on giving him the right to use the equipment in exchange for the payment of lease payments<sup>2</sup>".

<sup>2</sup> Eckstein W. Zur Unidroit-Konvention ueber das internationale Finanzierung-leasing - FLF, 1992, Heft 2. - P. 56.

Economists I. Bernard and J. Kolli recognized leasing as a type of credit, they interpreted leasing as a type of professional credit that provides the opportunity to sell movable and immovable property to the lessee and envisages a lease agreement<sup>3</sup>.

The well-known Russian banker A.V. Murichev in his scientific articles studied the issue of development of crediting of leasing operations by banks and developed a number of scientific conclusions and recommendations.

According to A. Murichev, one of the urgent problems of financing the activities of leasing companies is that the need for bank loans of leasing companies is not met by commercial banks. Continuing his opinion, A. Murichev singles out two reasons why banks are unable to meet the needs of leasing companies for credit resources:

- existence of a restriction on lending to one customer by the Central Bank to commercial banks;
- absence of a special methodology for assessing the financial condition of leasing companies in banks<sup>4</sup>

A. Murichev's opinion that banks do not have a special methodology for assessing the solvency of leasing companies is appropriate. This plays an important role in reducing the risk level of leasing loans.

The issue of the negative impact of the global financial and economic crisis, which occurred in the world economy in 2008 and continues to this day, on the development of leasing operations was expressed in the scientific research of a number of well-known economists.

One of the Uzbek economists, A. Vakhobov, in his scientific research, studied the nature of leasing in the analysis of the issues of state financial support for the activities of small business entities and improvement of investment lending by commercial banks.

According to A. Vakhobov, "the interest rates of investment loans given by banks to small business entities for the purpose of establishing production enterprises and firms specializing in the processing of agricultural products in rural areas are reduced by the funds of the Reconstruction and Development Fund of the Republic of Uzbekistan it is necessary to introduce bonification from the account"<sup>5</sup>.

It is important to put A. Vakhobov's opinion into practice at the high level of interest rates of leasing loans given to small business entities by banks and leasing companies.

Another local scientist, D. G'. Gozibekov, describes the leasing relationship as follows: "The leasing relationship is a complex, interrelated and mutually harmonious development of business. , reflects the system of economic relations that helps the creation of small and medium-sized business enterprises".

D. G'. Gozibekov recognizes the existence of an integral relationship between leasing and credit relations and emphasizes that both categories have a distribution function. "Leasing is a set of economic relations in the field of distribution of capital in the form of money and goods by means of separate credit and lease relations, which create a complex of property and legal relations of a special type. Leasing is a set of property relations in the distribution and redistribution of financial resources in space and time by means of rent within the national economy and international economies"<sup>6</sup>.

<sup>3</sup> Bernard I., Colley J.-K. Economic and financial dictionary. French, Russian, English, German, Spanish terminology: v 2-x tt. - T.I: Pierre. s fr. - M.: International relationships, 1994. - S. 507

<sup>4</sup> Murichev A.V. On the development of bank lending to leasing operations. // Money and credit. - Moscow, 2008. - No. 6. - S. 66-67.

<sup>5</sup> Vahabov A.B. The role of the banking system in improving the standard of living of rural residents. //Proceedings of the international scientific-practical conference on the role of the banking-financial system in rural development and raising the standard of living of the population. - Tashkent, Maliya, 2009. - B. 22.

<sup>6</sup>G'ozibekov D.G', Sobirov O.Sh., Mominov A.G., Kuljanov O.M, Theory and practice of leasing relations. - Tashkent.: "Science and Technology", 2004. - B. 47.

For example, the English Leasing Association (Yenglish Leasing Association - YeLA) defines a financial lessor as an agreement to receive payments with capital amortization and profit during a non-cancellable period<sup>7</sup>.

So, on the one hand, on the condition that the lease is returned, the lessor provides investments in fixed capital, that is, the lessor, being the owner, provides the elements of the fixed assets for a certain period and pays them (or depreciation payments) within the period specified by the lease agreement in the form of their cash equivalent) back. In return for his service, he receives a fee, i.e. a fee for using the leased facilities. Thus, the principles of term, repayment and repayment are ensured in the lease. This outwardly corresponds to the debt relationship and in its essence preserves the essence of the debt agreement.

On the other hand, due to the fact that the lessor-creditor and the lessee-borrower deal with capital not in the form of money, but in the form of production, from the outside, leasing looks like investment in real estate. In this case, the expression of capital under leasing in the form of production, understood and implemented today, fundamentally changes its old meaning and acquires a new meaning to it in many ways. In this sense, leasing is an innovation, therefore, in its economic content, it appears as a link of the investment mechanism in the form of movement of capital.

Thus, if leasing is considered as temporary use of property with the condition of duration, return and repayment, it can be classified as a targeted loan to fixed funds. In addition, from the financial side of the relationship, on the one hand, leasing is considered as an alternative to a traditional bank loan, as one of the new (innovation) forms of financing the purchase of machinery and equipment, since the owner buys the property at full value it will be compensated by the periodic contributions of the users of this property. Therefore, leasing in the economic sense is an innovation loan or, in a broad sense, a type of innovation investment provided by the lessor in the form of property for the use of the lessee.

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