

Development of international leasing: advantages and disadvantages

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Abstract: When performing leasing operations, the property is transferred for temporary use, but in contrast to the classical lease, the user has the right to subsequent acquisition of the leased asset in permanent possession. The article deals with leasing as an investment through various forms of lease of equipment, machines, mechanisms, electronic and computer equipment as well as construction equipment, buildings and structures. In Russia, leasing is more successfully used in the automotive industry 40-50%, as well as engineering, industrial equipment, small and medium-sized businesses. There are three organizational forms of leasing companies controlled by banks or leasing services in the structure of banks; subsidiaries created by large manufacturers of machinery and equipment; independent leasing companies with decent financial resources. The specific features of leasing in the Russian Federation are considered. This article discusses the prospects for the development of international leasing, shows the main advantages and disadvantages. The main goal is to try to find an answer to the question: why leasing is in such demand, despite the fact that this tool appeared on the market relatively not so long ago. The essence of leasing is revealed, several definitions of leasing are given, problems of development of leasing in Russia and ways of their decision are studied.

Аннотация: При совершении лизинговых операций имущество передаётся во временное пользование, но в отличии от классической аренды, пользователь имеет право на последующее приобретение объекта лизинга в постоянное владение. В статье рассматривается лизинг как инвестирование через различные формы аренды оборудования, станков, механизмов, электронной и вычислительной также строительной техники, зданий и сооружений. В России лизинг более успешно используется в автомобилестроении 40-50%, также машиностроении, производстве промышленного оборудования, в сфере малого и среднего бизнеса. Выделены три организационные формы лизинга компании, контролируемые банками или лизинговые службы в структуре банков; дочерние компании, создаваемые крупными производителями машин и оборудования; независимые лизинговые компании с достойными финансовыми средствами. Рассматриваются специфические черты лизинга в Российской Федерации. В данной статье рассмотрены перспективы развития международного лизинга, показаны основные преимущества и недостатки. Основная цель - попытаться найти ответ на вопрос: почему лизинг пользуется таким спросом, несмотря на то что на рынке этот инструмент появился сравнительно не так давно. Раскрыта сущность лизинга, приведены несколько определений лизинга, изучены проблемы развития лизинга в России и пути их решения.

Keywords: International leasing, globalization, transactions, risks, advantages of leasing, operational leasing, financial leasing.

Ключевые слова: Международный лизинг, глобализация, транзакции, риски, преимущества лизинга, операционный лизинг, финансовый лизинг.

1. Introduction

Globalization became an important feature of the development of the world economy in recent decades. Moreover, with the deepening of the international division of labor, the close ties between economic entities in different industries and spheres of activity are increasing. The world economic space is undergoing gradual and at the same time large-scale changes: the economic boundaries between countries are being "erased", the number of transnational corporations is growing, the level of efficiency, labor productivity, and with them competition is increasing. Leasing is a modern tool in the financial sector, so information about the types of leasing, its differences from other loan products will be useful to motorists, entrepreneurs, as well as those who are just going to start their own business using borrowed funds and equipment

2. Methods

The theoretical and methodological basis of the study were scientific works and research of scientists in the field of world economy, regional economy, publications in periodicals, scientific publications, Federal laws, decisions, official documents. When writing the work, the following research methods were used: observation, comparison, generalization, analysis, classification, forecasting.

3. Results

The sectoral structure of leasing operations varies from region to region. For example, in Europe, car leasing is widely used, both for personal use and for production purposes. According to the publication "European leasing", up to 50% of the total volume of property purchases in the European market of leasing services falls on cars. The rest is accounted for production equipment, leasing of ships, aircraft, computers, etc. The priority of car leasing in

Western Europe is explained by the fact that car companies are forced to look for ways to sell their products through this mechanism as the most effective.

However, it should be borne in mind that the concept of "leasing" in the West includes both financial lease and operational; and the latter is actually a normal lease. In Russia, the concept of leasing is usually understood only as a financial lease.

In total, more than 20% of investments in production assets are currently made through leasing in Western Europe. At the same time, up to 80% of the leasing business in Western Europe falls on the UK, Germany, Italy and France. The transition to market development in Hungary, the Czech Republic, Slovakia and other Eastern European and CIS countries opened up new opportunities for leasing business.

On the economy of each country described processes have a different impact: some cannot cope with competition, others open up new markets. International relations, of course, imply the movement of material and financial flows, which in recent years is increasingly taking the form of leasing relations. But what is leasing?

The arrival of foreign giants is not only a shake-up of the leasing market leaders, but also the beginning of a fundamentally new stage in the development of the Russian leasing market. The fact is that until now, leasing companies operated mainly "under banks". Attracting resources from banks, they served certain segments of the market, for a number of reasons, difficult for the banks themselves. When granting a loan, banks often evaluated not the leasing company as a borrower, but the final lessee. This puts the leasing company in a bad position agents in banks.

However, in recent years, a new paradigm of leasing business has gradually begun to form. Leading leasing companies have already achieved business volumes, allowing them to get out of a subordinate position in relation to banks and compete on an equal footing. The size of equity is crucial in this respect, as it is the main reference point for investors. According to this indicator, many leasing companies are not inferior to banks

A lease is a contract outlining the terms under which one party agrees to rent property owned by another party. It guarantees the lessee, also known as the tenant, use of an asset and

guarantees the lessor, the property owner or landlord, regular payments from the lessee for a specified number of months or years. Both the lessee and the lessor face consequences if they fail to uphold the terms of the contract.[4]

Thanks to a simple mechanism and high efficiency, leasing quickly moved to the international level

The international lease refers to the type of lease agreement where one or more parties to the lease agreement reside or are domiciled in different countries.

There are two types of international lease: the Import Lease and the Cross Border Lease. In the former type of lease, both the lessor and the lessee belong to the same country, but the equipment supplier stays in some other country. In the case of a cross-border lease, both the lessor and the lessee stay in different countries, irrespective of where the equipment supplier stays.[6]

The major difference between the domestic lease and international lease is that the latter is exposed to two types of risks: country risk and the currency risk. Country risk refers to the tax and the regulatory framework prevalent in the country concerned, and the currency risk means the risk involved in the fluctuations in the exchange rate as the payments tend to be denominated in different currencies.

But why leasing has become so popular?

Here are some bright advantages of leasing:[2]

- It is easier to get a leasing contract than a loan.
- Leasing provides 100% credit and does not require immediate payments.
- Lease agreement is more flexible than a loan.
- There is a possibility of continuous updating of the equipment.
- The International Monetary Fund does not take into account the amount of leasing transactions in the calculation of national debt.
- State policies tend to be aimed at the promotion and expansion of leasing operations.

On the other hand, leasing has several disadvantages. So let's view the main negative aspects of leasing:

If the lease agreement is not yet over, but the equipment is already outdated, the tenant still pays rent for this outdated equipment.

It's the same with equipment failure.

In case of operational leasing, the risk of outdated equipment falls on the landlord, and in order not to be at a loss, it increases rental payments.[5]

If the object of the leasing contract is an important and unique facility, in connection with a wide variety of conditions of rental transactions preparation of contracts on their lease requires significant time and money.

In this way, we can mark the following intermediate conclusion:[1]

The leasing segment of the Russian economy is still underdeveloped (low availability of long-term financing; underdeveloped system of protection of the owner's rights in court; low level of basic leasing knowledge; underdeveloped secondary equipment markets.)[3]

Overcoming these factors is a joint task of both state institutions and specialists of the leasing sector.

4. Conclusion

In today's world with a wide variety of financial instruments, leasing is quite convenient and relatively easy way to get the opportunity to use the necessary property.

Therefore, at least a superficial knowledge of the existence of leasing operations and the opportunities they provide will be useful not only for every entrepreneur, but also for ordinary people.

Taking into account all the above, it can be concluded that leasing is a highly profitable activity that can have a positive impact on the welfare of Russian companies and the economy as a whole, but for this it is necessary to improve the legislative framework of leasing activities. What kind of leasing will be in a few years, it is difficult to determine, it will depend on the talent of specialists involved in the development of leasing and that, despite all the difficulties, leasing continues to develop, so all the existing problems at the moment will be overcome over time.

Among the most important trends in the market are diversification of sources of financing, optimization of risk management and business processes and expansion of leasing companies in the regions. Diversification of sources of financing makes leasing companies more actively improve their creditworthiness and confirm its high level of ratings. The growth of the market was largely due to the excess liquidity of banks and the need for them to place their available funds. This means that lending to investment projects has increased, including leasing, which is a fairly reliable investment option. Secondly, the awareness of potential customers about leasing has significantly improved. Many companies appreciated the advantages of leasing as a convenient and profitable financial instrument, and the number of applications to leasing companies grew exponentially. As the market matures, the characteristics of leasing transactions change, projects become more complex in structure, and transaction terms lengthen.[7]

By the end of 2025, the market has a real chance to grow 5-7 times, provided that the tax and legal problems that hinder the full development of the market will be solved. First of all, it is the problem of VAT refund, determining the redemption value of property, study of the necessary legal and tax aspects relating to real estate leasing and leases, recognition of operational leasing as an investment tool.

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