

# FINANCE AND MONEY TURNOVER

UDC 658.713:330.322(477)

DOI <https://doi.org/10.26661/2414-0287-2019-3-43-17>

## LEASING INVESTMENT FINANCING IN UKRAINE: THEORY AND PRACTICE OF USE OF LEASING BY DOMESTIC ENTERPRISES IN MODERN MARKETING CONDITIONS

**Batrakova T.I.**

*Zaporizhzhia National University  
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

t.i.batrakova@mail.ru

ORCID ID 0000-0002-5710-9416

**Key words:**

leasing, financial leasing, lessor, lessee, lease payments.

The article is devoted to the study of leasing as a method of investment financing, analysis of the use of leasing in Ukraine and the identification of the advantages and disadvantages of this method of investment financing. Today the goal of the companies is to improve the competitiveness of products. Upgrading of production equipment, improving the skills of workers and attracting skilled professionals are impossible without investing in the development of production. The most common way of investment financing is bank lending, but at the moment, rates on such loans are too large for the most of domestic enterprises, besides bank investment lending involves a number of risks. Therefore, domestic companies are facing the choice of the affordable and effective way of investment financing, one of which is the leasing. In today's market conditions, the use of leasing allows obtaining a number of advantages for both the lessor and the lessee, so the use of this investment financing method is economically feasible. The current state of the market of leasing services in Ukraine has negative tendencies to decrease.

The main theoretical approaches of domestic and foreign scientists concerning the essence of leasing and its organization in Ukraine have been considered. The thesis analyses dynamics and state of the market of leasing services in Ukraine have been analysed. The results of leasing as a type of investment financing and the main obstacles that arise during the process of leasing have been researched.

Also, the article investigates the main tendencies in the market of leasing services in Ukraine. The list of threats of the external and internal environment that influence the processes of leasing has been determined.

---

## ЛІЗИНГОВЕ ІНВЕСТИЦІЙНЕ ФІНАНСУВАННЯ В УКРАЇНІ: ТЕОРІЯ ТА ПРАКТИКА ВИКОРИСТАННЯ ЛІЗИНГУ ВІТЧИЗНЯНИМИ ПІДПРИЄМСТВАМИ В СУЧАСНИХ РИНКОВИХ УМОВАХ

**Батракова Т.І.**

*Запорізький національний університет  
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66*

**Ключові слова:**

лізинг, фінансовий лізинг, лізингодавець, лізингоодержувач, лізингові платежі.

Статтю присвячено дослідженню лізингу як способу інвестиційного фінансування, аналізу використання лізингу в Україні та визначенню переваг та недоліків такого способу інвестиційного фінансування. Сьогодні основним завданням підприємства є пошук різноманітних способів підвищення конкурентоспроможності продукції. Оновлення виробничого обладнання, підвищення кваліфікації робітників та залучення кваліфікованих фахівців не можливі без вкладання інвестицій у розвиток виробництва. Одним із найпоширеніших способів інвестиційного фінансування є банківське кредитування, проте зараз ставки по таких кредитах є занадто великими для більшості вітчизняних підприємств, крім того, банківське інвестиційне кредитування пов'язане з низкою ризиків. Отже, вибір прийнятної та ефективного способу інвестиційного фінансування гостро стоїть перед вітчизняними підприємствами, а одним із рішень може бути лізинг. У сучасних ринкових умовах використання лізингу дозволяє отримати низку переваг як лізингодавцю, так і лізингоодержувачу, тому використання цього способу інвестиційного фінансування є економічно доцільним. В Україні сучасний стан ринку

лізингових послуг має негативні тенденції до зниження, тому в статті розглянуто основні теоретичні підходи вітчизняних і зарубіжних учених стосовно сутності лізингу та його організації в Україні. Проаналізовано динаміку та стан ринку лізингових послуг в Україні. Досліджено результати використання лізингу як виду інвестиційного фінансування та основні перешкоди, які виникають в процесі лізингу.

Досліджено основні тенденції на ринку лізингових послуг в Україні. Визначено перелік загроз зовнішнього та внутрішнього середовища, які впливають на процеси лізингу.

### Statement of the problem

In current development conditions, namely the influence of such factors as the European integration process, reorientation to the European markets, outdated equipment and noncompetitive products, as compared to the foreign producers, form the problem of effective business activity and its existence for the future. The main way to improve the competitiveness of products is investing in the development of production, upgrading of production equipment, improving the skills of workers and attracting skilled professionals. The most common way of investment financing is bank lending, but at the moment, rates on such loans are too large for the most of domestic enterprises, besides bank investment lending involves a number of risks. Therefore, domestic companies are facing the choice of the affordable and effective way of investment financing, one of which is the leasing. That is why the study of financial leasing, its advantages and disadvantages is becoming relevant today.

### Analysis of recent studies and publications

Such well-known scientists as K.F. Kovalchuk, D.E. Kozenkov, Yu.G. Momot formulated Having found out the basic theoretical concepts of leasing, Z.P. Urusova, A.I. Lyubogoschinskaya researched the process of concluding a lease agreement, specific risks that only have leasing operations, B.V. Nakonechny researched the advantages and disadvantages of leasing compared with other types of investment activity, I.A. Avanesova, K.M. Pavlenko analysed of modern aspects of providing leasing services.

However, in the conditions of the rapid development of the market economy and showing-up of new situations, the organization and terms of leasing are changing. Therefore, this direction needs further research on the issues of evaluation, financing and development of leasing as investment financing.

### Objectives of the article

The purpose of the article is the research of the approaches of domestic scientists regarding the theory of leasing use as investment financing at domestic enterprises, definition of signs of using financial leasing in practice.

### The main material of the research

The concept of leasing has many interpretations, but we will focus on the main interpretation, namely, the definition of the concept of leasing under the legislation of Ukraine. The concept of leasing under Commercial Code of Ukraine is a business activity aimed to investing its own or borrowed funds, which is to provide one party (lessor) with the exclusive use of the second party (lessee) for a specified period of the property belonging to the lessor or acquired by the lessor in the property (economic service) on behalf or with the consent of the lessee from the relevant supplier (seller) of the property,

subject to payment by the lessee of the periodical leasing payments [2].

It is important to remember that leasing and lending are not identical concepts. The main difference of the leasing from bank lending is that in the process of lending, the object of the loan, which acts as a property, becomes the property of the enterprise, and in the case of leasing – the tenant has the right to return the object of the lease to the lessor or buy it at the final value, after the expiration of the contract.

The subject of leasing is any non-consumer item. Often this is production equipment, cars and other fixed assets. However, according to the legislation of Ukraine there are exceptions, non-consumables that cannot be subject to a leasing agreement, such as [2]:

- land plots;
- natural objects;
- property complexes and their separated structural divisions.

It should be added that there are two types of leasing - financial and operational.

Financial leasing is an agreement that provides lease payments that cover the full cost of depreciation of equipment or a large part of it, additional costs and profits of the lessor during its operation [3].

Operational leasing is a lease relationship in which the lessor's costs associated with the acquisition and maintenance of leased property are not covered by lease payments during one lease contract [3].

Having found out the basic theoretical concepts of leasing, we will form the reasons for using leasing because of the benefits for each participant in the leasing transaction. The lessor's benefits are the following:

- lower risk of insolvency of the borrower when compared to lending, because when the payments are terminated, the lessor has the right to take his equipment and transfer it to a new lessee or sell;
- in case of the leasing transaction, it is possible to obtain a so-called leasing reimbursement;
- establishment of long-term partnerships with new enterprises;
- leasing operations are less risky than loans, therefore the amount of leased asset insurance costs decreases accordingly.

Benefits of the lessee:

- leasing operations allow loans to be avoided and release their own funds from financing for the purchase of equipment that allows them to be used for other needs;
- such properties of leasing payments as declining and growing payments, compensatory payments and others create sufficiently flexible conditions for enterprises upon these payments:

- in operational leasing there is a possibility to reduce the costs associated with the possession of property and accounting;
- easy access to the use of foreign equipment, as well as provision of service;
- possibility of returning equipment under an operating lease agreement provides an opportunity to reduce risk in the event of the introduction of new products.

It is advisable to specify shortcomings of leasing, which directly affect its popularity:

- a significant number of participants in a leasing transaction complicates the process of its organization;
- leasing agreements require more time to be executed than the purchase agreement, which results in additional administrative costs;
- the process of concluding a lease agreement envisages registration in the National Commission for the regulation of financial services markets, which is unprofitable and difficult for enterprises that make

capital assets for their own needs and do not foresee the transfer of fixed assets to financial lease [5];

- in case of financial leasing, lease payments are not terminated until the completion of the transaction, even if the leased asset is outdated by scientific and technical characteristics [5];
- specific risks that only have leasing operations. For example, risk of non-payments, risk of non-return of the leased asset, project and property risks, etc. [5].

Determination of leasing is especially relevant for domestic enterprises, as far as Ukrainian economy is characterized by the rather high depreciation of fixed assets. In addition, the high cost of credit funds forces companies to invest in their own funds, and as a result, the SME sector is underdeveloped, which complicates the financing process. Therefore, we will analyse the state and dynamics of the market of leasing services in Ukraine for the last 3 years.

Table 1 - Dynamics of lessors activity for 2016-2018

Period	Number of registered establishments	Cost of operating financial leasing agreements (mln., UAH)	Number of active financial leasing agreements (units)	Cost of financial lease agreements, concluded for the reporting period, (UAH million)	Number of financial lease agreements concluded for the reporting period, (units)
2016	202	22 904,4	17 314	9 755,0	9 122
2017	183	22 417,9	13 939	12 814,2	7 699
2018	167	24 920,9	14 472	21 519,3	8 739
Growth for 2018	-8,7	11,2	3,8	67,9	13,5

Thus, according to Table 1, it can be said that the financial leasing market in Ukraine did not develop during the investigated period had a heterogeneous development dynamics. There was a decline in the activities of lessors in 2017 relative to 2016 and a slight improvement in 2018. The cost and number of contracts concluded during the reporting period had a positive dynamics, and increased in 2018 compared with 2017 by 67.9% and 13.5%, respectively. The number of

institutions decreased by 8.7% compared to the previous year, the value of operating contracts increased by 11.2% compared to the previous year, the number of existing contracts increased by 3.8%. In our opinion, a number of factors caused such heterogeneity, among which the key was the closure of 16 institutions, ineffective legislation and the reduction of entrepreneurial innovation and investment activity. For the graphical display of dynamics, it is expedient to make a graph (Fig. 1).

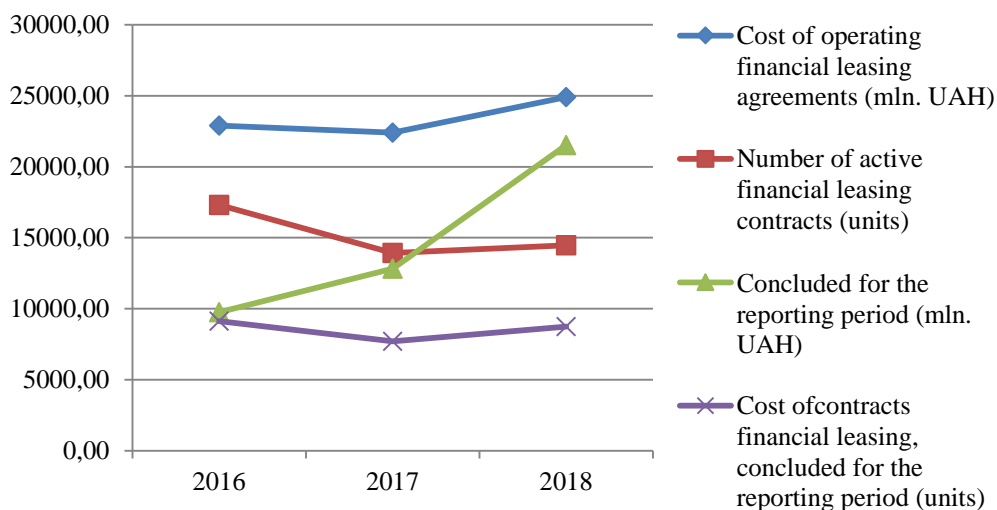


Fig. 1. Dynamics of activities of lessors during 2016-2018 (developed by the author on the basis of data from the report of the National Financial Services Commission [8])

Let's illustrate and analyse the state of the sector's leasing operations in 2018 to determine the list of

industries that are actively engaged in leasing operations. The results are shown in Figure 2.

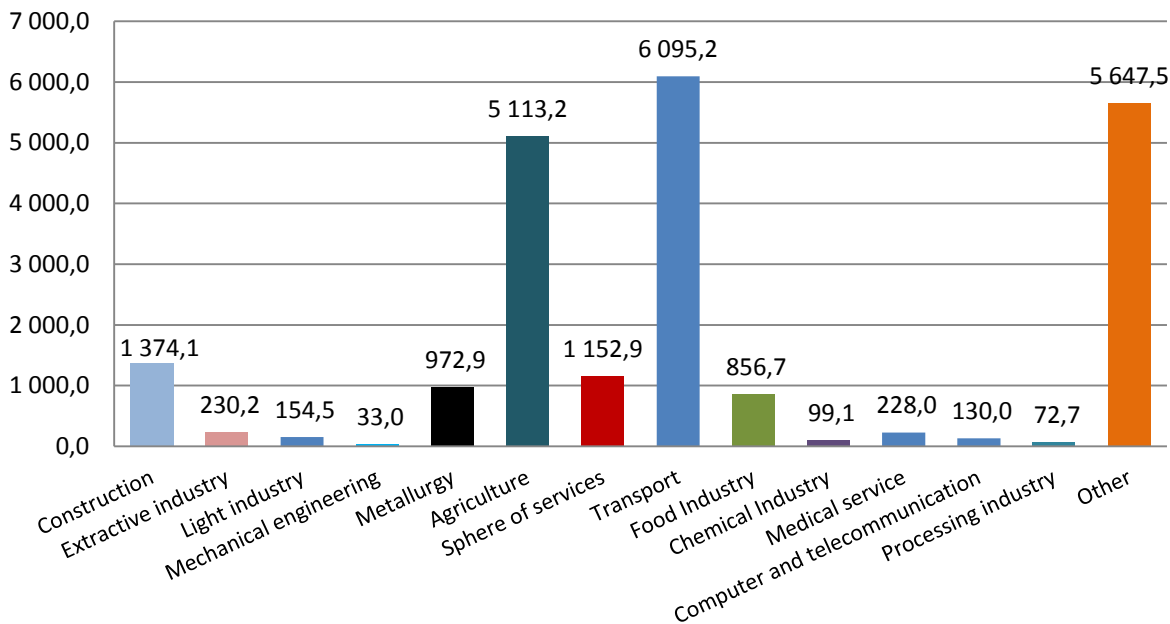


Fig. 2. The cost of contracts of leasing operations in Ukraine by industries in 2018 (developed by the author on the basis of data from the report of the National Financial Services Commission and materials of the "Ukrainian Association of Lessors" [8,9])

Thus, according to Figure 2, at the end of 2018 the largest consumers of leasing services were transport industry, in which executed leasing agreements amounted UAH 6,095.2 million and agriculture where concluded contracts amounted UAH 5,113.2 million.

The smallest consumer of leasing services was machine-building industry, in which leasing contracts amounted UAH 33.0 million. The second smallest consumer was processing industry. In our opinion, this situation reflects

not only the specific features of each industry, but also their material condition. Thus, there was the largest renovation of equipment requires transport industry and agriculture.

It is also worth determining what fixed assets are demanded in the leasing market. To analyse and show the specific weight of equipment that was subject to leasing operations in Ukraine in 2018, we will construct charts and call them Figure 3 and Figure 4.

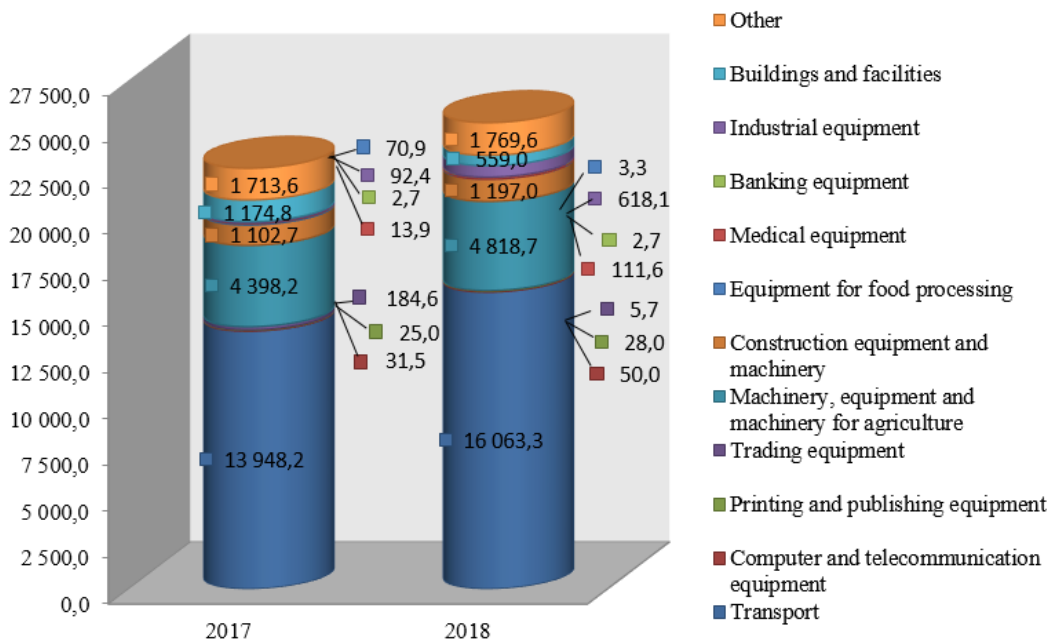


Fig. 3. The cost of leasing transactions contracts in Ukraine in terms of equipment for 2016-2018 (developed by the author on the basis of data from the report of the National Financial Services Commission and materials of the "Ukrainian association of lessors" [8,9])

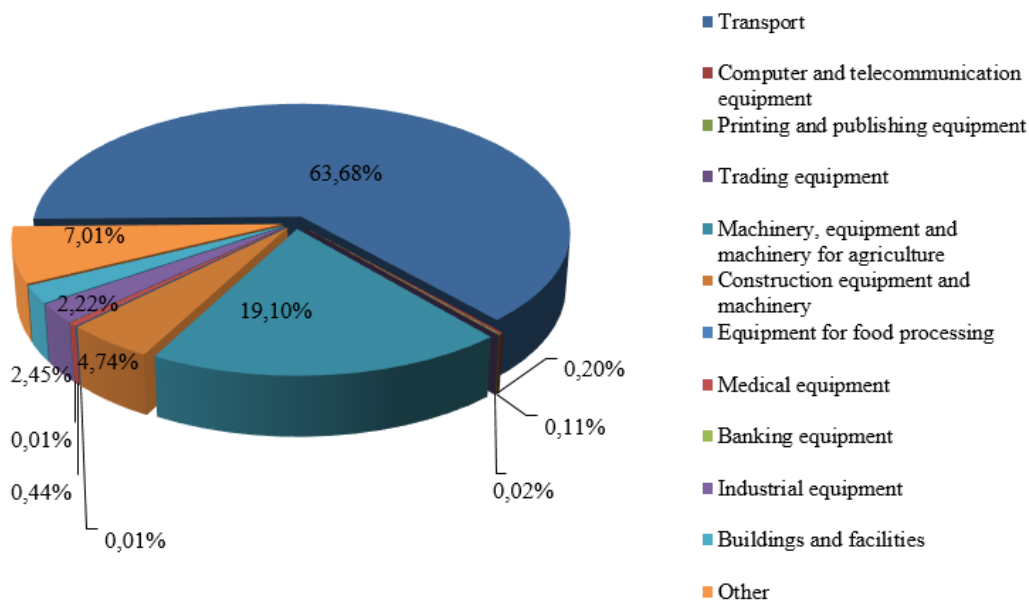


Fig. 4. Structure of fixed assets that were used as a subject of financial leasing in Ukraine for 2018 (developed by the author on the basis of data from the report of the National Financial Services Commission and materials of the "Ukrainian association of lessors" [8,9])

Thus, at the end of 2018, the data were the following: most leasing transactions concerned vehicles, the value of contracts reached UAH 16063,3 million or 63,68% of the total number of contracts. In dynamics, this leased asset showed a 15,2% increase compared to 2017. The second most popular leased asset is machinery, machinery and equipment for agriculture, the amount of which reached UAH 4,818.7 million or 19,1%. In dynamics, this leasing object also has an increase of 9,6%. The third item is construction equipment and machinery, the amount of which reached UAH 1197.0

million. or 4,7% of the total amount of contracts. This leased asset showed the increase, which accounted for 8,6%. The least leasing operations concerned banking equipment, which amounted to UAH 2,7 million. Compared to the year 2017, the figure remained unchanged.

An important factor in the organization of leasing is the sources of financing, so we will analyse the sources of financing of financial leasing. The results will be displayed as a diagram (Fig. 5).

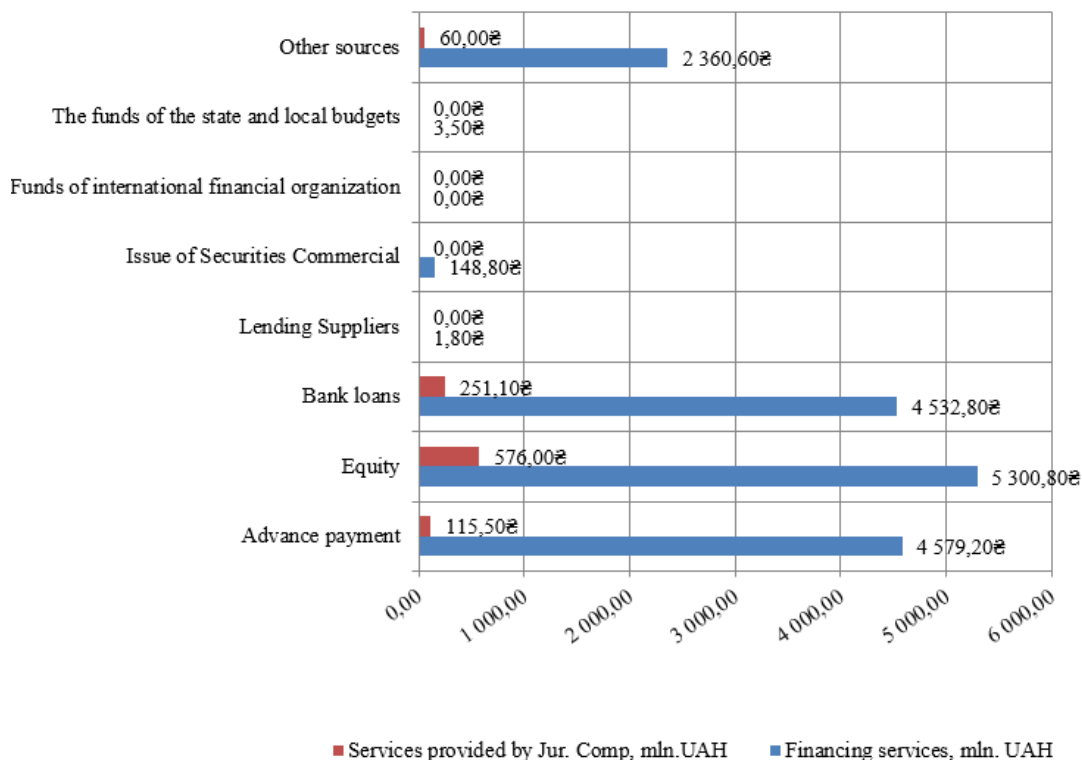


Fig. 5. Volume of sources of financing of leasing operations in Ukraine for 2018 (developed by the authors on the basis of data from the report of the National Financial Services Commission [8])

Consequently, according to Figure 5, in 2018 the largest share of sources of leasing operations financing was equity capital in the amount of UAH 5300,8 million or 31,3% of the total amount of all funding sources. In the second place were advanced payments with the amount of UAH 4579,2 million or 27.1%. In third place, funds of international financial organizations amounted to UAH 4532,8 million. It should also be noted that the activity of financial companies is very small. Almost all leasing services were provided only by legal entities.

Thus, today the market of leasing services in Ukraine is characterized by a negative tendency to decrease of indicators, which in turn characterizes a decrease in demand for this service among Ukrainian enterprises. The largest demand for leasing operations is in the transport and agricultural sectors. The most popular subject of leasing operations is vehicles and equipment for agricultural activities. Leasing operations are financed by almost 30% of equity capital. In our opinion, the negative trend in the market of leasing services is related to the impact of such external factors as the economic and political crisis in the country, decreased

access to borrowed funds, due to their excessive price, a reduction in the creditworthiness and solvency of enterprises, decreased investment activity of enterprises, weak legislation leasing, as well as mechanisms of insurance, lending, depreciation, taxation.

### Conclusions

Consequently, in today's market conditions, the use of leasing allows obtaining a number of advantages for both the lessor and the lessee, so the use of this investment financing method is economically feasible. The current state of the market of leasing services in Ukraine has negative tendencies to decrease. The main reasons are the unstable political and economic situation in the country, a high percentage for using borrowed funds, and reducing the financial sustainability of domestic enterprises. At the moment development of the economy is a key to the development of the market for leasing services which in its turn can serve as a driving force in solving the problem of re-equipment of the national economy, the sectors, the competitiveness of enterprises, product quality, etc.

### References

1. Avanesova, I.A. & Pavlenko, K.M. (2016). Analiz suchasnykh aspektiv nadannya lizynhovoykh poslug [Analysis of modern aspects of providing leasing services]. *Molodyy vchenyy - Young Scientist*, 12 (39), 630-633.
2. Hospodars'kyi kodeks Ukrayiny [Commercial Code of Ukraine]. (dated January 16, 2003). Retrieved from <http://zakon3.rada.gov.ua>
3. Koval'chuk, K.F., Kozenkov, D.Ye., Momot, Yu.H. (2013). Mizhnarodni kredytno-rozrakhunkovi ta valyutni operatsiyi [International credit-settlement and currency transactions]. Kyiv: Tsentri uchbovoyi literatury.
4. Kukhlenko, O. V. (2015). Efektyvnist' vykorystannya lizynhu v investytsiyniy diyal'nosti [Efficiency of leasing usage in investment activity]. *Visnyk KNUTD - Journal of KNUTD*, 6 (93), 30-34.
5. Lyubogoshins'ka, A.I. & Urusova, Z.P. (2010). Osoblyvosti vitchyznyanoi praktyky provedennya lizynhovoykh operatsiy u suchasnomu ekonomichnomu prostori [Features of the domestic practice of leasing operations in the modern economic space]. *Visnyk Zaporiz'koho natsional'noho universytetu - Bulletin of the Zaporizhzhya National University*, 3 (7), 145-149.
6. Mukhin P.O. (2015). Lizynhovi kompaniyi na rynku kapitaliv: problemni aspekty [Leasing companies in the capital market: problem aspects]. *Visnyk sotsial'no-ekonomichnykh doslidzhen' - Bulletin of social and economic research*, 2 (57), 266-272.
7. Nakonechny B.V. (2012). Perevahy ta nedoliky lizynhu porivnyano z inshymy vydamy investytsiynoyi diyal'nosti [Advantages and disadvantages of leasing compared with other types of investment activity]. *Elektronnyy arkhiv naukovykh statey Natsional'noho universytetu «L'vivs'ka Politehnika» - Electronic archive of scientific articles of Lviv Polytechnic National University*, 262-270.
8. Pidsumky diyal'nosti finansovykh kompaniy, lombardiv ta yurydychnykh osib (lizynhodavtsiv) za 2018 rik [Results of activity of financial companies, pawnshops and legal entities (lessors) for 2018]. Retrieved from [https://www.nfp.gov.ua/files/OgliadRinkiv/FK/FK\\_IV%20kv\\_2018.pdf](https://www.nfp.gov.ua/files/OgliadRinkiv/FK/FK_IV%20kv_2018.pdf).
9. Pidsumky lizynhovoyi diyal'nosti za 2018 rik «Ukrayins'ke ob'yednannya lizynhodavtsiv», pres-konferentsiya na temu «Finansovyy lizynh v Ukrayini: potochny stan ta perspektyvy rozvytku» [Summary of the leasing activity for 2018 "Ukrainian Association of Lessors, press conference on "Financial Leasing in Ukraine: Current Status and Development Prospects"]. Retrieved from <https://www.ukrinform.ua/rubric-preshall/2541156-finansovij-lizing-v-ukraini-potocnij-stan-ta-perspektivi-rozvitku.html>.