

# **LEASING - IMPORTANT CHARACTERISTICS OF FINANCING INVESTMENT PROJECTS**

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**Abstract:** the article describes the economic processes taking place in our country's economy and the role of the investment climate in the country. Also, the essence of leasing operations in the financing of investments and a number of suggestions and considerations for the implementation of these processes are reflected in the article.

**Keywords:** investment, economics, leasing, development, market economy, commercial banks, society, leasing transactions.

In the conditions of modernization of the economy, the use of leasing approach to investment financing plays an important role. As leasing is one of the most effective types of financial services widely used in all countries of the world. For the last 15 years the total volume of leasing operations in developed countries has increased by 5 times. This shows that leasing plays an important role in the economy of all countries around the world, and today it is paying special attention to the development of this financial relationship.

Firs President of the Republic of Uzbekistan I.A. Karimov said: "Banking, insurance, leasing, consulting and other types of market services are developing at a steady pace, which contributes to the development of the private sector and small business" [2], which, in turn, indicates the importance of leasing loans in financing investment projects .

President of the Republic of Uzbekistan Sh.M.Mirziyoev gave a critical impetus to the mechanism of agricultural machine building, based on leasing financing, and emphasized the following: "There is no radical reconstruction of the entire agricultural machine building system. This system was essentially a solid foundation for not only mechanization of agriculture and farming, but also a guaranteed source of replenishment of our country's currency balance [3].

The First President of the Republic of Turkey A.A. Karimov drew attention to the importance of leasing for the economy of the country and emphasized the following: "Today, we need to serve as a leasing tool for renewed investment flows, renewal of agricultural machinery, transport and aircraft fleet." [4].

Among economists, there are counters as "the lease - renting agreement, or the lease agreement, which is the lease agreement between the lessee and the entire lease" [5].

There are other leasing definitions in foreign economic literature. Some economists consider leasing as a type of financial transaction that permits long-term movable and immovable property use [6].

Economic literature also suggests that property relationships arising from the acquisition of property privately and subsequently transferring on a temporary basis on a certain charge are called leases. As a result, the content and essence of leasing are interpreted in theory and in practice [7].

In some sources, leasing is defined as a separate type of entrepreneurial activity that is temporarily unable to invest in attracting or attracting funds, whereby one person under a finance lease contract undertakes to acquire the property agreed upon in the agreement from a particular vendor to private ownership and to the individual [8].

Under the Law of the Republic of Uzbekistan "On Leasing", the definition of leasing is described below; "Lease (lease) is a separate type of lease relations whereby the lessee (lessor) purchases the property (leasing object), which is stipulated in the leasing agreement from the third party (seller) on the instructions of the other party (lessee) grants a lessee more than twelve months for possession and use of the remuneration in accordance with the terms [9]."

The number of leasing contracts concluded in 2016 for the five leasing companies accounted for 473.9 billion soums or 48.7% of the leasing market (Figure 1).

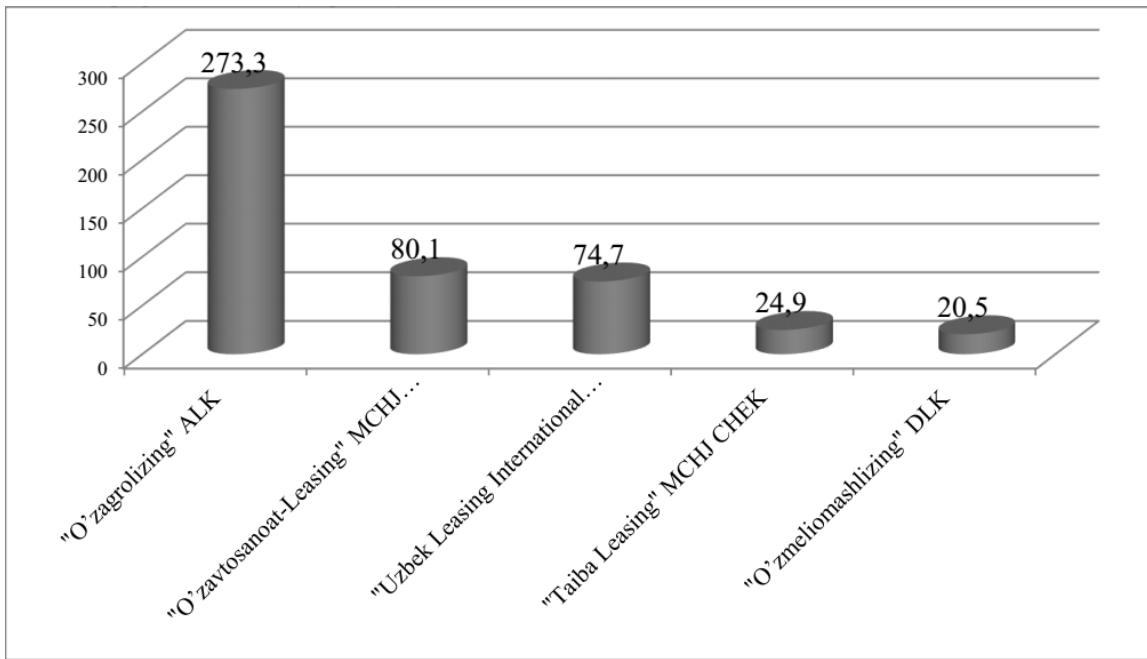


Fig. 1. Leasing operations volume in leasing companies (in billion soums) [12]

Three of them are state-owned leasing companies, Uzbek Leasing International and Taiba Leasing are the largest leasing companies established with the participation of foreign founders and developing small and medium-sized businesses. Analyzing the leasing market of Uzbekistan, it is worth noting that Kapital Bank's new leasing deals were not only the first in the ranking of banks but also became the second major leasing market (Figure 4).

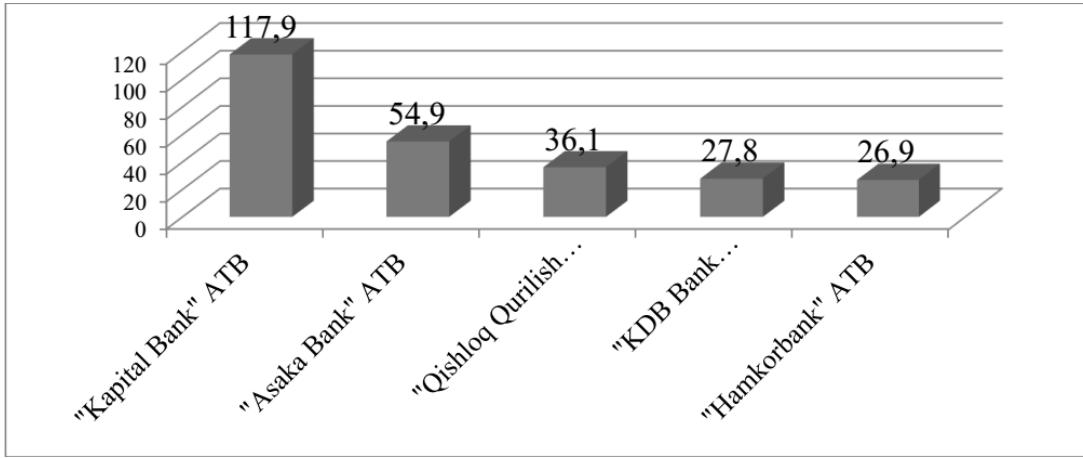


Fig. 2. Commercial Banks Leasing Operations (in billion soums) [12]

In 2016, Kapital Bank's total amount will exceed 117.9 billion soums. 41 leasing deals were concluded for the purchase of imported equipment as an object of leasing. Bank financing of the projects was realized at its own expense.

According to the data provided by the lessors, more than half of leasing transactions were financed by the lessor's own funds, only 30% of which were financed by banks. This trend is conditioned by the fact that the borrowed funds from the banks are much higher for the lessee, so leasing companies, in particular leasing companies, prefer to finance projects at their own expense.

In 2016, the technological equipment sector was the leader in terms of leasing transactions by 36% for the first time. This indicates that leasing today serves as an optimizing tool for financial resources for any enterprise. Entrepreneurship shows that it is possible to upgrade technological equipment without any hassles, thereby improving or even upgrading production capacities. In the market of technological equipment there is a special demand for construction equipment and construction materials production (115.5 billion soums), equipment for food

production (29.2 billion soums) and textile equipment (26.9 billion soums). Among the leasing companies are KapitalBank (47.6 billion soums), Uzbek Leasing International (46.2 billion soums) and KDB Bank Uzbekistan (27.8 billion soums) billion soums).

After the technological equipment the second place was occupied by agricultural equipment. Its share in leasing transactions was 32.5%. In the third and fourth places respectively, real estate (16.7%) and motor transport (14.8%). The share of leasing operations in the republic, except for Tashkent, is equal to 38.1% of the total leasing transactions in the domestic market. Tashkent region (7.4%) and Samarkand region (7.1%) are leading in the country in 2016.

By analyzing the leasing market in the Republic of Uzbekistan for 2016, the following tendencies can be identified: the leasing market of the country has a huge potential. The number of leasing companies in the market is increasing every year, which means the level of leasing services to be provided.

In concluding this, we have considered the following suggestions:

In order to create leasing companies and commercial banks on the basis of a healthy competitive environment and to coordinate its market share, it is desirable for the government to plan a leasing transaction with a certain amount of value for the next period by creating a legal basis for both leasing entities;

Each commercial bank should transfer a certain amount of its credit resources to the leasing market to enable leasing operations by commercial banks and to fulfill the demand;

In conclusion , leasing is one of the usual financial instruments that simultaneously allows you to finance and purchase new technologies, replenish your turnover funds and release funds for other needs. Legislative basis of leasing relations and mechanism of financial leasing in agricultural machinery are created in Uzbekistan. Equal privileges for all leasing subjects, the clear definition of taxation of profits and improvement of the creation of the depreciation fund will increase the efficiency of leasing and increase the flow of financial resources directed to commodity production. In the future, the country's leasing market is expected to grow rapidly. This will be facilitated by the implementation of a new "Strategy for Uzbekistan Development Strategy for 2017-2021". This strategy, first of all, involves the introduction of innovative technologies, production and overall economy modernization.

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