

## **The Role of Leasing in the Activities of Modern Industrial Enterprises**

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### ***Abstract***

*The article analyzes the positive aspects of the use of leasing services in modern industrial enterprises. The importance of leasing services for the national economy is reflected in the analysis of key indicators in the leasing market of national and foreign countries. Scientific proposals for the development of the national leasing market were presented.*

**Keywords:** *leasing, leasing market, underwriting, leasing portfolio, leasing agreements, leasing legislation, leasing market participants*

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## **Introduction**

Today, most emerging industries are making extensive use of leasing as an unconventional form of financing. Leasing services are used only in business activities or business processes. In most foreign countries, citizens are widely using leasing to purchase personal vehicles and household appliances. However, one of the main problems in the leasing market in our country is that leasing services are not widely used not only by the population, but also by businesses.

Due to the unstable situation in the financial markets in recent years, business owners are looking for ways to save available funds and try to increase profits. One such method is not to buy the property directly, but to lease it.

## **Main part**

In determining the calculation (budget) for leasing property, we see that it has a number of advantages. The main economic advantage of leasing is that enterprises can acquire any property required for business activities (computers, office furniture, trucks, etc.) without entering into credit relations with banks. It would be wise for businesses that do not have sufficient financial resources to consider leasing rather than buying property.

Under the traditional credit scheme, if an enterprise wants to buy any property, it can apply to the bank for a loan and buy any property. In the field of leasing services, the company applies to a specialized leasing company. The leasing company buys the necessary property for this enterprise and leases it on a long-term lease (in some cases, even until the property is completely obsolete). In turn, the entity makes the agreed payments to the leasing company during the lease term and at the end of the lease acquires the property at its residual value.

Leasing financing also has a number of tax advantages. When a property is purchased from a seller (manufacturer), it is reflected in the balance sheet at full value, after which it is gradually written off during the depreciation process. In the case of leasing, the enterprise does not actually become the owner. Leasing payments are included in the full cost and serve to reduce the tax burden.

In addition, they have the right to apply accelerated depreciation of the leased asset in accordance with the law in the leasing process.

For decades, in many developed countries, favorable conditions have been created for the expansion and development of leasing companies through tax and depreciation benefits. Leasing companies simultaneously serve the interests of equipment manufacturers in the popularization of equipment sales and advertising, and the interests of lessees in providing them with loans.

It is obvious that leasing is an integral part of the investment policy of most countries, and the volume of leased equipment and its share in GDP is growing every year. The following table shows the main indicators reflecting the state of the world's largest leasing markets in the pre-pandemic period (Table 1).

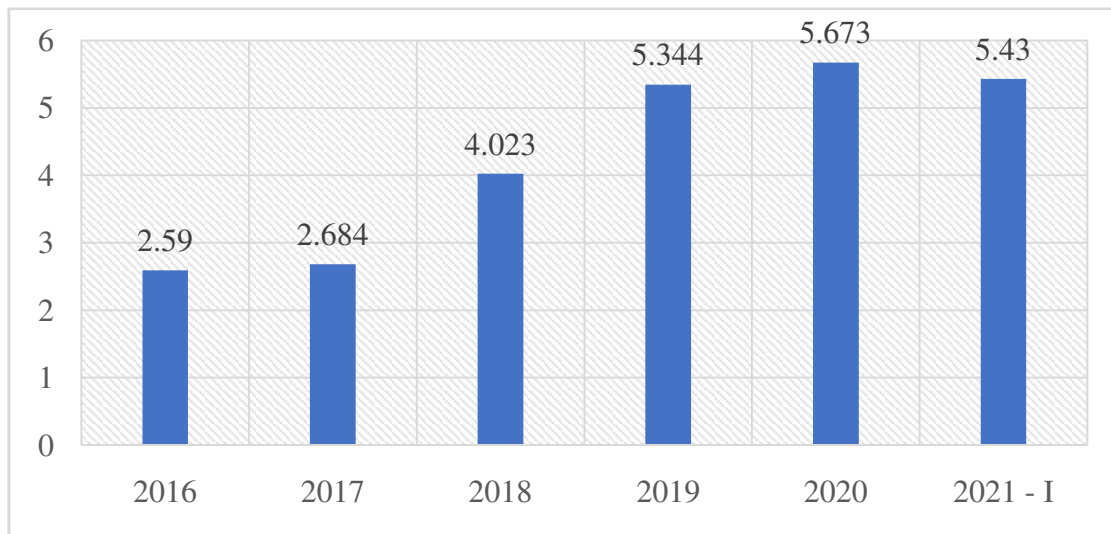
**Table 1 Top 10 largest leasing markets in the world: key indicators [1]**

<b>№</b>	<b>Countries</b>	<b>The volume of leased equipment, bln. U.S. dollars</b>	<b>The share of the country's leasing operations in the structure of international leasing, %</b>	<b>Leasing growth rate in 2017 compared to 2016, %</b>	<b>Ratio of leasing volume to GDP, %</b>
1	USA	410,35	32,00	6,90	2,11
2	P.R.C.	265,68	20,70	20,42	2,21
3	Great Britain	92,45	7,21	5,18	3,52
4	Germany	78,32	6,1	7,29	2,12
5	Japan	60,47	4,71	-2,00	1,24
6	France	49,78	3,88	8,69	1,92
7	Italy	33,63	2,62	12,89	1,73
8	Australia	31,49	2,45	2,10	2,28
9	Canada	26,46	2,06	2,70	1,60
10	Sweden	24,88	1,94	10,50	4,65

The saturation of the leasing market and the use of many types have a positive impact on the growth of the country's economy. With the slowdown in economic growth, especially in a pandemic, when many lenders are reducing their ability to lend to buyers, it makes sense for start-up financing to be done through leasing rather than credit. However, given the peculiarities of industrial enterprises in the leasing market, it is very difficult to find a lessor who offers this or that type of lease. The widespread use and development of leasing services depends on a number of benefits and privileges provided to industrial enterprises with limited capital in the process of leasing.

As a result of the pandemic, the leasing market in our country has gradually begun to return to its previous state. In particular, in the first half of this year, the volume of new leasing agreements amounted to 1.27 trillion UZS. The total portfolio of leasing services amounted to 5.43 trillion UZS. 89% of the total portfolio of leasing transactions is accounted for by leasing companies, and the remaining 11% is accounted for by banks.

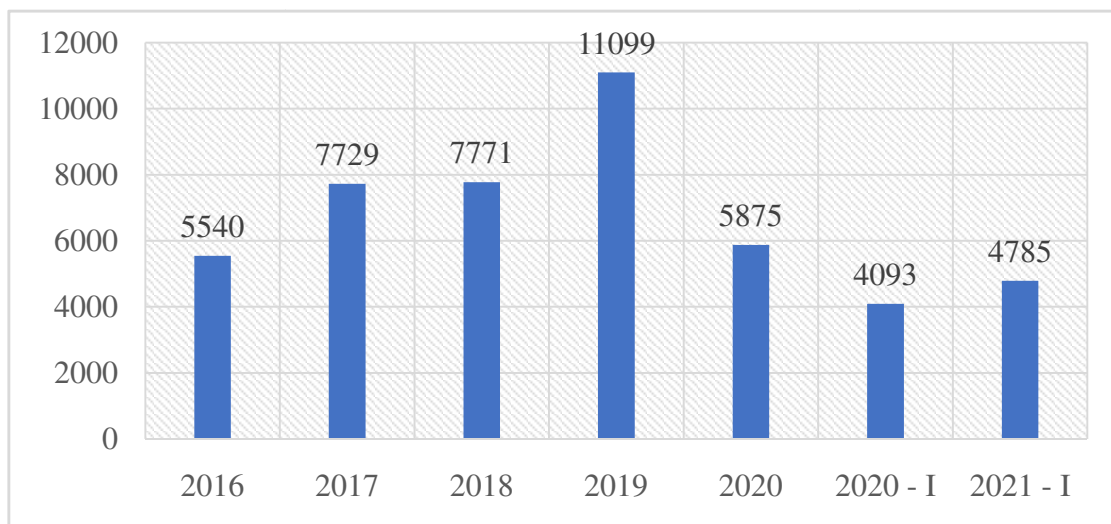
**Figure 1 The volume of the leasing portfolio, bln. UZS [2]**



The graph shows that in the first half of 2021, the volume of the leasing portfolio amounted to 5 trillion. 430 billion UZS, which is a decrease of 4.3% compared to the end of 2020. The main reason for this is the restrictions imposed during 2020 and 6 months of 2021 due to the coronavirus pandemic.

In the first half of 2021, the volume of new leasing agreements increased by 8.8%, which is 102.7 billion compared to the same period last year. UZS and amounted to 1,268.9 billion UZS. In the second half of 2021, the volume of new transactions is expected to increase significantly compared to the first half of the year and will have a positive impact on the portfolio of leasing operations with an increase of about 5-10%.

**Figure 1 Dynamics of the number of new leasing transactions [2].**



In the first half of 2021, the number of lease agreements increased to 4,785. Compared to the first half of 2020, the number of new leasing transactions increased by 16.9% or 692 transactions.

The growth trend in the volume of new leasing agreements concluded is distributed among

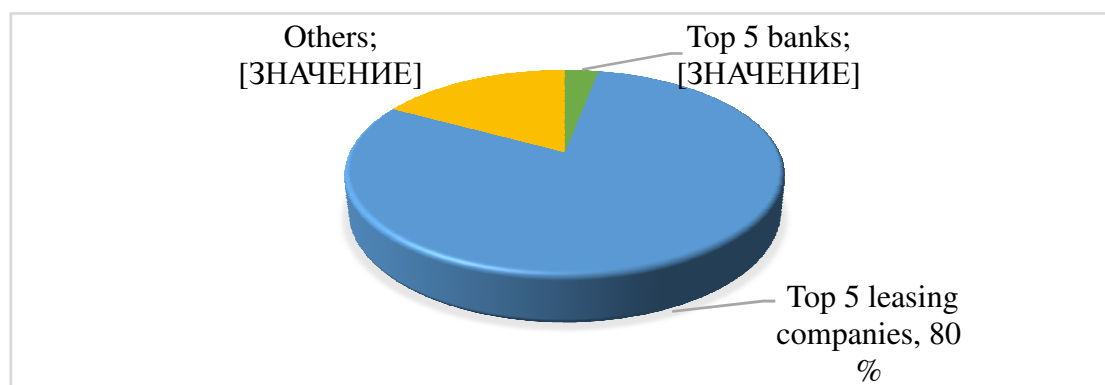
leasing companies and banks that are participants in the leasing market as follows (Table 2).

**Table 2 Shares of Leasing Market Participants [2]**

Indicators	2016	2017	2018	2019	2020	2021 – IQ
<b>Leasing companies</b>						
<b>Value of property, in bln.UZS</b>	630,8	963,8	1912,2	2539,4	1668,6	1228,9
<b>Share, %</b>	64,8	62,0	72,6	90,8	90,1	96,8
<b>Banks</b>						
<b>Value of property, in bln.UZS</b>	342,3	589,8	722,2	256,6	184,1	40,0
<b>Share, %</b>	35,2	38,0	27,4	9,2	9,9	3,2
<b>Total</b>	973,1	1553,6	2634,4	2795,9	1852,7	1268,9

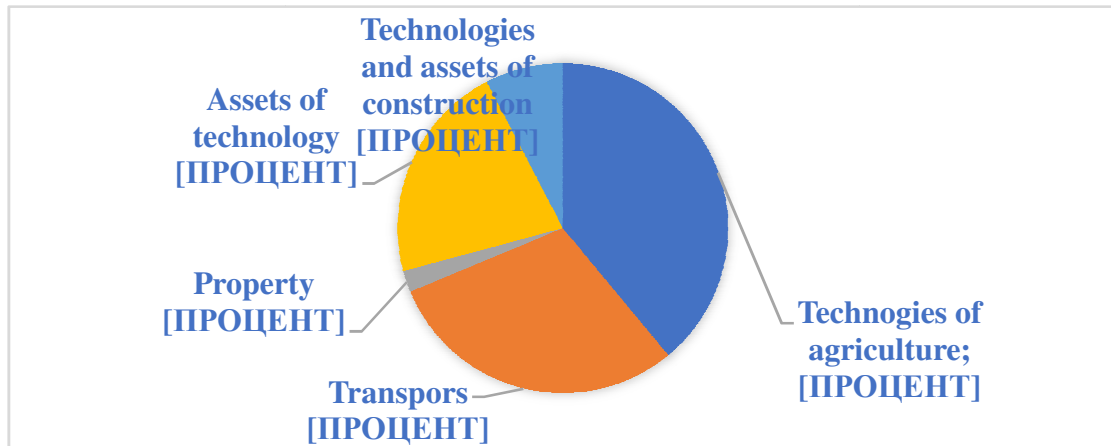
It can be seen that in the first half of 2021, the distribution trend of the leasing market among lessors has changed. At the same time, the share of leasing companies has increased, reaching almost 97% of the market. In the case of commercial banks, the volume of new leasing transactions fell further, to just 3%. Among these participants, the share of leasing companies and commercial banks in the top five for leasing activities was 83.2% of the total volume of new leasing transactions (Figure 2).

**Figure 2 Leasing companies and commercial banks share in the TOP 5 [2]**



While our national legislation emphasizes fixed assets as the subject of leasing [3], the distribution of lease agreements by type of fixed assets gives an idea of which leasing facilities and how active leaseholders work with. In recent years, leasing of agricultural machinery, process equipment and vehicles remains a major segment of the market. The structure of leased fixed assets for the 1st half of 2021 is shown in the diagram (Figure 3).

**Figure 3 Distribution of leasing agreements by types of fixed assets in the 1st half of 2021**  
 [2]



According to the results of the first half of 2021, the state of the national leasing market requires special attention to the following areas:

The first point to note in the first half of 2021 is a slight decrease in the volume of leasing portfolio in the country, but the volume of new transactions is growing (in the second half of 2021 the volume of new transactions increased significantly compared to the first half of the year. Due to a positive reflection in the portfolio of leasing operations with an increase of 5-10%);

The second aspect is the decrease in the share of agricultural vehicles in the leasing market of Uzbekistan and the increase in the share of vehicles. If in the first half of 2020 the share of agricultural machinery was 59%, in the first half of 2021 this figure was 39%. In turn, the share of vehicle leasing has increased. If we compare the share of vehicle leasing for these periods, we can see that these figures were 18.8% and 29.7%, respectively [2].

**Conclusion**

In conclusion, the issue of improving the legislation on leasing in the Republic of Uzbekistan remains relevant. It is necessary to make a number of changes to the existing legislation on further improvement of leasing legislation in the Republic of Uzbekistan and the development of the leasing market. In particular, the Law of the Republic of Uzbekistan "On Leasing" and the Civil Code of the Republic of Uzbekistan on the legal regulation of leasing in Uzbekistan should consider the subject of leasing, specifying the participants of the leasing market, including individuals as lessees. As the leasing service is associated with a high level of risk, great attention should be paid to underwriting activities. Underwriting is one of the main functions of the financial system, in which an individual or organization assumes the risks associated with venture investment or lending. Through underwriting, it is possible to analyze the risks associated with financing and insuring the financial activities of companies.

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