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The Economic Essence of Leasing and its Role in the Modernization of the Economy of Uzbekistan

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Abstract:

This article deals with the economic essence of leasing its role in the modernization of the economy. Recommendations on improving a certain benefit for each leasing transaction subject are given wide opportunities for growth and expansion of other sectors of the economy and increasing the role of leasing in the economic system of Uzbekistan.

Keywords: essence of leasing, leasing entities, leasing transactions, leasing companies, leasing market, leasing portfolio.

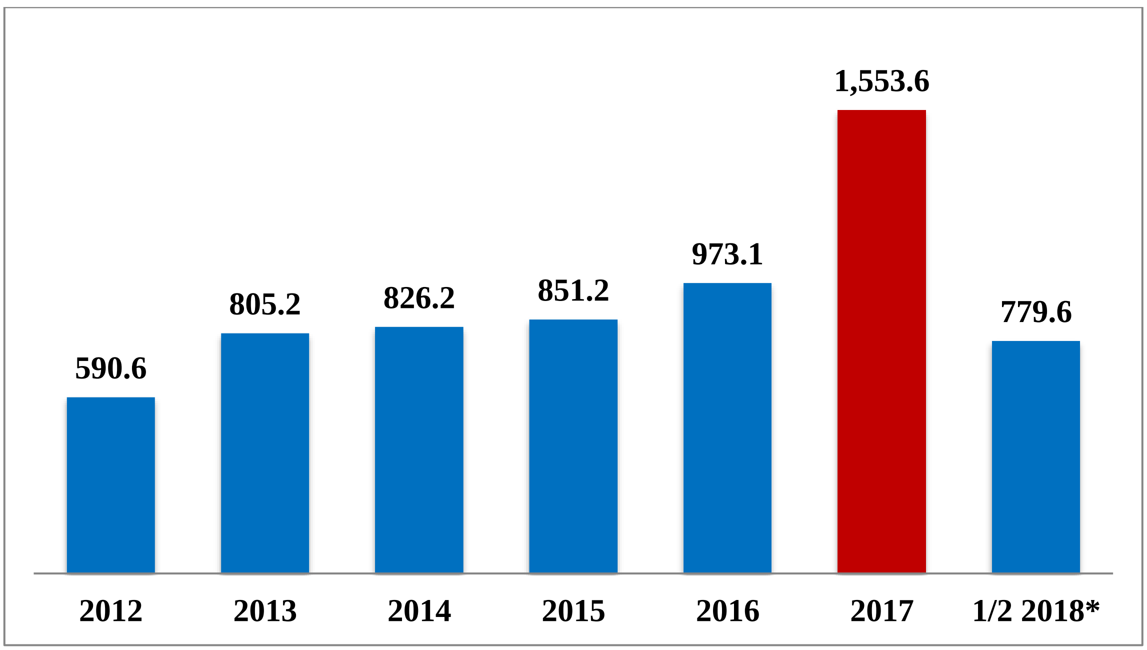
Qualitative structural changes in the economy of Uzbekistan, deepening of economic reforms require finding additional financial resources for updating the existing fleet of agricultural machinery, equipment and introducing new technologies. In countries with developed market economies, one of the effective sources of investment financing is leasing. It is no coincidence that in developed countries of the world leasing takes up to 35 percent or more of the total volume of investment financing sources.[1]

Currently, leasing has become one of the most popular financial services, through which fixed assets are formed and effectively updated, and opportunities for increasing borrowing are expanded. The relevance of leasing development in Uzbekistan is also due to the fact that this factor of investment activation is especially important and promising for the development, modernization of production of small businesses and private entrepreneurship. The role of leasing is also exceptional in expanding the export capabilities of economic entities, in the development of local markets, and in the creation of new jobs.

[1] Association of Lessors of Uzbekistan – "Overview of Leasing Operations" (2017).

The President of the Republic of Uzbekistan Mirziyoyev Sh.M. in the Decree "On the strategy of actions for the further development of the Republic of Uzbekistan" identified priority areas for the development and liberalization of the economy: "Expansion of the volume of leasing and other types of financial services through the introduction of their new types and improvement of quality, as well as the development of the stock market as an alternative source of attracting capital and placing free resources of enterprises, financial institutions and the population".[2]

In this regard, there is a need to strengthen control over leasing operations for both the lessor and the lessee. In the conditions of a crisis in the economic environment, when many organizations are unable to invest large financial resources in technical renewal and intensification of production, there is a need to use leasing operations. World economic practice shows the high efficiency of leasing as a financial instrument designed to support capital investments at a sufficiently high level. After all, it is leasing that ensures, through its mechanism, the guaranteed use of investment resources for the purpose of re-equipping production. The market is positively influenced by the implementation of state programs to support preferential leasing provided by the state leasing company "O'zagrolizing" to support the agricultural sector, as well as traditionally large transactions of leading leasing companies and commercial banks.



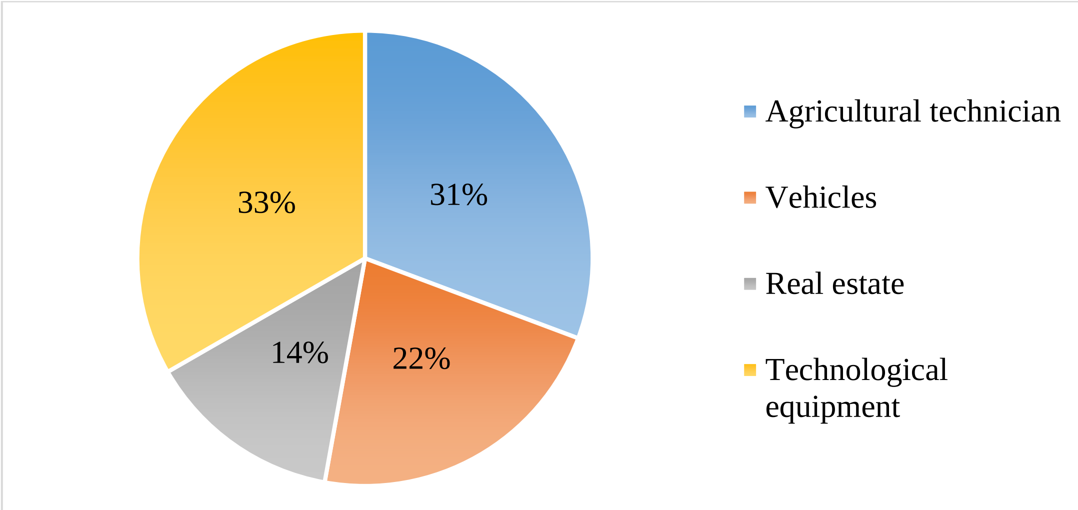
Pic. 1 Dynamics of growth in the volume of new leasing transactions (in billion soums)[3]

According to the Association of Lessors of Uzbekistan, the volume of new leasing transactions in the first half of 2018 increased by 9.7%, which is 68.8 billion soums more than in the same period last year and amounted to 779.6 billion soums. (Picture 1).[4]

An important trend that determines the development of the domestic leasing market today is the fact that the small business and private entrepreneurship sector strives to work on modern and high-tech liquid equipment, which can be provided on leasing terms. That is, speaking about the growing level of demand for leasing as an effective type of financial services, first of all, we mean the

[2] Decree of the President of the Republic of Uzbekistan "On the strategy of actions for the further development of the Republic of Uzbekistan" dated February 7, 2017 No. DP-4947.
[3] Review of the leasing services sector in Uzbekistan based on the results of the first half of 2018 "Association of Lessors of Uzbekistan".
[4] Review of the leasing services sector in Uzbekistan based on the results of the first half of 2018 "Association of Lessors of Uzbekistan".

growth of economic activity in our republic, the growth of entrepreneurship, which is interested today not so much in obtaining financial resources, but in the means of production, which leasing provides.



Pic. 2 Distribution of leasing transactions by types of fixed assets in the first half of 2018 [5]

The distribution of leasing transactions by types of fixed assets gives an idea of what leasing objects and how actively lessors work with them is shown in Figure 2. Over the past few years, the largest segments in the leasing market have been agricultural machinery and technological equipment.

This suggests that in recent years, the demand for high-tech equipment as part of the modernization of industrial enterprises has been growing.

The distribution of leasing transactions across the republic is fairly uniform, with the exception of the city of Tashkent, which accounts for 35.6% of all new leasing transactions carried out in the country's market. According to the results of the first half of 2018, the Tashkent region is in the lead in the republic (10.6%) and for the first time in third place is the Syrdarya region (9.7%).

According to the results of the first half of 2018, the trend of distribution of the leasing market between lessors has changed dramatically, and 87% of the market belongs to leasing companies, as shown in Table 2. As for commercial banks, compared to the results of 2017, the volume of provided leasing services has decreased and their share in the market was 12.7%, reflected in.

If we consider the distribution of the leasing portfolio by lessors, then 53.3% falls to the share of leasing companies, while the amount of the leasing portfolio as of the first half of 2018 is 3 trillion 504 billion sums. One of the effective types of control is audit.

Table 2 TOP - 5 Leasing Companies [6]

№	Name of the leasing company	Volume of leasing services provided in the first half of 2018 (in billion soums)
1	GLC "O'zagrolizing"	229,0
2	JSC "Uzbek Leasing International A.O."	90,7

[5] Review of the leasing services sector in Uzbekistan based on the results of the first half of 2018 "Association of Lessors of Uzbekistan"**.**

[6] Review of the leasing services sector in Uzbekistan based on the results of the first half of 2018 "Association of Lessors of Uzbekistan"**.**

3	LC LLC “O’zavtosanoat-Leasing”	87,0
4	State Unitary Enterprise “O’zmeliomashlizing”	44,0
5	JSC RSLC "Qurilishmashlizing"	37,0

Table 3 TOP - 5 Banks [7]

№	Name of the bank	Volume of leasing services provided in the first half of 2018 (in billion soums)
1	JSCIB "Ipoteka Bank"	23,3
2	AIKB "Ipak Yo'li Bank"	13,6
3	PJSC "Trust Bank"	13,5
4	JSC "KDB Bank Uzbekistan"	10,1
5	PJSCB "Davr Bank"	9,6

- Thus, in the current conditions of modernization of production sectors of the economy, leasing provides certain benefits for each subject of the leasing transaction, it also opens up wide opportunities for growth and expansion of other sectors of the economy, which further increases the role of leasing in the financial system of Uzbekistan:
- leasing contributes to the further development of small businesses, as it provides small enterprises, for which other sources of financing are not available for some reason, the opportunity to create and modernize their production;
- leasing increases the volume of capital investments, as it is a hypothetical form of long-term financing;
- leasing creates additional competition in the financial services market;
- leasing contributes to the sale of equipment and offers equipment suppliers a new mechanism for financing sales, allowing to increase the number of clients.

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