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Tel: +48 226 0 227 03
Email: editorial_office@rsglobal.pl

JOURNAL	International Journal of Innovative Technologies in Economy
p-ISSN	2412-8368
e-ISSN	2414-1305
PUBLISHER	RS Global Sp. z O.O., Poland
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ARTICLE TITLE	MAIN FEATURES OF FINANCIAL LEASING USING INTERNATIONAL EXPERIENCE
AUTHOR(S)	Gunel Safarova
ARTICLE INFO	Gunel Safarova. (2021) Main Features of Financial Leasing Using International Experience. International Journal of Innovative Technologies in Economy. 1(33). doi: 10.31435/rsglobal_ijite/30032021/7472
DOI	https://doi.org/10.31435/rsglobal_ijite/30032021/7472
RECEIVED	15 January 2021
ACCEPTED	10 March 2021
PUBLISHED	15 March 2021
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MAIN FEATURES OF FINANCIAL LEASING USING INTERNATIONAL EXPERIENCE

Gunel Safarova,

PhD student, Odlar Yurdu University, Baku, Azerbaijan

DOI: https://doi.org/10.31435/rsglobal_ijite/30032021/7472

ARTICLE INFO

Received 15 January 2021

Accepted 10 March 2021

Published 15 March 2021

KEYWORDS

leasing, international experience, features of leasing.

ABSTRACT

The article discusses the features of the development of leasing, taking into account international experience. Based on the experience of the American and Western European leasing market, analysis of the operating activities of foreign leasing companies, the theoretical foundations of investment financing from external financial sources using the international leasing mechanism are presented. The article reveals the features of the investment financing mechanism based on the international leasing scheme, taking into account the acceptability of financing conditions, both for the enterprise-lessee and for the company-lessor. Attention is drawn to the possibility of external financing of such a leasing transaction with the involvement of investors and the issue of bonds on the open securities market. Leasing will allow not only to update the fixed assets of a number of leading industries, but also to solve the problem of financing this process at the same time. International experience of leasing application plays an important role in this. Without requiring large one-time expenses of their own funds from enterprises, leasing at the same time guarantees the purposeful development of financial resources, which ultimately will allow attracting into the industry the opportunities of the Russian capital market that have not been fully utilized so far, as well as funds from foreign investors.

Citation: Gunel Safarova. (2021) Main Features of Financial Leasing Using International Experience. *International Journal of Innovative Technologies in Economy*. 1(33). doi: 10.31435/rsglobal_ijite/30032021/7472

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Introduction. Leasing - is a type of financial services, a form of lending for the acquisition of fixed assets by enterprises and other goods by individuals and legal entities. Sub-leasing is the transfer of the rights to use leased property to third parties.

The subject of leasing is any non-consumable things, including enterprises, buildings, structures, equipment, vehicles and other movable and immovable property.

The subject of leasing may not be land plots and other natural objects, as well as property that is prohibited by federal laws for free circulation or for which a special procedure for circulation has been established.

The first company to engage in leasing operations was the United States Leasing Corporation, established in 1952. The United States pioneered a new direction in business. In 1962, the first leasing company Deutsche Lising GmbH appeared in Europe. In the mid-60s, turnover on leasing operations in the United States amounted to \$ 1 billion, in turn, by the end of the 80s. they exceeded \$ 1 billion. The rapid growth is due to the existing advantages of leasing transactions. At the present stage of development, the leaders of the leasing business are countries such as the United States, Japan, and Western Europe, among which the United States has and is still holding the dominant position in leasing transactions.

The active growth of leasing operations in Latin America, especially in Brazil, Eastern Europe, and the African continent, is noticeable. The leading country is South Africa. The volume of leasing operations in Australia is increasing. It should be noted such countries as China and India, which, according to experts, have prospects of taking a leading position in the share of world leasing operations.

An analysis of the effectiveness of leasing schemes should be carried out taking into account the fact that leasing is used as a source of financing for investment activities, while the investment process is an important component of the strategic management of the enterprise. The lease agreement is concluded for a long term, the lessee company binds itself to the lessor, which implies the formation of a negative cash flow, therefore, the company in the short term reduces its opportunities for financial maneuver. It should also be added that the use of leasing presupposes proper planning of the income expected during the entire life cycle of the project.

The analysis of investment projects financed through leasing should be based on the following steps:

1. Determination of the main parameters of the investment project.
2. Identification of cash flows associated with the implementation of the investment project.
3. Project selection based on indicators of net present value and internal rate of return.
4. Implementation of the project and tracking deviations from project financing of the transaction.

At the first stage, the lessee company determines a set of independent projects that result from the general development strategy of the enterprise. Investment projects are combined to create and develop the investment policy of the enterprise. All companies choosing from a large number of independent investment projects analyze projects based on specific benefits that will allow them to benefit in the future.

The second stage is the most important for the enterprise, since the decision to implement the investment project is made on the basis of the future values of those cash flows that will allow generating the investment project. In this regard, special attention should be paid to the parameters of the concluded lease agreement. It prescribes such conditions that form the obligations of the parties to the leasing agreement to each other. The second feature of leasing is a rather low market size compared to Europe and the USA. Thus, the volume of investments in the leasing market in Russia in 2015 totaled about 13 billion euros, in Germany - 50 billion euros, in the UK - 59 billion euros, in Italy, however, 12 billion euros.

An important condition for the effectiveness of the investment project is the cost of equipment directly purchased using leasing schemes. Despite the fact that the items of fixed assets received on lease are very diverse, cost is a unifying factor (as a rule, inexpensive items of fixed assets are acquired using own funds, while expensive items are acquired using combined financing means). The next feature is related to the terms of leasing. In Western countries, the leasing market has stabilized for a long time, and there is a fairly strong competition there. In Russia, leasing conditions may differ by several percent (in Europe, for comparison, by tenths of a percent), and hidden fees may be included in contracts. (see Table 1).

Table 1. shows the characteristics of the factor "cost of the leased asset", its possible positive and negative impact on the efficiency of the investment project.

Positive impact	Negative impact
1. With a high cost, no initial diversion of funds for its purchase is required.	1. The high cost will require substantial lease payments over an extended period of time.
2. With the high cost of equipment, the number of potential lessees is limited, which reduces competition among enterprises using this equipment.	2. At a high cost, the cost of its maintenance and repair increases, insurance costs may also increase, and other related payments may increase.
3. In the absence of seasonal fluctuations, the task of setting up lease payments is simplified (transfer of a part of the payment to an earlier / later date, taking into account the time factor).	3. The high cost of equipment in the context of seasonal fluctuations will complicate the task of paying lease payments (the contract may provide for a seasonal pass of payments without fines).
4. In the absence of market risk, the likelihood of changes in the cost of equipment due to market fluctuations is insignificant.	4. With high market risks, the likelihood of changes in the cost of equipment due to market fluctuations is high.
5. With a high cost of equipment, there are more opportunities to obtain additional savings associated with a decrease in the taxable base for income tax.	5. With a high cost of equipment, the amount of property tax increases, which is included in the lease payment (or paid by the lessee, if the fixed asset is recorded on its balance sheet).

One of the main characteristics of the development of leasing in the **United States** is the recent increase in the country's economy of the role of leasing-back (railway containers, airplanes, computers, oil tankers) and operating leasing (printing equipment, transport). The growth of operating leasing without special tax incentives in aviation is especially clearly visible.

To what has been said, a number of specific features of leasing relations in the United States should be added, namely:

- leasing should not provide for the possibility of purchasing property at a price below market;
- the lease term must not exceed 30 years;
- leasing should provide for lease payments of the same volume. If the lease payments are initially higher and then lower, this will indicate the use of leasing as a means of tax evasion;
- leasing should provide the lessor with a normal market level of profit;
- the lessee is not entitled to invest in the leased equipment, with the exception of so-called separable improvements;
- the minimum investment on the part of the lessor must be at least 20% of the value of the leased object.

Now let's turn to the specifics of leasing in **Japan**. One of the interesting features of leasing in this country is the ability of leasing companies to go beyond financing rental services. They provide a so-called all-inclusive package of services, which can include a combination of leasing, buying and selling and loans. Such services are called "complex leasing".

It is impossible not to mention the peculiarities of financial leasing in Japan. Financial leasing in the Land of the Rising Sun is defined as a transaction that meets two requirements.

First requirement. The total amount of the lease payment should be approximately equal to the total cost of acquiring the property. In this case, the term of the transaction is fixed.

Second requirement. It is prohibited to cancel the lease agreement during its validity period.

Depending on the useful life of the leased object and the economic essence of the lease agreement, there are:

Financial leasing (finance lease). The term of the lease agreement is comparable to the useful life of the leased object. As a rule, at the end of the lease agreement, the residual value of the leased object is close to zero, and the leased object can become the property of the lessee without additional payment. In fact, it is one of the ways for the lessee to attract targeted financing (in order to acquire the leased object).

Operating lease (sometimes "operating lease" or "lease"). The term of the operating lease (lease) agreement is significantly less than the useful life of the object. Usually, the subject of operational leasing (lease) is the assets already at the disposal of the lessee (there may not be a third party - the seller). At the end of the contract, the operating lease (lease) object is either (as a rule) returned to the lessor and can be leased (leased) again, or (as an exception) is redeemed by the lessee at the residual market value. The rental rate can be higher than for finance lease. The allocation and use of the term "operating leasing" is controversial.

If the finance lease acts as a sale, then the lessee is entitled to tax depreciation. Otherwise, the lessor has this right. A finance lease can be considered a sale transaction if one of the following conditions is met:

- the lease term is less than 70% of the equipment service life established by the legislation (60% if this service life is 10 years or more), and the lessee has the right to purchase;
- transfer after the expiration of the lease period of the leased object to the lessee for nominal or zero monetary remuneration;
- rented machines, equipment is difficult to use for any other purposes, except for those specified by the lessee;
- leased non-relocatable equipment installed in the building.

Leasing in Austria has been developing for about 25 years. The lease term ranges from 2 to 15 years, depending on the economically viable service life of the leased object. An option to renew or buy is prohibited. After the expiration of the contract, the lessee can conclude a new lease agreement for the leased object during the remaining period of operation, or start negotiations on the purchase. An essential feature is that even schools and kindergartens are leased. To receive tax benefits, it is necessary that the leased object be an independent unit and the lease agreement term is 40-90% of the total equipment operation period.

France is a country in which, as in Russia, there is special leasing legislation. They distinguish leasing of real estate without the right to buy (location-simple) and the leasing of movable property with the right to buy (credit-bail), or financial leasing.

Credit-bail (financial leasing) takes place if:

- the equipment is used by the lessee for production or commercial activities;
- the equipment is purchased by the lessor for its subsequent leasing;
- the lessee has the opportunity to buy the property from the lessor at a predetermined price, which takes into account the amount of lease payments made earlier

Table 2. The factor of debt financing and its impact on the efficiency of an investment project

Positive influence	Negative influence
1. The purchased equipment is a pledge, the risks of creditors are reduced.	1. The purchased equipment is a pledge, additional encumbrances will require a more careful planning of the capital structure from the lessee.
2. Funds of an indefinite circle of investors are attracted from the financial market.	2. Debt securities can include financial covenants, ie. a list of certain actions that the borrower undertakes to perform or refrain from performing them throughout the entire circulation period of the security.
3. Due to the free circulation of the issued securities, there is a redistribution of funds between real and potential investors.	3. It is required to perform certain actions to maintain the investment attractiveness of the leasing business. The high level of investment attractiveness will attract potential investors on favorable terms. Such actions are costly.
4. With full compliance with the terms of the agreement, sufficient cash flow will be ensured to meet the interests of investors.	4. In case of violation of the terms of the agreement by the lessee, the cost of debt securities is sharply reduced, investors risk losing part of the invested capital.

The market of leasing services is also developing in **Azerbaijan**. Kavkaz Leasing, AG Leasing, Vestmark Financial Leasing Investment Company, Azerleasing, Azerleasing ILSH, Gunay-Leasing, Unleasing in the developed Azerbaijani market of leasing services.

The main service of the project is designed in an environment conducive to the development of the leasing market, encouraging the widespread use of leasing as a means of financing small and medium enterprises, as well as attracting foreign and domestic investment in leasing in Azerbaijan. sector. The main objective of the Leasing Development Project is to organize the business environment and improve welfare.

It should be noted that with full inflation, unstable tax legislation, regulations governing leasing operations

Many financial banks refrain from concluding lease agreements for the sale of highly profitable goods (computers, video equipment, cars). Sometimes it happens that many other services are included in leasing operations, because commercial banks are not aware of leasing operations.

Table 3. Ranking of leasing companies in Azerbaijan by the cost of leased equipment

Leasing company	Cost of equipment (million AZN)	Number of contracts
Joint Leasing	74,97	178
UniLeasing	54,40	959
AGLeasing	10,16	133
AtaLeasing	1,70	104
Nikoil Leasing	-	11
Texnika Leasing	-	55



Fig 1. Leasing Strategy from <https://www.sketchbubble.com/en/presentation-leasing-strategy.html> website.

The leasing business in **Russia** has reduced its volumes. According to the rating agency KAEX, together with the United Leasing Association, the analysis of the study of the Russian leasing market for 9 months of 2015 showed a decline. The volume of business property value in January-September 2015 decreased by 26% compared to the previous year of the corresponding period. The amount of leasing contracts decreased by 23%, however, the leasing portfolio has remained practically unchanged over the past 12 months.

This study proves the fact of the negative impact of the deteriorating macroeconomic situation on the leasing business. Thus, making a forecast for the next year, one can assume a positive change in the trend from a reduction to an increase in the leasing business and transactions with it, starting from forecasts of an improvement in the economic situation in Russia in 2016.

Conclusions. Leasing is an exclusive form of investment for technical re-equipment and production modernization. At the same time, as a rule, financial leasing is compared with other forms of enterprise financing, primarily with traditional bank lending and self-financing. Analysis of the world leasing markets in recent years shows that leasing operations are becoming an integral part of the economy of many countries. According to research data in developed countries, about 25% of investments are leasing transactions. The leasing business in Russia continues to grow, along with its growing role in the economy. With a focus on supporting small and medium-sized businesses, leasing is becoming almost a panacea for these enterprises in replacing outdated worn-out equipment without investing significant initial financial resources, as a result of which the enterprise creates an optimal capital structure in terms of financial stability, and this is one of the relatively fast mobilized and financially beneficial sources.

Thus, in world practice, leasing remains an effective method of investing in fixed assets of enterprises, and therefore transactions with it will be used, despite economic instability.

Summarizing the above, we can say with confidence that, despite the specificity, leasing in different countries of the world is united by such advantages as: accelerated depreciation; tax incentives; convenient schemes for the acquisition of fixed assets. All this makes leasing the most convenient and flexible tool for business development and expansion.

Leasing advantages. Leasing has many advantages over a loan.

–No deposit required. The equipment itself, transport or real estate is the guarantee that you will regularly pay the leasing company. Otherwise, the rented property will be taken away from you.

–You will save on income tax. Profits, that is, the difference between your income and your expenses, are taxed. If you have leased the property, then you can save on this tax. Lease payments are

recorded in the accounting documents as expenses, as well as depreciation of equipment, which means they reduce your tax base.

–The property can be cheaper. Leasing companies are often purchased in bulk, so they can purchase the goods you need at great discounts. Thanks to this, you can gradually redeem vehicles or equipment from a leasing company for a lower amount than if you took out a loan and bought them yourself.

–You don't have to think about the delivery and installation of equipment. The leasing company can take care of all the transportation. If you need foreign equipment, this will greatly save your efforts: delivery from abroad, customs clearance, registration, delivery to your company and even installation can be done by a leasing company.

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