

ANALYZING THE FEATURES AND ISSUES OF THE LEASING MARKET IN RUSSIA

ANÁLISIS DE LAS CARACTERÍSTICAS Y PROBLEMAS DEL MERCADO DE ARRENDAMIENTO EN RUSIA

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ABSTRACT

The Russian leasing market is increasingly growing and getting a profitable and common tool for funding the renewal of enterprises' non-current assets. The competition level is getting particularly high, permitting the growth of that market and generating a heightened economic focus. Numerous issues and distinctions related to the appearance of a leasing tool in the Russian federation are made. As a consequence, this study mainly seeks to analyze and discover the characteristics and issues of the Russian leasing market. To attain that aim, the study utilizes the approaches of bibliographic analysis and materials' generalization on the research subject; classifications of factological material demonstrating the main elements of leasing expansion; the tools of economic, institutional, statistical, and structural analysis to set up the relations between the fundamental features of leasing. Given the results, leasing in the Russian federation attempts to cover a vast set of market segments, implying that companies are able to lease nearly every piece of equipment. In the leasing market in the Russian Federation, companies encounter several issues and dilemmas, the dominant of which are intense competition and heightened market concentration. However, the market persists in operating, and competition, to an extent, gets a major element in the market development.

Keywords: new business volume; leasing market; Leasing; non-current assets; lease portfolio.

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RESUMEN

El mercado de leasing ruso está creciendo cada vez más y se está convirtiendo en una herramienta común y rentable para financiar la renovación de los activos no corrientes de las empresas. El nivel de competencia se está volviendo particularmente alto, lo que permite el crecimiento de ese mercado y genera un mayor enfoque económico. Se hacen numerosas cuestiones y distinciones relacionadas con la aparición de una herramienta de arrendamiento en la federación rusa. Como consecuencia, este estudio busca principalmente analizar y descubrir las características y problemas del mercado de leasing ruso. Para lograr ese objetivo, el estudio utiliza los enfoques de análisis bibliográfico y generalización de materiales sobre el tema de investigación; clasificaciones de material factológico que demuestra los principales elementos de la expansión del arrendamiento; las herramientas de análisis económico, institucional, estadístico y estructural para establecer las relaciones entre las características fundamentales del arrendamiento. Dados los resultados, el arrendamiento en la Federación Rusa intenta cubrir un amplio conjunto de segmentos de mercado, lo que implica que las empresas pueden arrendar casi todos los equipos. En el mercado de arrendamiento en la Federación Rusa, las empresas enfrentan varios problemas y dilemas, los dominantes son la intensa competencia y la mayor concentración del mercado. Sin embargo, el mercado persiste en operar y la competencia, hasta cierto punto, obtiene un elemento importante en el desarrollo del mercado.

Palabras clave: volumen de negocio nuevo; mercado de leasing; Leasing; activo no corriente; cartera de arrendamiento.

INTRODUCTION

In the prevailing era, the leasing popularity is soaring swiftly. That means of funding the non-current assets' renewal, being chosen over the conventional lending or purchase, is utilized by several organizations. In regards to the growth of the leasing market, the entity of organizations supplying that kind of service is on the rise. Hence, competition, and the extension of special circumstances and offers for transactions concluding is expanding, and also there emerge issues in the mentioned arena needed to be organized and determined for entities to make more informed decisions in the prevailing era. As a consequence, the examination of the features and specifics of the market of leasing seems highly relevant (Barykina & Chernykh, 2021).

Leasing, in the contemporary essence, seems in the USA. The financial leasing's founder is Henry Schoenfeld who generated a leasing entity over the year 1952. A striking point is that firstly the entity was generated for a mere transaction in the sector of railway. Nonetheless, following that, Schoenfeld got persuaded of the profit-earning capacity of this business. This is how the world's initial leasing organization, USA Leasing Corporation, was brought to life (Lubkova et al., 2019).

Following that, leasing commenced to be expanded steadily across the globe. The technological and scientific advancements have gotten a catalyst for the growth and extension of that kind of business. The appearance of state-of-the-art technologies made it vital for organizations to upgrade their production assets, which was somewhat pricey. Utilizing the mechanism of leasing, organizations would be able to update their equipment on further desirable terms compared to, for instance, lending.

Leasing organizations progressively expanded the offers' spectrum for monetary lease, bidding less interest rates, new leasing forms (Vilken et al., 2018).

Leasing emerged in the Russian Federation way later than in Europe or America, which was affected by the following outset of the technological and scientific advances and the economy's privacy. By the 1990s, there had been not any legislation governing leasing tasks, and just those organizations that held connections with the global market accessed that tool. Over the course of 1993, the state resolved to establish mainly state-owned leasing organizations to provoke and encourage the fixed funds' renewal. Over 1994, the Rosleasing Association of Russia was funded, incorporating fifteen organizations that functioned based on the legislative framework.

Leasing actions in the Russian Federation and in the globe are literally defined by 2 major trends: financial globalization and global economic and competitive growth. Along with the passage of each year, the equipment market grows, and leasing proceeds to be a profitable financing form. Competition in the arena of leasing is developing, and organizations are seeking brand-new means of growth so as to surmount adverse circumstances. For instance, there exist the differentiation of product, the appearance of extra mergers, services, and so forth (Vilkov & Tian, 2019).

METHODOLOGY

The main aim of the present article is to define the status of the market of leasing in the Russian federation. The study tasks include:

- Recognition of modern trends of the development of the leasing market;
- The dynamics' consideration in the leasing market of Russia;
- Definition of the pioneer leasing segments in the Russian Federation;
- categorization of the issues of the market of leasing;
- Definition of the major issues of the mentioned market. To attain this aim, the article utilized the techniques of bibliographic study and materials' generalization on the study topic; categorization of factological materials featuring the elements of leasing growth; the approaches of institutional, economic, statistical and structural analysis to set up relations between the fundamental features of leasing.

Brand-new trajectories of organizations' movements in the market have appeared from major tendencies, which form its features (Barsukova et al., 2016; Nezamova & Olentsova, 2021):

- Focus or specialization on particular goods, propound examination of particular markets, allowing providing the most profitable goods
- Integration of organization as a consequence of which they can fund their actions with common assets;
- Shaping the strategic partners to ease the capacity to operate in specific markets through generating a cooperative infrastructure to supply substantial advantages to participants. Those partners may involve leasing organizations, investors, lessees, suppliers, and so forth;
- Generation of sales plans in the shape of offers of particular desirable circumstances for the leasing of a particular kind of equipment;

RESULTS AND DISCUSSION

In order to calculate and define the status of the market of leasing in the Russian federation, one shall deem its actions regarding the new business volume and the lease portfolio volume. The alteration in the new business's volume in the market of leasing means the entity of new leasing settlements got into by organizations over a particular year of under review. Alteration in the market of leasing by the lease portfolio volume demonstrates how many leasing settlements are in force in a particular year of the period under review.

Considering the study data of leasing organizations supplied by the Expert RA rating agency, the overall condition on the leasing market is presented in Figure 1.

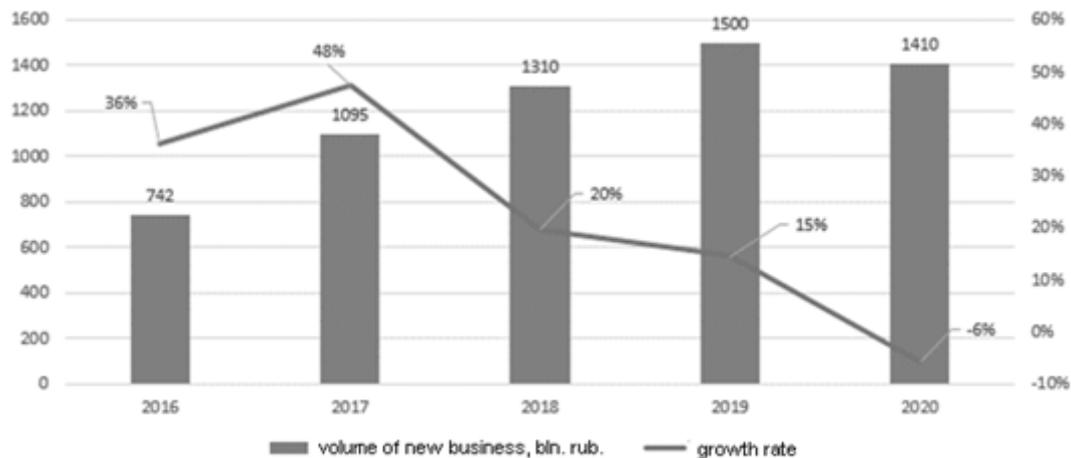


Figure 1. Leasing Market Dynamics in the Russian federation between 2016 and 2019 by the New Business Volume

Weighing up Figure 1, it can be concluded that the mentioned market has been growing as of 2016 to 2019, the expansion and development rate wasn't stable. Having said that, over the year 2020, there has been a drop in the market by roughly 6%. It may be justified by the financial crisis that the economies endured over the year 2020 because of Covid-19. Nonetheless, it is worth noting that that fall isn't that critical, the indicator didn't drop below the level of 2018.

The leasing market's dynamics by the leasing portfolio's volume is demonstrated in Figure 2.

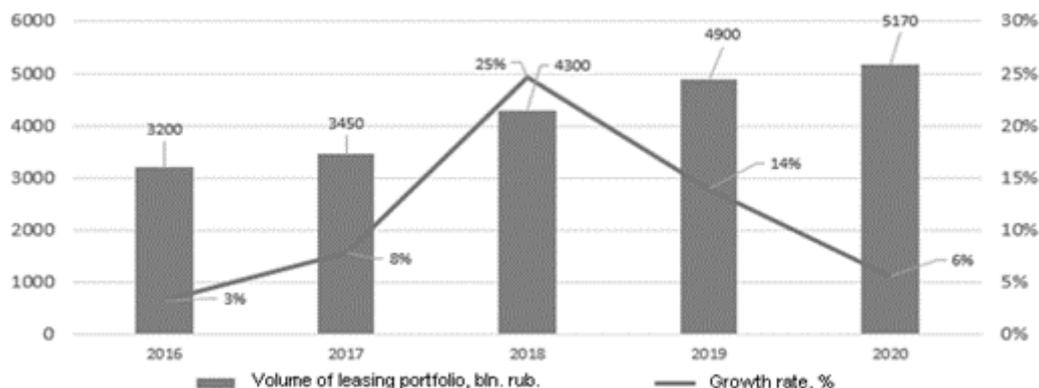


Figure 2. Leasing Market's Dynamics in Russia between 2016 and 2019 by the Leasing Portfolio Volume

There stands no fall in the lease portfolio's volume as opposed to the fall in the new business's volume over 2020. That implies that over 2020, leasing settlements concluded earlier persist in operating. The figure above depicts the expansion and development of the leasing portfolio from 2016 at various rates. In spite of the Covid-19 crisis, organizations didn't lose their income bases, however, even raised it. Nevertheless, it is worth mentioning that the lease portfolio's quality is worsening, nevertheless, organizations are taking action to reorganize leasing settlements, thereby alleviating the crisis's severe consequences. For instance, over Apr. 2020, chances were supplied to defer payments or, throughout the time of quarantine limits, to pay merely half of the formerly set payment. That permitted lessees to restore their monetary circumstance without nonessential financial barrier, and lessors to get payments a bit later, when not losing clients amid transient hardships (Nezamova & Olentsova, 2021).

The segments' spectrum that leasing organizations serve is somewhat huge. The pioneer segments are light and freight auto transport. In spite of the slumping sales of cars over the course of 2020, which given the Association of European Businesses fell by approximately 9.1%, car leasing demonstrates a rise of almost 6%. That expansion primarily falls on the last half of 2020, for several limits associated with Coronavirus have been alleviated and several trade businesses have started again.

Based on the outcomes of a sample study of the business action of companies functioning in the arena of finance leasing, carried out by the State Statistics Service, 6 major elements have been recognized that adversely impact the actions of companies in the arena of finance leasing.

Table 1. Element adversely impacting the actions of companies in the arena of Financial Leasing

Factors	2015	2019
Competitions	41.5	47.3
Elevated per centage of commercial credits	83.4	43.2
Funds' shortage	20.9	30.8
Taxing current level	19.7	27.3
hardships associated with accessing to credits	16.7	24.3
Flaws of legal regulations of leasing actions	28.6	13.8

Regarding the table 1, an element that adversely impacts the actions of the companies is perceived as a range of phenomena and processes that hold a bad effect upon the market of leasing, facilitated by the issues that come up in those arenas.

Competition is regarded as a wide arena of interest in the market of leasing. The significance of the impact of that element was mentioned by 47.30 per cent of organizations over 2019, and that amount has risen substantially as of 2015. Other issues are coming up in the mentioned market related to the intense competition. Market competition has constantly been ongoing. However, in times of crisis it gets even more deteriorated. Organizations react to crises in various manners, however, medium and small-sized businesses are hit the most (Shastitko & Ménard, 2017; Barykina & Chernykh, 2021). To endure the crises, organizations start to decrease leasing rates, wishing in that manner to be more totaling to customers (Asyaeva et al., 2016; Lubkova et al., 2019).

Consequently, the issues below are recognized in the competition framework:

- The issue of raising market concentration;
- The issue of various chances for having access to funding resources;
- The issue of decreasing the portion of medium and small-sized businesses amongst imminent leasing recipients.

In global practice, to resolve that issue, the formation of leasing organizations is actively utilized, including primary leasing organizations that establish market tendencies and render help to businesses. That approach is desirable for consumers, for more new appealing circumstances for them. Organizations are seeking substitute resources for funding, the most prevalent of which is problem of advances and bonds. On the basis of the previous figure, it is seen that the portion of credits in the leasing companies' funding falls from 60.40 to 58.40 per cent.

The issue that has gotten one of the most significant recently is the shortage of financial sources. That issue is prevalent in small and medium-sized businesses, and it may be regarded both from the lessee as well as leasing provider. Leasing organizations, as a principle, utilize borrowed budgets to fund their actions, and the portion of their budgets in that structure is inconsequential, making it financially prone to crisis and economic adversity. Small organizations eager to lease equipment can be also lacking in its own budgets, in other words, an organization might exhibit a low level of solvency, and that matter is vastly utilized in evaluating the prospective capacity of an organization (Stancheva-Todorova & Velinova-Sokolova, 2019; Fedorova et al., 2018; Nezamova & Olentsova, 2021). That issue particularly influences the small business segments, since the majority of the organizations incorporated in it hold a minimum authorized capital, or they have been recently generated and haven't succeeded in earning funds for a good financial results yet. As a result, several small businesses hold the need and intention to lease equipment to utilize it in their actions. Having said that, because of the shortage of their budgets, they can't perform that. Furthermore, the issue with a shortage of funding may lie with the issues of arrears, which the organization can be exposed to as a consequence of elements out of its control, including seasonality (Rozhkova, 2021; Antipina & Velm, 2021).

Another crucial issue is the prevailing taxation level. Given Articles 171 and 172 of the Tax Code of the Russia, an organization holds the right to utilize VAT to set off included in lease payments. As a result, for some organizations that don't pay VAT, the instrument of leasing is less appealing and since then the VAT will be added to the portion of their lease payments.

There stand cases of bigger focus of the tax service to some transactions, for instance, in the leaseback case. That is because of 2 primary factors: the utilization of VAT credits incorporated in the lease payment; abridgement of times of payback of fixed assets got in finance lease. Judicial practice demonstrated that while showing the reality of acquiring tax credits without conducting an actual business transaction, that benefit is insensible.

In order to resolve several issues associated with the hardship to having access to a commercial loan, there exist the next solutions employed in practice in Russia:

- Specific loan schemes with extra lenient circumstances for leasing organizations;
- The subsidies' provision to reimburse part of the expenses on payment of an advance upon concluding

a lease settlement for organizations (Paiho et al., 2015; Abdulkhalikova & Pavlyuchenko, 2018; Nechaev et al., 2022).

The importance of the problem with the flaws of leasing legislations has dropped and nowadays, it ranks last in the problems, rating, nonetheless, that issue persists and its importance is marked by nearly 13.80 percent of the studied organizations.

CONCLUSION

The leasing market in the Russian Federation has been growing. It came up too later than the European or American leasing market and expanded individually regardless of the those nations' experiences. The market dynamics regarding the lease portfolio volume has discovered gradual expansion in the last 5 years, in spite of a slim fall in the new business volume over the course of 2020, indicating that the leasing market in the Russian Federation is satisfactorily manhandling the fallout from the 2020 crisis. Leasing in the Russian Federation covers a vast segments of market, which implies that organizations are able to lease nearly all equipment. In the leasing market in Russia, organizations experience numerous challenges and difficulties, the most important of which are severe competition and heightened market concentration. Nevertheless, in the meantime, the market keeps functioning, and competition, to a great extent, becomes a major element in the expansion and growth of the market. There stand other issues and shortages in the market of leasing, although the mechanism keeps functioning and even gets more prevalent and appealing. Generally speaking, the leasing market has future and capacity for growth, given the fact that technological and scientific advancements are under way and organizations would constantly require new equipment. Leasing takes the lead over other kinds of financing. Consequently, its growth will occur in conjunction with the growth and expansion of the market for equipment.

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