International Journal of Engineering & Technology, 7 (3.14) (2018) 439-444

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper

The Transformation of the System of Leasing Relations in the Real Economy Sector

Lubov Konstantinovna Ulibina[1], Olga Alekseevna Okorokova[1], Vladimir Sergeevich Lukashov[1], Mikhail Gennadevich Rusetskiy[2], Liliya Vasilievna Blizno[3]

1Kuban State Agrarian University (Kuban SAU), 13, Kalinina Street, Krasnodar, Russia, 350044
2North Caucasus Federal University (NCFU), 1, Pushkina Streel, Stavropol, Russia, 355009
3Stavropol Institute of Cooperation (Branch) Belgorod University of Cooperation, Economics and Law (BUKEP), 36, Goleneva Street, Stavropol, Russia, 355000.

Abstract

The article presents the analysis of the leasing mechanism as one of the main ways to improve technical and technological processes of various sectors of economy of the country. In the conditions of economic crisis and stagnation in economy the leasing instrument can positively affect the investment demand and the economy of a separate region and of the country in general. The increasing demand for leasing and its wide distribution in all branches will contribute to increasing their technical equipment, improving technological processes which could enable to overcome disproportion in the development of different of branches of economy of the country. The perspectives of the development of the leasing market in the Russian Federation will depend on the formation of consumer demand and on the value of such services; such consumer demand will timely meet all macroeconomic needs. The main factors of preserving demand for leasing in the conditions of economic and political instability must include the development of leasing relations and the state support of the leasing instrument by means of its subsidising, the high level of depreciation of fixed assets and the necessity to modernise them.

Keywords: *instrument, leasing, agroleasing, reproductive process, investments, agricultural producers, leasing portfolio, leasing fund.*

1. Introduction

The strategic policy in the sphere of leasing must be coordinated with the investment and production policy of the Russian Federation that is based on the system of necessary organisational arrangements for the effective development of fixed assets in all the branches of economy and in agriculture in particular. The introduction of such a system will enable to increase the amount of quality and high-technology goods, thus, improving budget tax revenue. At the given stage it is appropriate to implement such activities as partial subsidising of expenses for leasing transactions both at the federal and regional levels, to strengthen leasing positions as one of the main instruments of modernising the material and technical basis of corporations, to improve the legal base of leasing activity, to develop the standards of leasing activity and self-regulating leasing institutions. It is also advisable to develop the secondary market of machinery and equipment, to create favourable conditions for promoting leasing in the sector of small and medium-sized businesses by means of complex support in all the directions such as informational, legal, financial and property ones, improving the system of tax levying in leasing activity through providing tax incentives for the participants of leasing relations.

2. Leasing as an Instrument for Intensive Reproductive Process of the Fixed Assets in the Agro-Industrial Complex

The agro-industrial complex is the biggest intersectoral structure of the Russian national economy including corporations connected with each other by economic relations in terms of production, distribution, exchange and consumption of agricultural products. Consequently, the role of reproduction and renewal of the material and technical basis and the agricultural equipment and tractor park of the agro-industrial complex cannot be underestimated while conducting agrarian reforms; special attention should be paid to these activities at the level of the state.

At the current stage of the development of the agro-industrial complex of the country the issue of renewal of the agricultural equipment, tractor park and other agricultural machines is quite urgent.

In the current situation many agricultural producers use the services of equipment renting offices for the period of field work. The payment for the rented equipment is very high in modern practice ranging from 15% to 35% of gross agricultural production. Long-term bank lending is not always an effective investment tool for credit institutions, as banks prefer to work primarily with major clients and agro-industrial holdings that have an impeccable reputation [1, 2].

In agriculture low profitability farms constitute a large group; it is extremely hard to take a loan. In this regard the necessity to search new sources of financing arises. The risks of long-term investments are the main factors restraining the development of regional

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lending of investment activities. Investment projects aimed at the development of the agro-industrial complex still lack reliable support, marketing and financial analysis adequate for modern market conditions and complete technical-economic justification.
The conceptual construct "agroleasing" has specific features resulting from sectoral and organizational factors that were singled out and specified in the process of the research. A revise set of features of leasing in the agro-industrial complex includes four groups of factors: economic, psychological, organisational and competitive ones (Fig.1).

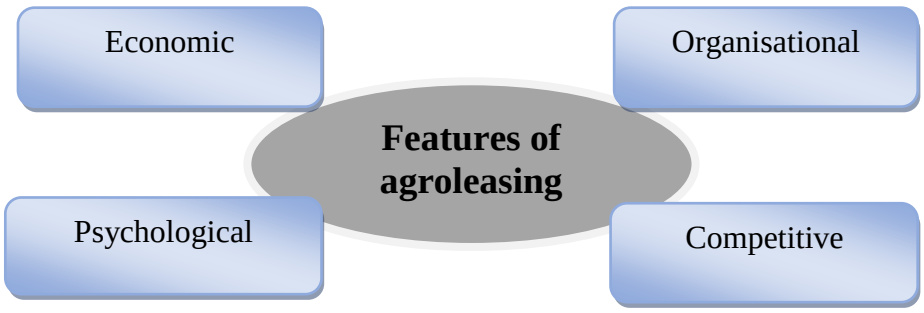


Fig.1. Constituent elements of agroleasing.

The fact that the state structures are present in agroleasing has not only advantages in the form of state support and benefits but also disadvantages associated with monopolisation and the inevitable bureaucratisation of all the processes. It makes organisational procedures more complicated and delays the process of settling leasing transactions.
State support, as a rule, regulates the list of material and technical resources, machines and equipment received in leasing which determines the presence of certain competitive features of agroleasing.
The mechanism to manage agroleasing in modern conditions is a complex of interconnected instruments and mechanisms (main and supplementary) the basis of which is an organisational-economic mechanism of the agro-industrial complex that in its turn is a multilevel hierarchical system. In forming the agricultural leasing, the following factors are of great importance: the justification of target indicators of the agro-industrial complex of a region and of Russia in general, the identification of internal resources and external opportunities for further development [3].
The implementation of the system of agroleasing must be carried out through a net of regional leasing companies, the selection of which is necessary to be conducted on a competitive basis and statistical ranking agencies. To provide healthy competition in a region it is essential to arrange four or five leasing companies.
Fig.2 presents the dynamics of investments into the fixed capital of the agriculture of Krasnodar Krai.

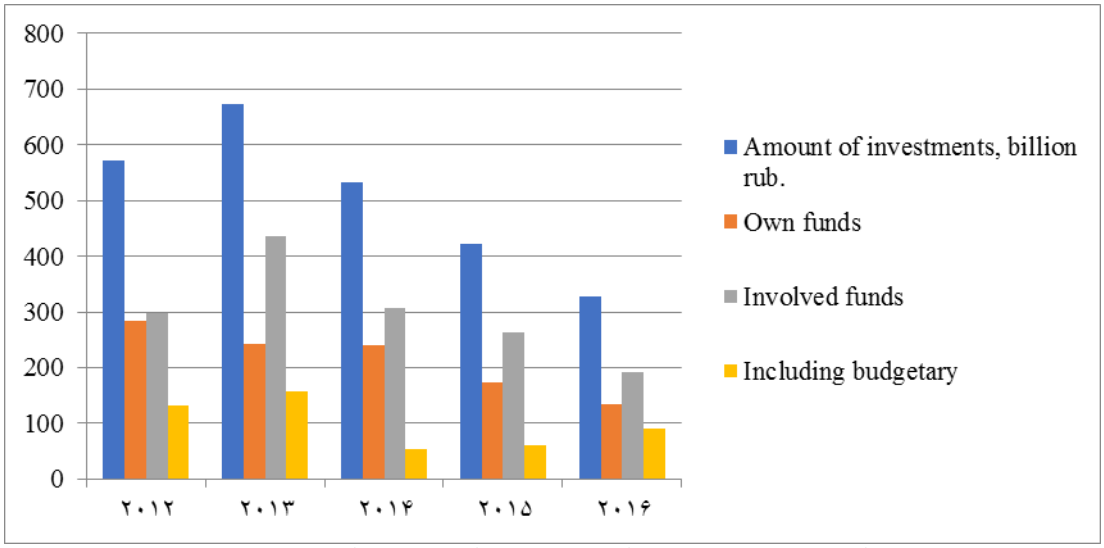


Fig.2. the investments into the fixed capital of the agriculture of Krasnodar Krai (billions of Russian roubles).

The current decreasing investments both in agriculture and in the economy of Russia in general are quite protracted. A sharp decline in investments occurred in 2016; compared to 2013 they dropped by almost 50%. The fall can be seen if compared to the indicators of 2015, though it is less dramatic (23%). The share of own funds of corporations in the structure of financing of the fixed capital in 2015-2016 was 41% from the total volume of investments. Such permanence existed against the background of decreasing borrowed funds but it was rather high (62%-58%) compared to nominal volume in general. The government programmes to support and develop agriculture in Russia as well as the programmes of import substitution envisaged increased funding of all branches of the agro-industrial complex of the country from all sources of budget funds.

3 Economic Potential of Leasing and Opportunities to Implement the Mechanism of Renewal of the Material and Technical Basis of the Country in the Conditions of Economic Instability

After studying the investments into the fixed capital in the Southern Federal District we can note that the investments into Krasnodar Krai constituted the biggest part in the total volume (Table 1).

Table 1. The investments into the fixed capital in Russia (millions of Russian roubles) [3].

Indicator	2012	2013	2014	2015	2016
Investments in total	12 586.1	13 450.2	13 557.5	14 005.0	14 639.8
Investments into the agro-industrial complex	476.4	516.6	503.0	538.1	611.2
The Southern Federal District	1 254 958	1 506 034	1 383 658	1 296 200	1 110 446
Including investments into the agro-industrial complex	48 726.6	43 654.3	47 359.2	55 583.5	67 897.7
Krasnodar Krai	798 476	955 208	750 236	586 903	428 972
Including investments into the agro-industrial complex	29 910.9	25 437.1	28 468.9	30 035.3	37 977.2

The investments in Krasnodar Krai made 428 972 million of Russian roubles that constitute 38.6% in the total structure of investments in the Southern Federal District. After analysing the volumes of financing in the agro-industrial complex it can be stated that investment sums are increasing and in 2016 made 37 977.2 Russian roubles; there has been an increase by 127% compared to 2012. This fact is due to major investments to elaborate and develop complex infrastructure of the region and to create large-scale manufacturers on the territory of Krasnodar krai both in agriculture and in processing industries in 2011-2013. The reduced financing compared to 2012 constituted 46.3% [4].

According to the data presented by the Bank of Russia, the leasing portfolio made approximately 10% from the total volume of loans granted for corporate clients that proves the fact that the development of leasing relations in Russia are on the start-up phase and it requires to be further supported and improved by the government.

After considering the quality of the leasing portfolio we can note that it is at an acceptable level and constituted 4.8% from the share of overdue debts in the leasing portfolio.

Fig.3 presents the structure of leasing contract sums in transaction size in the Russian Federation.

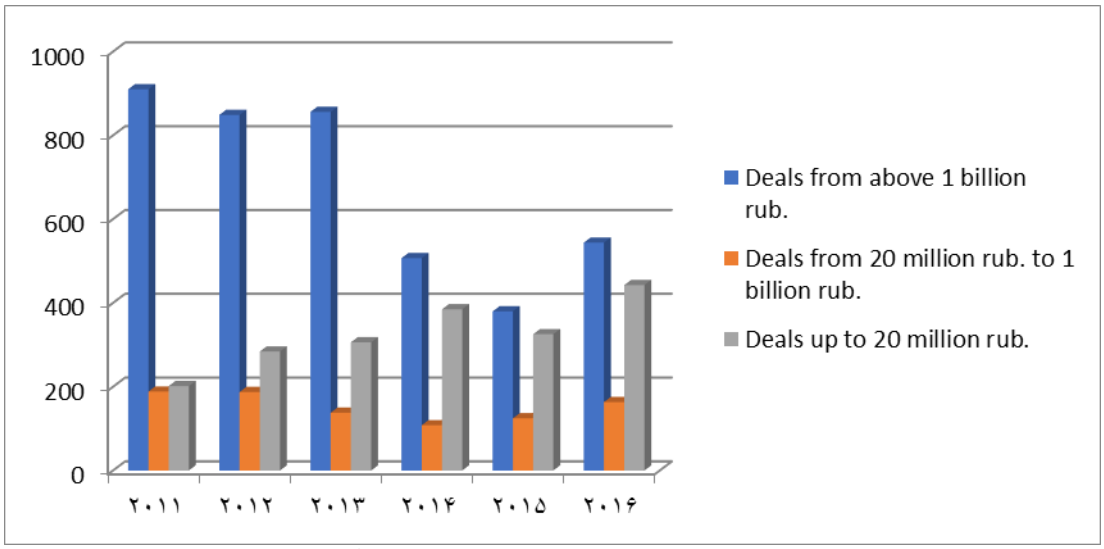


Fig.3. The structure of leasing contract sums in transaction size in the Russian Federation.

Conducting transactions over 1 billion Russian roubles by leasing companies enabled to increase the volume of the leasing portfolio by 39% in 2016 that made 1.2 trillion Russian roubles.

Leasing contracts measuring from 20 million to 1 billion of Russian roubles that were mainly concluded by medium-sized enterprises and government establishments demonstrate positive dynamics for the second consecutive year; however, they are still smaller in volume than both major and minor transactions. At the same time an average sum of a transaction on the market increased from 6.7 to 8.2 million Russian roubles in 2016 that was resulted from singing major contracts in the end of the year (Fig.4).

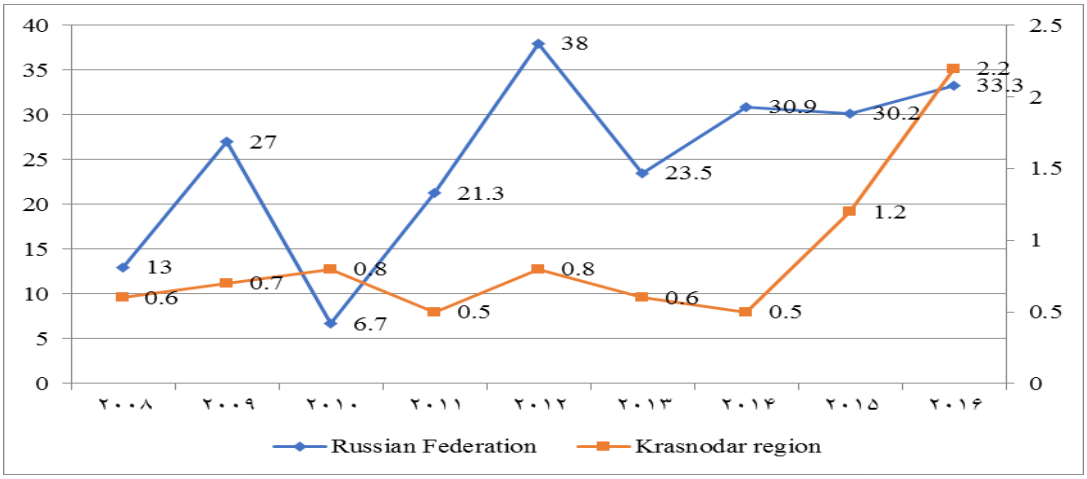


Fig.4. The amount of agroleasing in the Russian Federation and in Krasnodar Krai (billions of Russian roubles).

The amount of leasing contract totalled 1.2 trillion Russian roubles in 2016 and increased by 39% in 2015. The leasing portfolio ceased stagnating and made 3.2 trillion Russian roubles in 2016, in 205 this indicator was 3.1 trillion Russian roubles, in spite of

record volume of leasing payments received in the previous year [5].

It is worth noting that for the first time since 2013 the share of leasing transactions in the GDP of Russia against the background of its reduction reached 1.2%; last time such a tendency could be seen in 2011-2013 before the financial crisis. The volume of funded assets in 2016 demonstrated positive growth dynamics and totalled 25% which could be seen previously in 2013 on the market. The share of the biggest lessor in the amount of new business almost reached 17% in 2016 (in 2015 it was 14%, in 2014 it was 16%). The top 10 companies' concentration in the volume of new business reduced and made 63% in accordance with the results of 2016; in 2015 it was 67%; in 2014 it was 64% (Table 2).

Table 2. Top 10 leasing companies in the volume of new business in 2016.

Ranking place	Name of a company	Volume of new business (millions of Russian roubles)	Sum of new leasing contracts (millions of Russian roubles)
1	State Transport Leasing Company	122 753.2	188 332.9
2	Sberbank Leasing	82 871.4	125 655.9
3	VTB Leasing	76 658.4	114 744.3
4	Europlan	37 950.6	44 715.9
5	VEB-leasing	33 570.6	49 303.2
6	Siemens	27 232.6	43 021.3
7	Baltic Leasing	23 938.0	35 785.0
8	CBM-leasing	22 948.0	31 514.0
9	Gazprombank Leasing	20 325.0	51 956.0
10	TransFin-M	18 849.4	46 248.9
11	Rosagroleasing	16 712.0	19 818.2

In accordance with the results of 2016 the share of leasing state companies in the volume of new business made 51%, in 2015 it was 53%. The increase in transactions by private leasing companies including the lessors at banks and manufacturers became the reason of the decrease in the concentration of leasing business on state companies [3, 6, 7].

The amount of the segment of agricultural machines increased 1.8 times and its share on the market made 3%. Retail market players in the sphere of leasing services in 2016 noted a growing demand for leasing on the part of agricultural companies due to increasing volumes of their sales; reduced competition on the part of foreign manufacturers served as another reason to that. The programmes of the development and the amount of state support of agriculture is determined individually for each region; 70% of down payment is subsidised for Krasnodar Krai but no more than 30% from the cost of machines and equipment. Subsidising the agricultural manufacturers of the region is carried out within the regional target programme "State support of small and medium-sized enterprises in Krasnodar Krai for 2013-2017" [8].

The most important indicator for assessing the financial condition of leasing companies is the adequacy of own funds and the sensitivity for large credit risks, as the practice of providing leasing for large customers is rather common [9, 10, 11, 12].

The credit quality of the leasing portfolio is sufficient: in 2016 the share of overdue debt on leasing transactions was 4.75%, in the banking sector this indicator was 10.7%. Total assets of low quality in the investment portfolio of leasing companies in 2016 amounted to 76.7 billion Russian roubles with leasing contracts overdue for more than 90 days.

The monitoring and mitigating risks requires the analysis of certain indicators such as adequacy of own capital, liquidity, concentration risk and currency position [13, 14].

The systematic influence on the financial system and non-financial sector of economy is connected with the "contamination" effect which requires from leasing companies to attract credit resources in order to finance their activity; at the same time leasing is a driver of credit cycle in a number of branches of the country's economy [15, 16].

To implement the given programme it is necessary to solve the following issues: to improve the forms of participation of small economy subjects in the total turnover of business entities of Krasnodar Krai; to introduce the mechanisms of soft loans and financial support of small and medium-sized enterprises; to develop instruments of financial support of small and medium-sized enterprises. For Krasnodar Krai the maximum possible limit of subsidy provided for a single subject within the framework of implementing the programme of state support of small and medium-sized enterprises cannot exceed 15 million Russian roubles during one fiscal year.

Financing the agro-industrial complex of Russia from budget resources is impossible due to limited financial resources of the country and cannot be carried out in the near term; however, it would enable to solve the majority of problems in agriculture. Therefore, at present establishing commercial leasing with state participation, the so-called leasing with state-private partnership is quite relevant [8]. Leasing based on state-private partnership can currently be considered as one of perspective programmes of the development of the agro-industrial complex of Russia and agroleasing in particular. It will become essential from the standpoint of demonopolisation of the system of agroleasing established in the country and in terms of creating competitive market in the agro-industrial complex leasing. The system changes of modernising the economy at the present stage are impossible to be introduced without structural revision of the current scheme of financing agricultural manufacturers [17].

4 Applying Leasing Instrument as a Mechanism to Invest into the Real Sector of the EAEU Economy

The leasing relations market in the EAEU countries is characterised by the main trends and features of the European leasing market as well. With reducing profitability of leasing business, with further strengthening of major leasing players and with their geographic expansion the development of the leasing instrument for small and medium-sized enterprises as a key element of making efforts becomes the main supporting point [18, 19].

The development of the leasing services market in Belarus and Kazakhstan is at the initial stage, its active and widespread improvement and support from the state are necessary. According to sources of financing, 50.1% of leasing items were purchased through own funds, 49.9% were obtained through borrowed funds. The average amount of advanced payments totalled 18.7% (Table 3).

Table 3. Main indicators of the EAEU leasing market in 2011-2016.

Indicator	2011	2012	2013	2014	2015	2016
The Republic of Belarus						
The volume of the leasing portfolio (billions Belarusian roubles)	10 974	16 137	17 908	19 602	25 955	2 589*
The share in the GDP of the county (%)	2.5	2.0	1.7	1.65	1.28	1.5
The Republic of Kazakhstan						
The volume of the leasing portfolio (millions Kazakhstani tenge)	143 466	170 925	192 537	198 810	256 326	298 180
GDP (billions Kazakhstani tenge)	27 572	32 194	37 085	40 755	40 878	46 190

The leasing portfolio in 2016 amounted to 2 589 million Belarusian roubles; there are 178 372 active leasing contracts, which is three times higher than in 2015. In the last two years the demand for investment into fixed assets is decreasing which is proved by the decrease in the share of machinery and equipment. The market value of credit resources is higher than the profitability of Belarusian enterprises. The borrowed funds provided for financing the new businesses amounted to almost 70% of a freely convertible currency. 2016 witnessed a sharp increase in consumer leasing. Consumer leasing has become a new direction in the financial services market in the Republic of Belarus [20].

Having studied the leasing market in the Republic of Kazakhstan, we can claim that it faces the consequences of devaluation of the national currency and an economic slowdown which against the general backdrop affects concluding leasing contracts in the country. "KazAgroFinance" is a leader in the Kazakhstan leasing sphere with the share of 57% of new businesses from the total amount of the leasing portfolio in 2016. Leasing, which actively finances various branches of the Kazakhstan economy and expanses the scope of its activities, is a perspective direction of the development of the agrarian sector of the national economy.

The share of agricultural machines and equipment in the structure of investments of leasing contracts decreased from 61.1% to 41.7%. The change in the structure of new transactions is the direct consequence of redistribution of market shares of the two biggest leasing companies with state participation that provide the main leasing financing of the most significant economy branches. The volume of leasing contracts totalled 166.7 billion Kazakhstani tenge in 2016 with 6.5 thousand concluded contracts. An average value of a single leasing contract was 25.7 million Kazakhstani tenge. The demand for purchasing agricultural machines and equipment though the leasing mechanisms increased by 4%. JSC "KazAgroFinance" is the main player in agroleasing [21].

After analysing the agroleasing market in Russia and after considering the main indicators of the EAEU leasing market we can present a pattern of implementing state and commercial agroleasing in Russia through regional leasing funds (Fig.5).

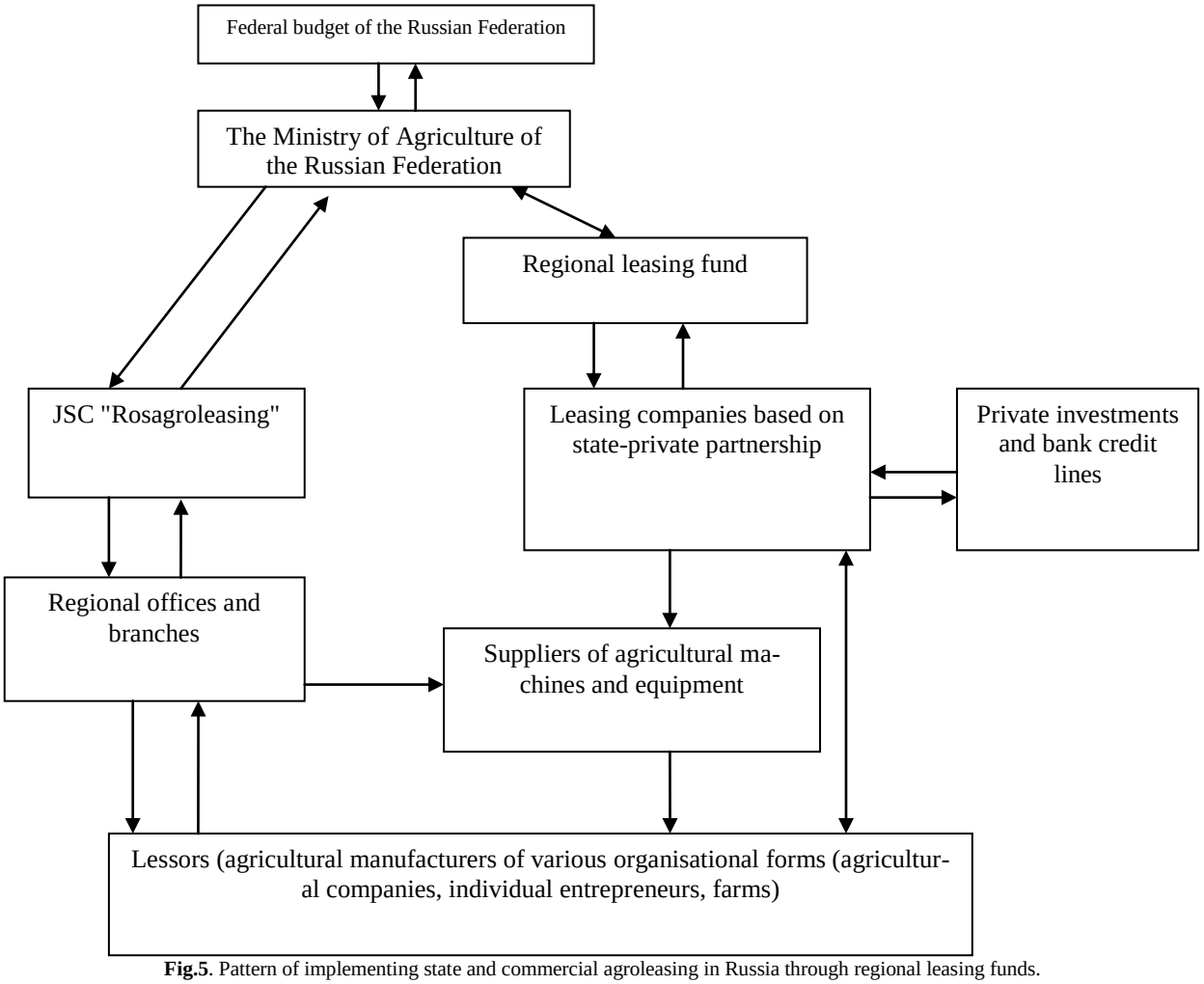


Fig.5. Pattern of implementing state and commercial agroleasing in Russia through regional leasing funds.

5 The Perspective Pattern of Implementing Leasing Relations between the Subjects of the Sgro-Industrial Complex in Russia

One of the main perspective vectors of the development of JSC "Rosagroleasing" in Russia is the establishment of offices and branches in federal districts, namely, in Krasnodar Krai, Rostov Oblast, Stavropol Krai, Volgograd Oblast and other regions of the country with a high share of agriculture in the regional production output. These departments will independently form and use the amounts and sums of contracts concluded in accordance with the allocated quotas. The given system will contribute to developing leasing relations on the market following three competitive directions: leasing companies for clients, suppliers of agricultural machines and equipment and credit institutions. The presented infrastructural changes will allow promoting competitive environment in the sphere of agricultural leasing as well as diversifying the sources of financing leasing projects. The opportunity to use state funds will stimulate banks to take an active part in financing leasing transactions which will enable to create and implement the leasing mechanism with state-private partnership [3, 22, 23, 24].

6. Conclusion

The leasing services market is developing in the conditions of stagnating Russian economy and in unstable economic relations. Leasing as one of the main available instruments of modernising the fixed assets of corporations will continue its development in the segment of small and medium-sized enterprises. The leading factors of the growing amount of the leasing relations are as follows: the growing volume of small and medium-sized entrepreneurship in terms of technical and technological modernisation; rapid development of leasing companies compared to the segment of crediting; state support of leasing for small and medium-sized enterprises; decline in the proportion of major transactions in bank crediting and refusal to lend to subjects of small and medium-sized enterprises and their reorientation on leasing services.
The development of big business in the leasing segment will become an effective investment instrument including complete transaction support and post-warranty service.

Acknowledgments

The authors express their deep appreciation to S. Gatti, A. Meidan, G. Sharma, V.D. Gazman, V.V. Kovalev, V.A. Burenin, the authors of theoretical and methodological researches on the leasing sphere and on its development as an investment instrument.

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