



Formation and Development of Leasing Relations in the Republic of Uzbekistan

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Abstract: The article deals with the formation and development of leasing operations; rental forms of management, which represented the procedure for reflecting leasing operations in accounting; development of the activities of commercial banks, which contributed to the introduction of leasing operations into banking practice; the implementation of the first leasing operations related to leaseback for expensive personal computers and other electronic equipment is especially noted; and also sets out the stages of banks' activities in the implementation of leasing operations, the search for potential customers by banks: both tenants and equipment suppliers, periods for paying rent, specific proposals are given on the procedure for preparing the calculation of payments for various types of leasing operations, direct and indirect leasing is allocated upon the delivery property for rent.

Key words: commercial banks, banking services, leaseback, risk, financial conditions, lending, supply and demand, information, cost estimation, loan, efficiency, rent payment, direct leasing, indirect leasing.

Leasing operations in Uzbekistan originate from the leasing of passenger aircraft. Since 1993, the National Airline "Uzbekistan Havo Yullari has begun updating its fleet with aircraft from the world's leading manufacturers. For six years, the company, using the mechanism of financial leasing, acquired three A-310 aircraft manufactured by Airbus Industry, two British medium-haul RJ-85 aircraft, two Boeing 757 aircraft, and three Boeing 767 aircraft. Also soon Uzbekistan Havo Yullari plans to purchase several aircraft on a leasing basis.

Domestic leasing companies and bank divisions providing these services are now reaching a new level of their development. They are beginning to develop the regions more and more actively, to expand branch networks. In this correspondence dispute between banks and leasing companies, the former is confidently leading due to their local representations. Now three financial and credit institutions - "Asakabank", "Ipoteka-bank" and "Microcreditbank" make leasing transactions in almost all regions of the republic.

It should be noted that along with leasing companies, banks began to be active in this area. The share of their leasing portfolio in the early 2000s in the entire market reached 35.5%. The indicators of the leasing market allow us to state with confidence that in Uzbekistan, before the pandemic, the development and expansion of the leasing services market continued at a stable pace.

Since for commercial banks long-term leases are associated with a high risk, leasing operations for a short period of 2-3 years prevailed. However, already in 2000, the range of leased property expanded significantly. Commercial banks rented out construction equipment, and production lines, and in the future, with the development of foreign exchange legislation and compensation deals, there were

ample opportunities for renting imported equipment.

In the future, the circle of lessors expanded and large industrial enterprises with their leasing departments joined commercial banks.

Apparently, in connection with the transition of the country's economy to market relations, enterprises producing equipment, along with improving the quality of their products, began to offer their customers more favorable financial conditions for the purchase of their products, and the use of leasing operations began to serve as one of such means. Banks also carried out new progressive forms of service, which differed from traditional long-term lending by providing additional services in the field of marketing and organization of production based on advanced technology and technology. The interconnected commercial and financial advantages of leasing have encouraged banks to become involved in the financing of scientific and technological equipment in all sectors of the economy.

At the same time, it should be noted that the implementation of leasing operations at the present stage is associated with certain difficulties. First of all, specialists involved in leasing operations in a bank must have deep knowledge in the field of commerce and organization of lending, determining the supply and demand of new and used equipment, accounting, inspection, knowledge of legislation, and property insurance within the framework of leasing operations.

In the current conditions, in our opinion, the bank's work on the implementation of leasing operations can be divided into several stages. The first stage should include, in our opinion, the search for a client, placing an order for equipment (an enterprise applies to a bank serving it, or the bank itself is looking for potential customers - both tenants and equipment suppliers; the application is drawn up in a special agreement with an exact indication of the equipment).

At the next stage, you can collect information about a potential tenant. This may include an assessment by the bank or third party of its ability to make timely payments for the operation of the leased equipment; the bank is also exploring the possibility of replacing equipment; it is known, for example, that it is much easier to replace standard equipment than custom-made equipment. Of particular importance, from a financial point of view, is the analysis of information on the purchase price of the property, bank interest on a long-term loan, income tax rate, and depreciation rate. The estimated residual value of the property and the operating expenses of the bank are also analyzed.

At the stage of preparing a draft leasing agreement, to identify the necessary financial resources of the bank, an assessment of the total costs of acquiring property is made, the duration of the agreement, the regularity of contributions are determined, and the calculation of payments is prepared. In this case, the bank takes into account the tax rate and the cost of property insurance.

For the most convenient determination of lease payments, the bank should provide grace periods for paying rent (monthly, quarterly, semi-annual, and annual), and the possibility of extending the lease for a period longer than for a long-term bank loan.

Of course, when conducting leasing operations, there will be a risk associated with the confiscation of the property of the lessor (tenant) to the republican budget, unsatisfactory service by the lessor of the leasing property, resale of property unprofitable for the lessee in the used equipment market, untimely return of property to the owner. When financing a leasing operation, a bank (lessor) or a client can insure against risk by including additional clauses in the contract, concluding a separate agreement, or a separate contract with an insurance company. Leasing property insurance can be carried out at the expense of the lessor (tenant) or the bank, insurance costs include the full period of the contract and are determined upon signing it.

Of particular difficulty is the calculation of leasing payments. Consider an example of calculating payments under a returnable, financial leasing agreement. The organization - the client of the bank purchased equipment, the cost of which is 100 thousand dollars. The bank buys it from the organization for subsequent leasing (lease) to the same organization for 3 years. The general depreciation rate as a percentage of the book value is 12%. Bank interest on long-term loans is 10% per annum.

If an enterprise takes a long-term loan, then in the first year in our example, 40% of the loan is repaid and in the remaining 2 years - 30% each, so the interest on loan repayment will be 10% of \$100,000 - \$20,000 for 2022 and 10% of the 60% amount of the \$6,000 loan for 2023, \$3,000 of 10% of the 30% outstanding loan for 2024, and a 45% tax of \$4,500. dollars, 2.7 thousand dollars, and 1.35 thousand dollars.

If the organization sells the equipment to the bank and leases it, then it pays depreciation deductions (12%), interest on a long-term loan in the amount of 10% per annum, and additional expenses of the bank's credit department for preparing a leasing agreement, which amounts to 1% of the cost leased property. The contract expires on December 31, 2024, after which (January 1, 2025) the property is returned to the enterprise (tenant). Lease payments are made evenly throughout the entire term of the agreement once a year on January 1 of each year in the amount of USD 12,000 (depreciation) + USD 11,000 (10% per annum on a long-term loan and 1% for bank operating expenses on leasing from the price of equipment). The option (the right of the lessee to choose to buy the property at the residual value or enter into a lease for a new term) of the seller is set at \$64,000 as the residual value of the equipment as of January 1, 2024.

The rent is transferred by the enterprise by payment orders. Interest paid on a long-term loan and amounts repaid on a long-term loan is subject to taxation at the established rate, while lease payments are rental payments and are subject to taxation. Tax rates and interest on a long-term loan remain unchanged (conditionally) throughout the entire term of the leasing agreement.

Table 1 Calculation of annual leasing (lease) payments compared to a long-term loan

(Thousand US dollars)

(Conditional data)

Enterprise expenses for:								
long-term loan					leasing			
payment date	redemption	interest	tax rate	Total	depreciation	interest and commission	tax	Total
1.01.2021		10	4.5	14.5	12	eleven		23
1.01.2022	40	6	18+2.7	66.7	12	9.8		21.8
1.01.2023	thirty	3	13.5+1.35	47.85	12	8.6		20.6
12/30/2024	thirty		13.5	43.5	64		28.8	92.8
Total	100	19	53.55	172.55	100	29.4	28.8	158.2

Thus, the real leasing costs on the part of the tenant enterprise will amount to 156.2 thousand dollars for a long-term loan compared to 172.6 thousand dollars for a long-term loan (119 thousand dollars + 53.55 thousand dollars). in the form of taxes).

Depending on the terms and type of leasing, the tenant can, by the end of the contract term, buy the property and become its owner, renew the contract for a new period, and return the leased property to the bank, taking into account its wear and tear.

The fourth stage begins after the approval of the draft leasing agreement by the bank manager. The agreement specifies the tenant's obligation to make periodic payments to the lessee (lessor) (bank) during the entire lease term, the possibility of assigning the right to use the bank's property, the certain liability of the tenant for the condition of the property, property insurance conditions. The responsibility for the efficient use and maintenance of the leased property lies with the enterprise - the tenant, the rent must be transferred strictly according to the terms of the contract. The agreement may provide for the possibility of non-fulfillment of obligations by the tenant, fines are determined, and it is also stipulated that if the tenant has not made at least one lease payment, the property is returned to the lessor (lessor) - the bank and recognition of the paid value of the property for the client (tenant). The lessee (tenant) should be held responsible for the fact that the leased property complies with the requirements of safety and environmental protection.

After the contract, the lessee (lessee) transfers the first lease payment to the bank, after which the bank issues an order to the supplier for the purchase of equipment, purchases equipment under the contract from the supplier, who, after shipment of the leased property, submits a payment request to the bank with shipping documents attached, one copy of which is sent to the lessee. After paying for the equipment, the bank opens balance and off-balance accounts under the agreement and organizes accounting and posting of the tenant's contributions.

Commercial banks in the Republic of Uzbekistan also provide only one type of leasing operation - direct financial leasing, which is fully financed by the lessor (bank), the possibility of using a loan is noted, but the mechanism of indirect leasing is not considered.

In the methodological materials, in our opinion, it would be necessary to consider the procedure for preparing and calculating payments for various types of leasing operations and, in the appendix, give standard models of bank agreements for financial, operational, direct, indirect, urgent, renewable, clean, full leasing. With the expansion of the range of banking operations and the possibility for individual commercial banks to carry out foreign trade operations, it became necessary to develop standard contracts for import and export types of leasing. It would also be necessary to develop instructions for determining the size of the bank commission for the preparation of a leasing agreement, taking into account the prevailing price situation, consulting services in the field of marketing, searching for equipment, and other real estates necessary for customers.

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