



## The Main Disadvantages Arising From the Use of Leasing in the Conditions of Innovative Development of the Lessee's Activities

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**Abstract:** The article states that the leasing service is a reasonable mechanism for solving various problems in the financial and economic activities of business entities, that it is an effective way to invest money in fixed assets, as well as the broad classification of leasing in the leasing market. In addition, there are suggestions on how to eliminate the problems that have arisen in the use of leasing in the context of innovative development of the lessee's activities.

**Key words:** leasing, innovative development, credit, property relations, credit mechanism, leasing mechanism, classification of leasing services.

### INTRODUCTION

The socio-economic significance of leasing relations considers three main groups of problems. In the context of the first two groups of problems, they are related to the study of the economic nature of leasing relations, their essence and role, the definition and classification of types and forms of leasing operations.

The complexity of the relations that develop in connection with the use of leasing determines its essence and origin. As a rule, leasing is based on financial, commercial, legal and technical aspects. The socio-economic meaning of leasing is that the transfer of equipment for temporary use determines a set of property relations, which include both the leasing agreement itself and other agreements, for example, purchase and sale, loans. At the same time, the financial and economic basis of leasing is the transfer of innovative equipment for temporary use, and the role of sale and purchase contributes to the implementation of this operation and, moreover, ensures the resolution of the entire complex of relations at the final stage.

Therefore, leasing is a complex of emerging property relations associated with the transfer of innovative equipment that generates income (profit) to the lessee for temporary use after its acquisition on a contractual basis and subsequent transfer for long-term use.

It should be noted that leasing is an investment of funds on a repayable basis, that is, by providing funds for a certain period, the lessor receives them back at the set time, while receiving profit (income), that is, remuneration for the service in the form of commission or lease payments. It follows that leasing in its content corresponds to credit relations, and since the borrower and lender use capital not in cash, but in production form, it is similar to capital investment, that is, the basis of

a leasing transaction is a financial transaction <sup>1</sup>. The lessor provides the lessee with a financial service, as it were, by acquiring ownership of the equipment from the supplier at full cost, and then the lessee reimburses this cost with periodic installments <sup>2</sup>. Therefore, leasing can be seen as a form of equipment lending, as opposed to a traditional bank loan. This implies the opinion that leasing is adequate to the credit provided by the lessor to the lessee in the form of transferred equipment (Table 1).

**Table 1****Forms for credit leasing mechanisms**

<b>LOAN FACILITY</b>	<b>LEASING MECHANISM</b>
Financial resources allocated for entrepreneurial activity, regardless of the form of ownership.	The financial resources of the lessee are directed to the activation of its production activities, primarily to its innovative development.
Financial control over the intended use of credit funds within the framework of their use. Lack of effective instruments of financial control.	Financial control over the intended use of funds. Equipment with innovative characteristics is leased.
Full guarantee of repayment of the bank loan and payment of interest on it for its use.	The specific amount of guarantees is reduced by the cost of equipment leased.
The purchase of equipment on credit is reflected in the balance sheet of the enterprise, depreciation is charged on it.	Innovative equipment is not reflected in the balance sheet of the enterprise, depreciation is not charged, tax on innovative leasing is not paid.
The fee for a bank loan is covered by its own funds, the company needs to receive income on which taxes are charged.	Leasing payments are included in the cost price. This reduces the tax base. More actively stimulates the development of innovative production.

As follows from the data in Table 1, the loan is granted to lessors without interest. If so, is it possible to argue that the loan is adequate for leasing? To answer this question without analyzing the advantages and disadvantages of both credit and leasing, making specific hasty conclusions, is unlikely, this will fit into the logic of leasing relations. In any case, leasing is distinguished from a loan through the credit principle of "repayment" and "interest". Both the first and the second are the attributes of a loan, not a lease. Therefore, leasing is of greater interest to the entrepreneur than a loan. Although, both of them are aimed at improving the performance of enterprises.

Leasing, by its economic nature, mediates a complex of property relations that develop in connection with the movement of property in the form of equipment, machinery, machinery, between participants in a leasing transaction. It follows that leasing, as a financial, economic and legal category, is a special type of property that activates entrepreneurial activity by directing temporarily free or attracted financial resources for its investment, the basis of which is a financial

<sup>1</sup> Latipova Sh.M. Leasing as an Effective Financial and Credit Mechanism for Investing in Enterprises //EUROPEAN JOURNAL OF BUSINESS STARTUPS AND OPEN SOCIETY. - 2022. - T. 2. - no. 6. - S. 35-41.

<sup>2</sup>Law of the Republic of Uzbekistan "On Leasing" dated April 14, 1999. No. 756- I

lease (leasing) agreement in accordance with Section 2, paragraph 1, ch. 6 of the Civil Code of the Republic of Uzbekistan.

Leasing is one of the effective financial methods for solving several financial and economic problems. It is most clearly seen in the form of investing in fixed assets, complements the traditional channels of financing from own funds, long-term loans, budgetary and other sources.

It follows that leasing diversifies the channels for raising funds, especially for the lessee: by narrowing the scope of long-term loans and expanding borrowing sources. At the same time, the lessee can use the innovative equipment necessary for him without attracting or mobilizing financial resources for these purposes, that is, his own or borrowed funds.

In fact, when covering leasing issues, one cannot do without describing complex, intricate technologies, the understanding of which requires certain efforts from the reader. But the business activity of lessees cannot be called boring, on the contrary, because they are characterized by a sharp critical attitude, progressive and, perhaps, even breakthrough style. At the same time, however, the polemical nature of the presentation of the advantages of leasing does not at all mean a decrease in the scientific depth and professionalism of the SWOT analysis.

So, the advantages of the financial-leasing mechanism are also visible in the implementation of payments. The contracting parties draw up an agreement, due to the peculiarities of their financial condition, when a deferred payment, an increase in lease payments, or vice versa, etc. can be used. On the other hand, by mutual agreement, lease payments can be made from the proceeds from sale of innovative products produced on this equipment. Payment can be made in part or in full, both in cash and in goods (services).

In addition, leasing also provides a production function, being the most progressive method of logistical support for production, including innovative technology. The distributive function of leasing also consists in solving by the lessee its production tasks through the temporary use of innovative equipment, and not by acquiring it in ownership.

In market-developed countries, the leasing services market is characterized by a variety of forms of leasing, models of leasing contracts and legal norms governing the financial mechanisms of leasing operations. It seems that another point of view is also possible here. It is obvious that both countries with economies in transition and developed countries have their own system-forming core, crystallized by the form of ownership, and, consequently, the nature of the leasing mechanism, like all other financial relations, is determined precisely by this core. Here leasing is a mandatory instrument of financial relations.

So, based on the analysis of the classifications of leasing operations presented in the economic literature <sup>3</sup>, the most significant is the classification developed by the economist - E.N. Chekmareva <sup>4</sup>. She, although more thoroughly considered the classification of leasing operations, that is, including specific proposals for improving leasing, does not pay attention to the features of their classification.

Considering the current state of affairs in this context, we consider it necessary to improve this classification as follows: include one feature in the leasing classification, i.e. - a sign by sectors of the economy. Because each industry has its own characteristics of the formation and distribution of profits, depreciation and other indicators necessary to characterize the features of the regulation of financial indicators.

When allocating types of leasing, it is necessary to proceed from the signs of their classification, which characterize:

- attitude to the leased property;

<sup>3</sup> Gazman V.D. Leasing: theory, practice, comments. - Moscow: Legal Culture Foundation, 1997. - 416 p.

<sup>4</sup> Chekmareva E.N. Economic essence of leasing // Economy and law. - 1994. - No. 4. - S. 18 - 28.

- type of financing of the leasing operation;
- type of leased property;
- the composition of the participants in the leasing transaction;
- type of leased property;
- degree of payback of leasing property;
- sector of the market where leasing operations are carried out;
- attitude to tax, customs and depreciation benefits and preferences;
- order of leasing payments.

Except right There are many forms of leasing transactions of such types of leasing, but they cannot be considered as independent types of leasing operations.

The forms of leasing operations are understood as well-established models of leasing contacts. In international practice, the most widespread are:

- leasing "standard";
- leasing to the "supplier";
- back-to-back leasing;
- renewable leasing;
- general leasing.

Here we present only some of the most common forms of leasing contracts. In practice, there is a combination of various forms of contracts, which increases their number.

The second group of problems is related to the disclosure of the content of the financial and legal nature of leasing relations, the peculiarities of domestic practice. Of considerable interest is the relative novelty of the relations under consideration, which may predetermine the existence of different points of view regarding their financial and legal nature. In European countries, many theories about the financial and legal nature of leasing have appeared.

Analysis of various concepts makes it possible to distinguish between two main approaches to solving this problem.

Some analyze leasing with the help of traditional institutions of civil law: lease agreements, sale and purchase agreements, loans, orders, etc. Others argue that the complexity and originality of the relationship gives reason to consider it as a special relationship. In addition to the difference, one more thing should be noted: in some cases, the subject of analysis is the whole range of relations, in others - only the contract for the transfer of equipment for temporary use with the right to purchase later (if such a condition is included).

In the context of the legal nature of leasing, I would like to agree with the practical attitude and the prevailing notion that leasing operations depend on the availability of foreign exchange coverage for the lessee in one or another period of its use, and evaluate the cost of leasing by comparing the amount of foreign exchange reserves with the size of the cost of leasing. In reality, this "quality" is determined, first of all, by the financial condition of the lessee, which can ensure the saturation of the market with goods (products, services), regardless of which component of the monetary base - external or internal - was the cash payment for leasing.

Analysis of the solvency of the lessee logically leads to the study of the problem of their debt. Using various information sources, as well as your own estimates, you can come up with figures according to which the total debt or financial condition of the lessee ranges up to 70% of the cost of the equipment received on lease. So, having received a lease, the company will have to repay the debt through the effective use of leasing.

A number of economists, when determining the legal nature of leasing and related financial relations, proceed from the recognition of their legal relations *sui generis* <sup>5</sup>. This point of view is known to the French and German theories, it was also reflected in the decision of the Italian court. Its supporters argue that it is about something more than a lease agreement or an installment purchase agreement with specific features. The presence in relations arising from leasing, features that cannot be summed up under known legal institutions, allows us to classify them as a special kind of financial legal relationship. These are the features, in our opinion, just not taken into account, taking into account the true interests of the lessee. For the funds allocated for the purchase of leasing equipment were spent in the most mediocre way. Because not a single sum of the borrowed amounts was invested in the development of the production of innovative products and productive forces that could create the values necessary to repay the debt. Sources of financing for leasing equipment, at least in volumes that would not exceed the amount of debt repaid for a specific period, are provided for in the leasing agreement, which means taking a course towards targeted reduction of debt on the leasing object. Such a leasing operation, as an instrument of financial relations, of course, should determine the financial condition of both the lessor and the lessee.

Let's add to the above proposals aimed at improving leasing operations. Chief among them is the formation of special "leasing funds", like a venture fund, which would be participants in leasing operations (ie trading).

It also follows from this that, speaking about the financial and legal nature of leasing, it is necessary to strictly distinguish whether financial relations between all leasing participants are considered or whether this is just an agreement on the provision of equipment for temporary use. All this leads to the conclusion that the leasing agreement should be considered as a new independent type of agreement. In this we agree with those authors who characterize the leasing agreement as a contract *sui generis*.

Summarizing the above, we can conclude that the originality of leasing relations is as follows:

- the object of the transaction is chosen by the lessee, who purchases the equipment at his own expense;
- the leasing period is less than the period of physical wear and tear of the equipment and is approaching the depreciation period;
- at the end of the contract, the client can continue the term of use on preferential terms, acquire the leased property into ownership at a residual value or refuse it;
- the role of the lessor should be traditionally a financial institution, a leasing enterprise (i.e. a company).

Joint efforts should be made in domestic business circles to turn leasing operations in Uzbekistan into a viable and attractive type of business activity for financial leasing enterprises. The adopted new legislative acts are unlikely to eliminate all financial risks for leasing transactions in Uzbekistan, however, the expected changes are aimed at removing the main obstacles to concluding leasing transactions designed for a period of more than three years.

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<sup>5</sup><https://cyberleninka.ru/article/n/osobennosti-lizingovyh-pravootnosheniy-s-pozitsii-otsenki-pravovoy-prirody-dogovora-finansovoy-arendy>

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