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The Essence and Role of Leasing

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The process of transition to market relations, associated with the resolution of contradictions in the development of economic structures, forced companies to look for new ways to solve the raised problems. For today, a majority of enterprises have a shortage of fixed capital. They can't update their fixed assets and are forced to take loans. One of the types of lending is its commodity form – leasing.

The development of leasing contributes to the solution of such tasks as the structural restructuring of the economy, increasing the competitiveness of products and the efficiency of investments, the introduction of scientific and technological achievements.

Rental operations have occupied one of the most important places. Since 2000 the popularity of leasing has increased sharply. Instead of borrowing money to buy equipment, the company can lease it. The main difference from a traditional lease is that three or more sides are directly involved in it. Effective business management involves the widespread integration and use of rental mechanisms.

Leasing can be considered as one of the additional ways of investment financing. Leasing gives the opportunity to the company to use the funds of another company in monetary turnover on a long-term basis. This form of financing is carried out through a leasing company. Leasing plays a special role in the technological re-equipment of enterprises. When new production facilities are organized, leasing makes it possible to

create the necessary equipment fleet without large initial investments. That is why leasing operations are popular among small and medium-sized enterprises.

The notion of leasing is revealed as a multifaceted phenomenon of economic life, containing a lease relationship with the possibility of purchase ownership of property at the end of the lease term. The company doesn't just pay for using of the property, as when renting, but buys it into ownership with leasing payments. Leasing resembles an installment purchase, but in this case, financing is provided for a long time. It allows organizations not to freeze capital that is going to business development.

Leasing operations represent market relations between three parties: an equipment manufacturer, a lessor company and a lessee company. The last receives and uses fixed capital objects for a certain period. The scheme of the operation looks like this. The future lessee needs certain property, for the acquisition of which he doesn't have free money resources. He applies to a leasing company that has sufficient financial resources with a proposal to conclude a leasing agreement. Under treaty provisions, the lessee chooses the seller of the property he needs, and the lessor acquires this property and transfers it as his property for temporary use to the lessee, who pays the lessor lease payments. At the end of the term of the contract, the property may be returned to the leasing company (return lease), or becomes the property of the lessee.

So, leasing is a complicated and multifaceted product of the modern market economy, which is understood as the relationship between legal entities about leasing of fixed assets for a long-term use, as well as financing, acquisition of movable and immovable leased property. Leasing is advisable to apply in industries with rapidly changing technology, for example, the production of computer equipment, communications, electronic equipment, automotive, etc.