

## LEASING IN AGRICULTURAL RELATIONS.

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### Abstract

Ukraine's agriculture plays an important role in the state's economy. However, despite the achievements, the country's agriculture has a number of problems without which Ukraine will not be able to compete with other countries. The history of economic development of leading countries shows that an important component of growth in labor productivity in agriculture, increasing production is the level of technical equipment and the ability to apply the latest technologies. Today, about 5% of fixed assets are concentrated in agriculture. More than a third of their structure is occupied by machinery and equipment [ 8, p.35 ]. Unfortunately, according to experts, a significant part of them is physically and morally obsolete.

### Introduction

The agricultural sector needs annual investments in the amount of UAH 10-11 billion for the justified reproduction of the machine and tractor fleet. Nowadays, most agricultural enterprises lack working capital, so they are not ready for mass technical re-equipment of production. As far as possible, they take bank loans, attract budget and investment funds. Such a service as leasing is also in demand among commodity producers. According to Part 1 of Article 192 of the Commercial Code of Ukraine, leasing is an economic activity aimed at investing own or borrowed funds, when one party (lessor) provides under the lease agreement for exclusive use of the other party (lessee) for a specified period of property the first or acquired by him in the ownership (economic management) on

behalf of or with the consent of the lessee from the relevant supplier (seller), provided that the lessee pays periodic lease payments [26].

The use of leasing in the agro-industrial complex will contribute to the technical renewal of enterprises, the creation of new industries, increase productivity, production of competitive products.

The purpose of writing this report is to reveal the relevance and content of leasing, highlighting its benefits, features of use.

Today, leasing is a simple and effective financial scheme that combines the interests of financial capital owners and producers. About 15% of investments in the world and 35% of investments in countries with developed economies are realized through the use of leasing operations.

In Ukraine, leasing as a form of commodity lending is in its infancy, and the leasing market has great potential [ 15, p.27 ] .

The development of leasing services in the country began with the establishment of the joint-stock corporation bank "Ukraine" and the creation in 199 of a financial leasing company.

Today, the most active operators in the motor vehicle leasing market are such leasing companies as First Hertz / Hertz , Avis Rent a Car , and Optima Leasing. The Ukrainian Leasing Company, established as a subsidiary of Ukrsibbank, is the leader among lessors of equipment and machinery. The largest Ukrainian leasing companies also include Ukrainian Financial Leasing Company, Ukrderzhleasing, and Ukreximleasing. NJSC Ukragroleasing differs from leasing companies in its specialization in leasing agricultural machinery. Most leasing companies are united in the All-Ukrainian Leasing Association "Ukrleasing".

In Ukraine, there is an intensification of leasing operations and an increase in the number of small leasing companies.

In Ukraine, leasing relations are regulated by the following laws and regulations:

- Economic Code of Ukraine of January 16, 2003. №346- IV (paragraph 5 of Article 292), which defines the essence of leasing, types of leasing, objects of leasing and features of regulation of leasing relations [1];

- Civil Code of Ukraine of January 16, 2003 № 435- IV (paragraph 6, articles 86-89), which regulates the legal basis of leasing activities, determines the subject of the lease agreement, its risks and the liability of the supplier [2];

- Law of Ukraine "On Banks and Banking" of 07.12.2000 № 2121- III , which defines leasing as a service that can be provided by a banking institution [4] ;

- Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" of 12.07.2001 № 2664- III , which determines that leasing is a financial service, and its regulation is carried out by the relevant authorized body to regulate the activities of financial institutions [5];

- Laws of Ukraine "On taxation of corporate profits" of 22.12.1994 №334 / 94-VR and "On value added tax" of 03.04.1997 №168 / 97-BP, regulating the rules of taxation of leasing transactions;

- Law of Ukraine "On Financial Leasing" of 16.12.1997 №723 / 97-BP (new edition of 11.12.2003 №1381- IV ), which determines the legal and economic principles of financial leasing [7];

- normative documents of the Financial Services Commission of Ukraine.

For technical re-equipment of agricultural enterprises by the Resolution of the Cabinet of Ministers of Ukraine №1031 of 18.09.1997 the State Leasing Fund was established, the purpose of which is to improve the logistical and service support of agriculture. This resolution stipulates that the funds of the state leasing fund should be used for the purchase of domestic agricultural machinery.

It should be noted that the competence of the Financial Services Commission is to regulate financial services markets and supervise non-banking financial institutions, for which the provision of financial services in general and leasing in particular is an exclusive activity. 126 legal entities were entered in the register, of which 38 were leasing companies. As of the 1st quarter of 2007, 125 legal entities were registered, of which 25 were leasing.

Leasing in modern Ukrainian conditions has a threefold economic basis and retains the characteristics of the loan agreement, investment and lease activities, which are interconnected and interpenetrating and form new economic and legal relations.

Domestic legislation, in particular the Commercial Code, treats leasing as an economic activity aimed at investing own or borrowed funds, which consists in providing a lease agreement by one party (lessor) for exclusive use of the other party (lessee) for a specified period of property owned by the lessor or acquired by him (property) on behalf of or with the consent of the lessee from the relevant

supplier (seller) of the property, subject to payment by the lessee of periodic lease payments.

In world practice, leasing services are widely used and are one of the forms of capital investment in production. According to the World Bank, in European countries through leasing services companies make from 15% to 30% of investments in fixed assets. For example, in the United States, as in Europe, this type of service is also widely used, due to favorable economic conditions for their development. The business structures of these countries have the support of the state, which allowed companies to develop through investment through the leasing mechanism. One of the most significant advantages of investing through the leasing mechanism is the ability to attribute lease payments to the cost of production [13, p.86].

The level of development of leasing services in the country is determined by: regulatory and legal regulation of the leasing market; state support; macroeconomic conditions; state of the investment market; opportunities for accounting and tax accounting.

Despite the fact that the Ukrainian market of leasing services has been growing steadily in recent years, Ukraine hardly uses its advantages and opportunities: in 2006 the ratio of leasing services to GDP was only 0.25%. This is 20 times less than in Estonia and almost 6 times less than in Russia [ 26 ] .

Ukraine's share in the global structure of the leasing services market is also extremely meager: the annual volume of leasing transactions in 2006 amounted to \$ 0.33 billion. USA, or only 0.055% of the global leasing market. It should be noted that the World Bank experts, taking into account the depreciation of fixed assets of domestic enterprises and the need to replace them, identified potential demand in the leasing market - from 12 billion to 50 billion dollars, which is 100 times higher than achieved.

It should be noted that in recent years, all indicators that characterize the leasing market in Ukraine have been growing steadily. The peak of activity in this market came in 2007, when the value of leasing assets and the volume of the portfolio of leasing agreements increased almost 6 times during the year. In 2006, compared to 2005, the total value of assets and the total value of leasing agreements increased almost 2.5 times. During the study period, the value of leasing assets increased

from UAH 298 million to UAH 14,063 million, the value of concluded leasing agreements - from UAH 375 million to UAH 16,878 million, which is an increase of more than 45 times on both indicators. In 2007 alone, the value of leasing assets increased by 487%, the value of concluded agreements - by 372%. The value of the portfolio of leasing agreements also grew rapidly: in 2007 alone it increased 5 times,

In recent years, the leasing market has developed a trend in which one leasing company leases several types of assets. In the Ukrainian market in 2007, the most common leasing items were vehicles. At the same time, 64% of leasing companies provided cars for leasing, 49% for trucks, and 39% of all companies operating in this market for passenger transport. As a subject of leasing, production equipment is also in demand, other leasing items occupy a much smaller share in the assets of lessors. In 2007, there was a significant decline in demand for agricultural machinery and equipment for the food industry.

Analyzing the structure of the portfolio of leasing agreements in terms of the value of assets of leased assets, we can note a rapid increase in the value of assets. In particular, the cost of water and rail transport in the portfolio of leasing companies increased from 140 million in 2004 to 10122 million UAH. in 2007, ie 72.3 times. The cost of cars in 2007 increased from UAH 714 million to UAH 2,963 million, freight transport from UAH 459 million to UAH 1,479 million, and passenger transport from UAH 187 million to UAH 353 million. At the same time, the value of aircraft in the portfolio of leasing agreements, which in 2005 amounted to UAH 500 million, decreased to UAH 179 million. in 2007, or 79%. It should be noted that railway transport accounted for 56% of the portfolio of leasing agreements, but a very limited number of lessors worked with this type of asset - only 6%.

In 2007, the largest share of the leasing portfolio (56%) belonged to water and rail transport. Cars, freight and passenger transport together accounted for 26%, other assets had little effect on the distribution of assets in the company's portfolio.

Despite the prospects of this business for all stakeholders, compared to the world market, Ukraine's share, as already mentioned, is negligible. In our opinion, the problems that hinder the development of this market are as follows.

1. Lack of start-up capital for leasing companies to finance their services: leasing companies cover only one tenth of their costs with their own funds.

2. Lack of tax benefits for financing leasing transactions. It is possible to allocate only privileges on insurance under the leasing contract. Insurance costs are not to be attributed to gross costs if they exceed 5% of total costs. The Law of Ukraine "On Financial Leasing" stipulates that from the moment of the lease agreement the parties may consider financial leasing as operational [ 7 ] .

3. Insignificant terms of leasing agreements. In domestic practice, medium-term contracts predominate in contrast to foreign companies, where leasing agreements are concluded for the long term.

4. Non-compliance of domestic legislation with international leasing law.

5. There is a pronounced tendency of the domestic leasing market to depend on imports: about 80% of leasing transactions are international leasing transactions.

6. Unstable economic situation in the country as the main reason for the short urgency of the agreements. In the current unstable economic conditions, lessors can not afford to defer payments on leases for 5-7 years, which devalues the benefits of leasing, for example, over credit.

7. Lack of interest of banks in long-term lending.

Thus, at the national level, the development of leasing is not only a means of stimulating the implementation of new technology, accelerating the renewal of fixed assets, but also intensifying the development of the national economy as a whole, improving its quality level.

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