

The Nature, Types and Advantages of Leasing Operations of Commercial Banks

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Abstract

In this article, the origin, formation and essence of leasing operations of commercial banks are explained in detail. Also, the types of leasing transactions and their calculation methods are described separately. In addition, the leasing markets in the USA and Uzbekistan were analyzed.

Keywords: *Leasing, types of leasing, fixation, advance, minimum, leasing market.*

Introduction. In leasing operations of commercial banks, banks finance the purchase of machines, equipment, transport and other main means of production, and provide them for long-term use on the basis of a leasing contract. In this case, the bank retains ownership rights and the bank receives a rent or lease payment rather than a loan payment.

The first spread of leasing is associated with the establishment of the 1st leasing society "United States leasing corporation" in the USA in 1852. Leasing relations in Uzbekistan are regulated by the Law "On Leasing" of the Republic of Uzbekistan.

Any non-consumable items used for business activities, including enterprises, property complexes, buildings, structures, equipment, vehicles, and other movable and immovable property may be leased objects.

Research methodology. In this study, statistical tables and graphs, logical and comparative analysis, grouping methods, as well as research works of foreign and local scientists on the subject and official statistical websites were widely used.

Analysis and results.

There are three types of leasing according to the term:

1. long-term up to 3 years (real lease);
2. medium-term from 1.5 to 3 years (hiring);
3. short-term up to 1 year (renting).

In addition, depending on the participation of the parties in the lease, there are bilateral and multilateral types of leasing.

Service lease - in which the lessor undertakes all the maintenance of the property. At the request of the lessee, the lessor may undertake such obligations as hiring qualified specialists, marketing and advertising of the finished product, and delivery of raw materials. All these services are included in the lease payments.

According to the period of use of the property and related depreciation costs:

1. Leasing with full reimbursement
2. Incorrectly reimbursed lease.

A true finance lease is a three-way, conventional lease in which the lessor purchases the fixed asset from the seller and delivers it to the lessee. The lessee pays the specified rent.

Revolving lease - in which the lessor takes the property from the lessee and at the same time leases the same property to the lessee. There are 3 ways to calculate the lease value:

1. Percentage of the fixed payment amount - If the lease payments are made evenly, the amount of payments is determined based on the compound interest formula.

$$T=K*R/[1-1/(1+R)]$$

In this case, the sum of T-lease payments;

K- the value of fixed assets to be leased;

R- interest rate for payment time.

2. Advance method - in which the lessee pays the advance to the lessor when concluding the leasing contract. After deducting the advance amount, the remaining parts of the lease payment will be paid during the term of the lease agreement.

3. Method of minimum payments -

$$T=A+K+M+K1+S$$

In this case, the total sum of T-lease payments;

A- depreciation deductions for leased property;

K- payments for the use of credit resources by the leasing party;

K1- the value of additional services provided by the lessee to the lessee on the basis of the contract;

S- Value added tax;

M - commission awards for the property provided by the lessee under the leasing contract.

We can see the amount of leasing in the American market between 2009 and 2021. Accordingly, the amount of leasing in the American market in the beginning of 2009 was 12.11 billion. If it was the US dollar, we can clearly see that it has grown almost uniformly in all years and there was no decrease at all compared to 2009. In addition, the amount of the leasing market in 2021 will be 15.98 billion. reached its highest level with the US dollar. (Fig. 1)

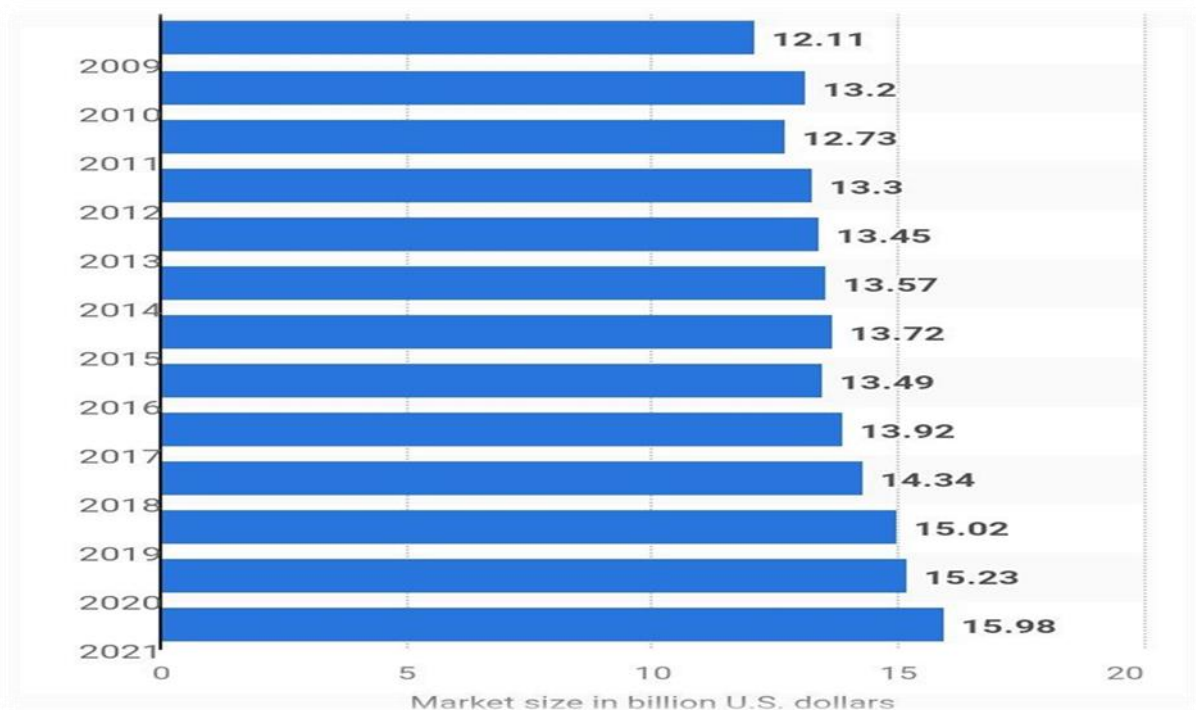


Figure 1. Amount of leasing transactions in the United States from 2009 to 2021 (in billions of dollars).

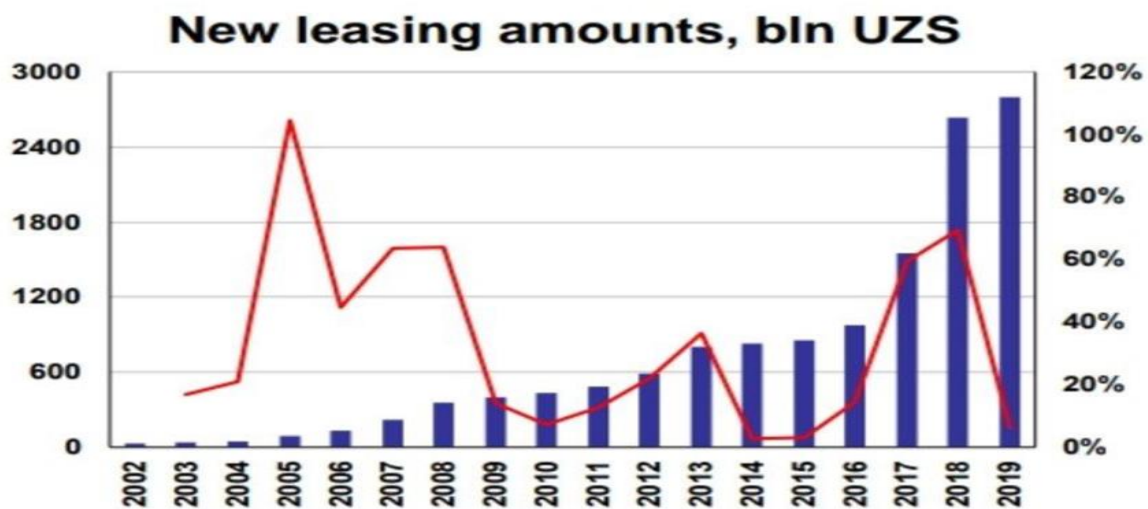


Figure 2. Amount of leasing in Uzbekistan between 2002-2019. (in billion soums)

On the other hand, at the moment, the volume of leasing transactions is growing rapidly in the market of Uzbekistan. For example, despite the fact that between 2002 and 2004, leasing operations were almost non-existent, it has grown significantly since 2005 and in 2008 was about 400 billion. It formed the Uzbek soums. After that, between 2009 and 2015, it grew steadily and reached 1 trillion in 2016. It formed the Uzbek soums. In addition, the amount of the leasing market has increased sharply in the last three years, in 2019 it reached 2.8 trillion. We can also see from the fact that it is the Uzbek soums (Fig. 2).

Summary. In conclusion, leasing is one of the unique and safe assets of commercial banks. Currently, there are several types of it, and depending on the wishes of users of banking services, we can use any type of leasing operations and calculate its amount in any way. Taking into account that the market demand for leasing operations is growing not only in Uzbekistan, but also in developing countries, it is desirable to further improve it and simplify the methods of use.

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