



Functioning of the Leasing Mechanism And distribution of Financial Risk

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Abstract: The content of the leasing process, specific aspects of its implementation are covered in the article. The stages of the leasing process and the measures implemented in it are reflected in the scheme. The role of risks in leasing relations, their types and issues of distribution (transfer) are covered. Measures to reduce financial risks that can be observed in the activities of lessors are proposed.

Key words: leasing, leasing process, financial risks, transfer of risks, lease agreement, lease payments, and sublease.

For leasing companies, meeting the needs of lessees is an opportunity to develop operations within the framework of leasing transactions that can bring a certain profit (income) to participants in leasing relations. In the context of the innovative development of the economy, with the beginning of the financial stabilization of the economy after the coronavirus (COVID -19) pandemic, in our republic with a differentiated growth in the incomes of various economic entities, it became possible to purchase equipment (machines, equipment, etc.) on lease for their own needs. For the development and prestige of lessors themselves, the following benefits can be cited: by leasing equipment (machinery, equipment), you can gain more confidence among lessees who in the future will apply to a leasing company to receive newer innovative services, in particular, invest in leasing.

Further, when considering the leasing process, positive aspects can only be imagined if there are certain financial and economic conditions. These include the functioning of the land market, since the land or property of the lessee is mainly offered as collateral. This procedure applies when obtaining a consumer loan from banks.

Recently, abroad (including the CIS countries, with the exception of the Republic of Uzbekistan), leasing companies have begun to provide leasing services to the population as well. But, if the lessee intends to organize their own activities within the household. Here, the leasing scheme is interesting, which includes two main positions, when the lessee pays, according to the leasing agreement, more than 50% of the cost of equipment (equipment, machines), and the remaining 50% of the cost - within a specific period specified in the agreement, and payment piece of equipment.

In our opinion, this form of leasing service has two significant points: firstly, the lessor attracts funds with an already known maturity period, which strengthens his financial position, since the receipt of funds from lessees is classified as a stable source of funds; secondly, the lessor already has a client - the lessee, knows the term, the amount of the cost of leasing and has enough time for analysis by the lessee. All this contributes to the development of the lessor's activity.

Reflecting certain positive aspects for the lessor, it is possible to single out the circumstance when the application of the leasing agreement in the practice of the lessor has some negative aspects. They

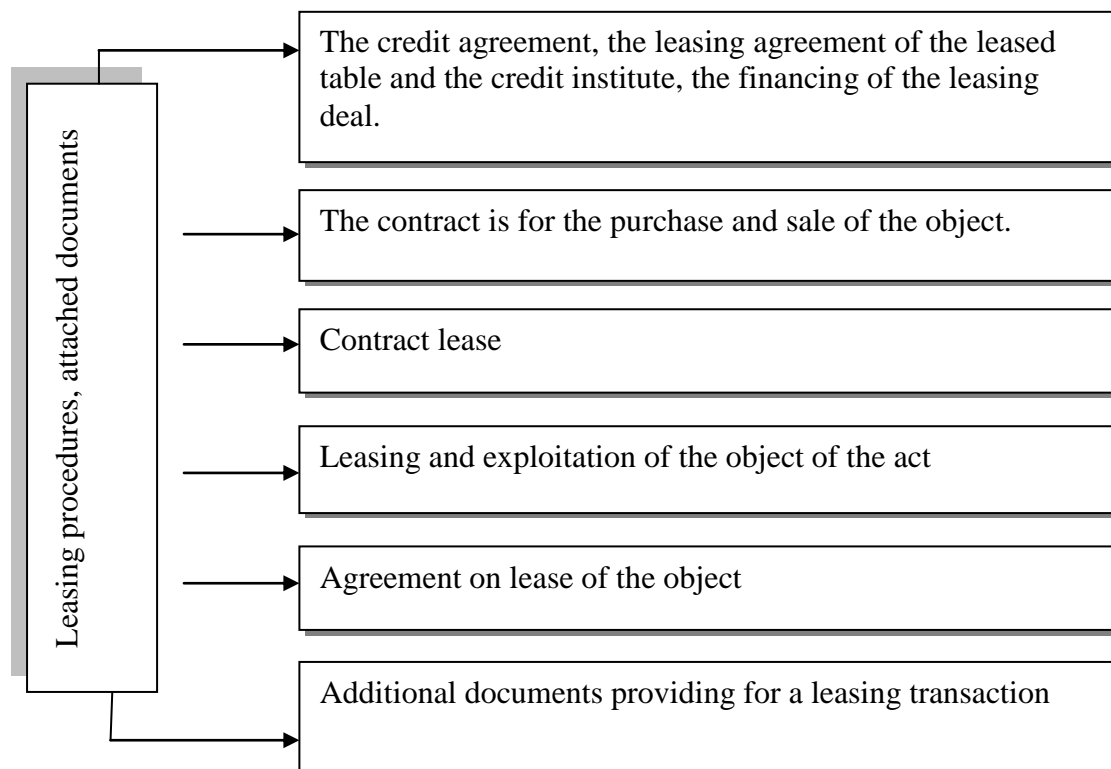
have to work with clients - lessees, whose solvency or forms of organization of work are difficult to measure, and the provision of equipment (machinery, equipment) for leasing on the basis of a leasing agreement is unacceptable, since the object of leasing is the need for some kind of equipment, and therefore it is necessary to introduce new methods for analyzing the financial condition of the lessee. In addition, in an unstable economy, when using leasing equipment, one has to take into account the time factor, and, consequently, the rate of inflation and fluctuations in the market value of leasing equipment (machines, equipment) ¹. Along with this, lessors are not indifferent to how the equipment will be used by the lessee within the established time frame in accordance with the leasing agreement. However, when using leasing equipment, the lessor does not bear the costs of operation (ie, implementation) and maintenance of equipment holders (machines, equipment).

However, most of these obstacles are not insurmountable and require appropriate regulation, both on the part of legal norms and organizational developments.

According to our statement, the classical scheme of leasing operation is usually divided into three stages.

As you know, at the first stage, preparatory work is carried out prior to the conclusion of a number of legal agreements, which is due to the complex nature of multilateral relations in leasing, the need for a detailed study of all the conditions and features of each transaction, and the issue of sources of financing for the transaction. At this stage, an application for the future lessee is made, an opinion on the client's creditworthiness is prepared, and the effectiveness of the leasing project is calculated.

In our opinion, the main role in the leasing process belongs to the second stage, at which the leasing transaction is fixed in three-bilateral agreements, that is, it receives its legal registration. The leasing procedures carried out at this stage are documented ²(see Fig. 1).



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²A.V. Karpov, L.Yu. Gusev. Mechanism for the implementation of a financial leasing transaction // Accountant and law. No. 4 (52), April, 2003.

Figure. 1. Leasing procedures documented within the frameworkleasing transactions

And finally, the last one, i.e. the third stage of the leasing process is the period of actual use of the leasing object. It is accompanied by the reflection of leasing operations in accounting and reporting. Interestingly, at this stage, leasing payments are made to the lessor, and after the expiration of the leasing period, relations are formalized for the further use of the object of the transaction (Fig. 2). This approach once again demonstrates the difference between leasing and credit.

1. *1stage* : includes the preparation of a business plan by a potential lessee (1); when the lessor makes a positive decision on the business plan, the lessee submits an application for the acquisition of the leased object (2); submission of a business plan for obtaining a loan (3);
2. *stage 2* : obtaining a loan to finance a leasing transaction (4); conclusion of a contract for the sale of a leasing object (5); conclusion of a leasing agreement (6); delivery of the leasing object (7); conclusion of an agreement on insurance of the leasing object (8).
3. *stage 3* : payment of lease payments (9); loan repayment and interest payment (10); transfer of ownership of the object of leasing at the end of the term of the leasing agreement (11).

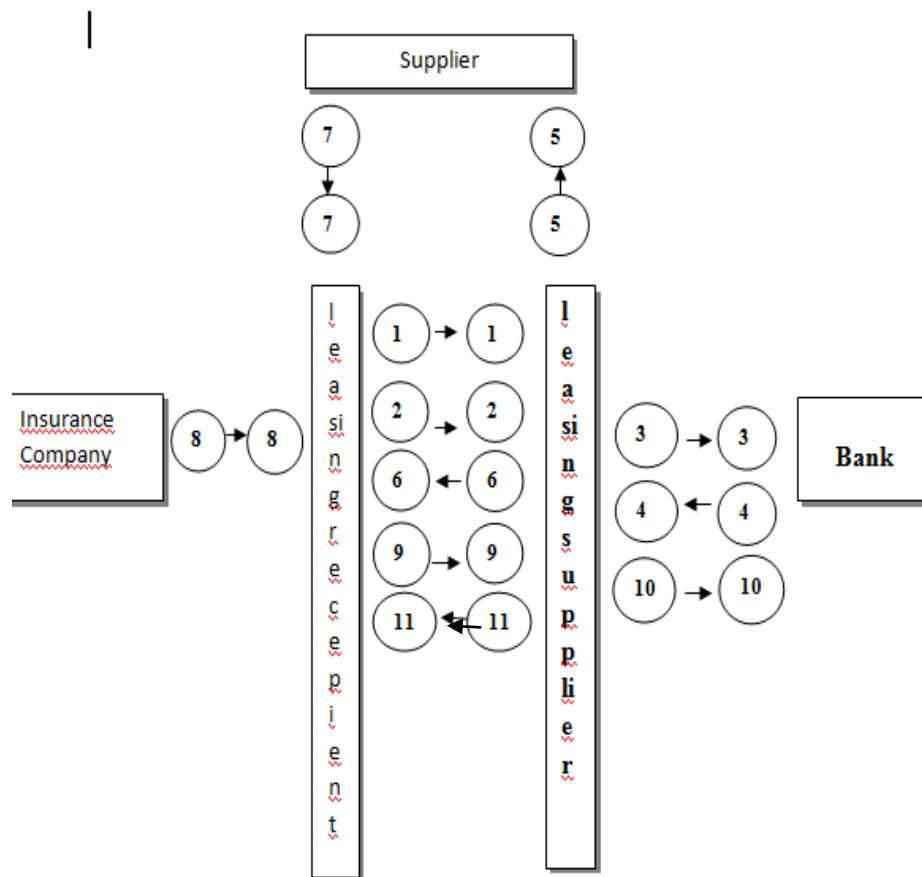


Figure 2. Scheme of the organization of the leasing process

The classic scheme for conducting a leasing transaction in real life can have many variations associated with the specific terms of the transaction.

From the analysis of various schemes for conducting leasing operations, it follows that, in our opinion, the most rational option is the financing by a domestic bank of property leased by a domestic leasing enterprise (company) purchased from a domestic supplier.

But, given the current economic situation in Uzbekistan, as well as the inconsistency of certain norms of the current legislation, the unsettled issues of taxation, leasing operations, the tightening of foreign exchange regulations, the instability of the banking and stock markets, the limited internal capabilities, this leads to the fact that there is a need to purchase property from a foreign supplier

through a foreign leasing company, which assumes the responsibility for investing and insuring leasing operations, as well as reducing other economic and other financial risks.

Leased property is acquired by a foreign leasing company for leasing to a domestic leasing company, which, in turn, subleases the property to a domestic lessee under a subleasing agreement (Fig. 3).

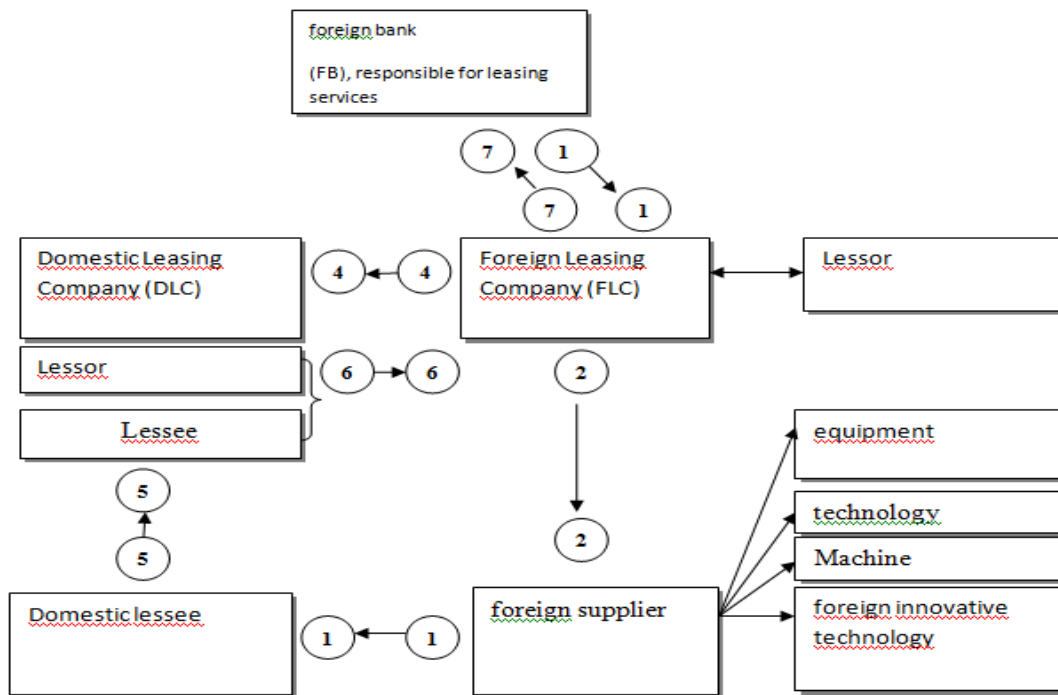


Figure 3. Financing scheme for ILC IS, the leased object is purchased from foreign supplier responsible for the leasing transaction

- The FB provides a loan to the ILC for the purchase of property leased to the CLC (1);
- ILK pays for the supply of equipment to a foreign equipment supplier (IPO) (2);
- FIT supplies equipment under a subleasing agreement to a domestic client - LP, that is, a lessee (3);
- a leasing agreement between the ILK and a domestic leasing company (OLK) providing, first of all, the right of the domestic leasing company to sublease the object of leasing (4);
- lease payments under a subleasing agreement (5);
- leasing payments under a leasing agreement (6);
- repayment of the loan and payment of interest for the use of the loan (7).

Analyzing the state and development of leasing, according to the diagram in fig. 3, we immediately warn you that you can talk a lot about this scheme, but it would be boring. But despite the fact that we cannot do anything, the financial instrument we are considering needs to be improved. And the improvement of leasing relations is a necessary condition for ensuring financial stability, both for the lessor and the lessee.

Consequently, the development of leasing in Uzbekistan, of course, largely depends on reliable guarantees that reduce the financial risks to which participants in leasing operations may be exposed.

We are confident that even with all the attractiveness of leasing as a financial instrument and a way to attract investment in the development of enterprises, we must not forget that any long-term projects are more exposed to a variety of financial, social, and production risks, even in relatively prosperous financial markets. -economically countries with developed leasing legislation.

Risks can be divided into the following types: inflationary, credit, object liquidity risk, product sales

risk³.

Moreover, these risks are high in modern conditions. The risks that may arise during the implementation of a leasing transaction can be conditionally divided into the risks of the lessor and the risks of the lessee, although, as a rule, they are closely related and the occurrence of one may lead to the emergence of another.

The interest of every lessor is to reduce their project risks. Ways to reduce risk are simple. One way is the one in which you can not risk at all, but then you should not engage in leasing operations at all. Another way is the possibility of reducing the degree of risk by distributing it among the participants in the leasing project.

Modern practice has developed a variety of organizational forms of leasing operations. Some of these forms were developed on the basis of modern domestic practice, since the development of leasing in the country largely depends on the possibility of obtaining / providing reliable guarantees that reduce both financial, political and other risks.

The issues of designing a leasing transaction, calculating options for leasing payments and comparative economic efficiency are the most important conditions for the development of the economy. Leasing contracts bring together a much larger number of nuances and conditions depending on the specific participants in the transaction than in traditional credit transactions or foreign trade sales contracts. Leasing transactions are characterized not by standardization, but, on the contrary, by individuality and uniqueness.

The structure of leasing transactions consists of five main stages: legal, commercial, financial, accounting, technical.

In leasing operations, a significant, decisive place is given to economic efficiency assessments and independent expertise.

The issue of choosing criteria for the effectiveness of projects is one of the most important and complex.

Therefore, it is important to calculate the criteria for determining the most effective acquisition of the necessary property and equipment by order of a leasing company.

Therefore, in a particular case, the leasing operation should be carried out according to the scheme shown in Fig. 3.

If the lessee does not have sufficient financial resources to pay lease payments by the beginning of the lease agreement, the following conditions are offered: in the first year of the agreement, lease payments are paid at the end of the period, and starting from the second year - at the beginning of the period.

From this we can conclude that leasing is one of the effective methods for solving the economic problems of an enterprise. Its financial function is most clearly visible. Since leasing is a form of investment in fixed assets, it complements traditional financing channels: the company's own funds, long-term loans, budgetary, equity and other sources. Leasing diversifies the channels for raising funds for the lessee: narrowing the scope of the bank loan and at the same time, expanding borrowed sources. At the same time, the lessee can use the equipment necessary for him without a one-time mobilization of his own or borrowed funds for these purposes. However, in cases where it is possible to obtain a bank loan for the purchase of equipment, and leasing the same equipment, the enterprise should proceed from economic feasibility and rationality.

In addition to financial, leasing also performs a production function, being the most progressive method of logistical support for production, including advanced equipment and technology⁴. World

³Khiziriev, D. I. Risks in a financial lease (leasing) agreement // Law and Economics. - 2008. - No. 5. <https://www.lawmix.ru/bux/49067>.

⁴Gozibekov D.G., Sobirov O.Sh., Muminov A.G., Kulzhonov O.M. Leasing munosabatlari nazariyasi va amaliyoti. - T.: "Fan va technology", 2004. 55-bet.

experience confirms the rapid growth of leasing operations in the conditions of accelerating scientific and technological progress ⁵.

When deciding on the purchase of equipment at the expense of the enterprise's own funds, a loan or leasing, calculations are made on the comparative economic efficiency of one or another method of investing in a business project, taking into account the receipt of acceptable guarantees, insurance and distribution of possible risks, as well as temporary "freezing" of financial resources, tax and customs "burden", payback periods and time lag until the first income is received. Thus, the existing capabilities and needs of the enterprise are balanced in order to achieve the set goals at rational costs in the optimal time frame.

In conclusion, it should be noted that leasing in the economic activity of an enterprise is one of the economic instruments, which, in turn, is a way to implement an enterprise development strategy.

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