“Peculiarities of functioning of financial and credit mechanism for performing leasing operations in developed countries and in Ukraine”

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ARTICLE INFO	Anzhela Ya. Kuznyetsova, Natalia I. Kozmuk and Olexandr A. Levchenko (2017). Peculiarities of functioning of financial and credit mechanism for performing leasing operations in developed countries and in Ukraine. *Problems and Perspectives in Management*, *15*(4), 209-221. doi:10.21511/ppm.15(4-1).2017.05
DOI	http://dx.doi.org/10.21511/ppm.15(4-1).2017.05
RELEASED ON	Monday, 25 December 2017
RECEIVED ON	Wednesday, 04 October 2017
ACCEPTED ON	Wednesday, 13 December 2017

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JOURNAL	"Problems and Perspectives in Management"
ISSN PRINT	1727-7051
ISSN ONLINE	1810-5467
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
27	1	3

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BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10, Sumy, 40022, Ukraine

www.businessperspectives.org

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PECULIARITIES OF FUNCTIONING OF FINANCIAL AND CREDIT MECHANISM FOR PERFORMING LEASING OPERATIONS IN DEVELOPED COUNTRIES AND IN UKRAINE

Received on: 4th of October,2017
Accepted on: 13th of December, 2017

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Abstract

World experience shows that improving the equipment and machinery supply efficiency in all economic sectors and, thus, contributing to the country's economic growth can be achieved through the effective functioning of the financial and credit mechanism for performing leasing operations. Given that Ukrainian leasing market is at the formation stage and the economy is in the crisis, the issues of improving the leasing industry activity are extremely important for Ukraine.

Thus, the purpose of the article is to study the worldwide experience of the functioning of the financial and credit mechanism for performing leasing operations and to substantiate the need to implement new leasing tools and forms in Ukraine and the use of new financing sources for leasing operations.

It is determined that in order to improve functioning of the financial and credit mechanism for performing leasing operations in Ukraine, it is necessary to diversify financing sources of leasing operations by using institutional investors' or venture capital investors' funds and certificates, pools of securities provided with assets, which is a lease agreement. At the same time, as experience of the developed countries shows, new instruments and forms of leasing operations should be applied in Ukraine, in particular securitization, venture leasing, complex and operational leasing, which should improve the leasing industry activity. It was revealed that the secondary leasing market development in Ukraine should help to reduce the leasing companies' vulnerability to the risk of equipment price change.

During scientific research, the methods of logical generalization and scientific abstraction, the statistical method (to analyze the leasing market development in the world and in Ukraine), the graphical method (for the changing dynamics of the main indicators of Ukrainian leasing market development), the comparative analysis method (while comparing the features of the functioning of the financial and credit mechanism for performing leasing operations in developed countries and in Ukraine) have been used.

Research results provide grounds for arguing that in order to improve the leasing industry activity in Ukraine, it is necessary to improve the financial and credit mechanism for performing leasing operations directly through the tools, forms and leasing operations financing sources diversification.

Keywords leasing, leasing operations, financial and credit provision, financial and credit mechanism, leasing financing sources, leasing forms, securitization, venture leasing, venture financing, complex leasing, operational leasing

JEL Classification G20, G21, G23, G29

INTRODUCTION

World practice shows that in recent years, the volume of leasing operations is increasing, and their share in GDP is increasing as well. The developed countries, in particular the USA, Canada, Great Britain, Germany, Japan, Australia, have been using leasing as a source of

economic growth. At the same time, they have a well-developed financial and credit mechanism for performing leasing operations characterized by diverse tools and forms, including securitization, venture leasing, complex leasing, leasing financing methods, in particular, financing guarantees by the European Fund for Strategic Investments (EFSI), which is a part of the financing program for lessors who lend money to small and medium-sized businesses.

The financial and credit mechanism for performing leasing operations is considered as a set of methods (planning and forecasting, provision (lending, budgeting, investing, taxation, insurance, franchising, factoring, discounting, etc.), financial regulation and financial control), instruments (direct, indirect), levers (incentives, sanctions), forms (self-financing, state financing, loan capital) and financial, organizational, technical and technological, institutional, informational, regulatory support. Herewith the mechanism's action should be aimed at achieving the balance between the leasing operations market, the business sector's needs and the opportunities of the financial and credit market.

Ukrainian leasing market is at the initial stage of formation, where bank loans are the main sources of leasing financing. The experience of developed countries has shown that with the help of leasing, it is possible to update the enterprises' fixed capital in short terms, to increase the innovative production volume and in such a way to promote economic growth of the country. In this regard, it is necessary to study the features of financial and credit mechanism for performing leasing operations in developed countries in order to improve the functioning of this mechanism in Ukraine, which is an actual task in the modern conditions of economic reformation.

1. LITERATURE REVIEW

In terms of limited consumer demand due to their insufficient solvency, the increase of the efficiency of equipment and machinery supply in all sectors of the economy, including agriculture and agro-industrial complex in general, can be achieved through the effective functioning of the financial and credit mechanism for performing leasing operations.

Nowadays, leasing is seen as the driving force behind the growth of the country's economy and boosting economic growth. In particular, Vakhitov and Zamaletdinov, while studying financial and credit mechanism for leasing operations at micro-, meso- and macro-levels in priority economic sectors, found that leasing loans as an alternative form of financing that does not require collateral in the form of property or highly liquid securities, contribute to the multiplicative impact of capital intensity, material intensity and energy efficiency, which is translated into the function of aggregated consumption. This gives the aggregate demand curve an upward orientation, and, therefore, contributes to economic growth in the non-inflationary way, stimulating the developing economy (Vakhitov & Zamaletdinov, 2015).

At the same time, Weidner (2000), while emphasizing the indirect dependence of the leasing service quality and depth on the material intensity level, suggested that since small transitive economies are characterized by rather narrow list of leasing instruments and low leasing market capitalization, then the primary task for market pre-capitalization should be funds accumulation.

Komarov (2002) also emphasized the advantages of leasing, and noted that it contributes to the implementation of new standards for energy-saving material production. Updated non-current asset reduces energy consumption over the entire life cycle of the latter, which contributes to the aggregated demand function growth.

Based on the approaches and arguments of Nair, Kloeppinger-Todd, and Mulder (2004), Olugbenga and Mashigo (2017), Frolov, Strilec, and Balatskyi (2017), it can be said that leasing is the only tool for recent scientific and technological developments implementation in manufacturing and non-manufacturing sectors and services, especially in today's difficult access to long-term bank lending, as well as it is an accelerator of economic growth.

During the period 2015–2016, leasing in general, and in particular leasing of equipment, machinery and other property, developed at a rapid pace in the world. The volume of leasing operations in developed countries amounted to 2-5% of GDP and 15-30% of fixed assets investments in 2015, while in Ukraine, these figures were 0.5% and 2.7%, respectively (Mychalchuk & Kryvoruchko, 2015). The offer of leasing companies and banks has been satisfying the aggregate demand for leasing services by only 10%, which indicates the need for further improvement of the leasing market and the financial and credit mechanism for performing leasing operations (Mychalchuk & Kryvoruchko, 2015). According to expert estimates (Vasin Yu, 2016), in order to meet the needs of the Ukrainian economy real sector in 2017, it is necessary to provide the lease loans in the amount of over UAH 21.4 billion.

In the world economy, such method of financial and credit mechanism for performing leasing operations as investment in fixed assets ranks second after a bank loan. Looking at the source structure of leasing operations in Ukraine, the share of borrowed funds is 59.4% and the share of own funds is 40.6% (Hontar et al., 2016).

Today's world leasing services market is characterized by such indicators: annual volume of new business – about USD 450 billion. In particular, the global amount of leasing agreements in 2016 amounted to USD 415 billion, while the US share was 62% or USD 260 billion. The book value of leased property was USD 1.5 trillion in 2016 (market value – about USD 2.2-2.5 billion); the average share of leasing in gross investments in fixed assets was about 15%.

According to the European Federation of Leasing Company Associations, the volume of new leasing assets in European countries amounted to USD 315 billion in 2015. The largest volumes of new leasing contracts were concluded in the United Kingdom (EUR 76.9 billion), Germany (EUR 53.2 billion), and France (EUR 43.6 billion). This figure amounted to EUR 8.2 billion in the Russian Federation, and to EUR 0.237 billion in Ukraine. As for the structure of leasing services users in 2015, 43% of consumers were employed in the service sector, industry – 23%, individuals – 24%, agriculture and transport sector – 3% each (Growth-Internal Market, Industry, Entrepreneurship and SMEs).

In 2015, 30% of all investments in the United States were made in the form of leasing operations, in England – 28.2%, in Germany – 16.6%, in France – 17.5%, in Sweden – 26.3%. According to experts from the International Association of European Integration, 23.4% of small and medium enterprises in Europe used leasing during 2015, including in Poland – 39%, in Germany – 34%, in Italy – 32%, in the United Kingdom – 7%, in Cyprus and Montenegro – 6% each, in Ukraine – less than 4% (Survey on access to finance of enterprises). Such an increase of leasing operations share in the total volume of investments is due to the favorable institutional environment of leasing development and its state support.

The relevance of leasing accumulation for Ukrainian economy is due to the need to implement the strategy of the domestic producer development and to ensure the emergence of a socially-oriented restorative market economy, integrated into the world economy, which will be based on the priority of energy efficiency and production savings.

According to the World Bank research "Leasing: An Underutilized Tool in Rural Finance", the positive effect of leasing for commodity-oriented economies in the phase of industrial transformation is (Nair et al., 2004) access to the alternative source of capital financing and capital investment growth, which has declined in recent years in Europe by 15% over pre-crisis level; deepening the capital market through debt instruments for leasing financing; improving the financial services quality through increased competition.

It is known that half of the world's turnover of goods delivered through leasing is owned by the United States as a country where leasing occurred in 1950. According to the World Bank experts (Nair et al., 2004) and Ukrainian scholars (Chushak & Mykulyak, 2014), the loss of the US economy would amount to USD 290 billion annually without the leasing industry.

Thus, the purpose of the article is to study the worldwide experience of the financial and credit

mechanism for performing leasing operations functioning and to substantiate the feasibility of new instruments and forms of leasing implementation in Ukraine and the use of new financing sources for leasing operations.

2. METHODS

The following methods have been used in research: the method of logical generalization and scientific abstraction, the statistical method (to analyze the leasing market development in the world and in Ukraine), the graphical method (for the changing dynamics of the main indicators of Ukrainian leasing market development), the comparative analysis method (while comparing the features of the financial and credit mechanism for performing leasing operations in developed countries and in Ukraine).

3. RESULTS

There is a big gap in the evolutionary process of financial and institutional provision of leasing in Ukraine due to the lack of operation principles and tools for the development of the financial and credit mechanism for performing leasing operations and due to the underestimation of the role of leasing in the country's economy innovative development by the financial community (Figure 1). Leasing offers not only affordable credit or lease of high-speed wear out equipment, but also venture capital investment and the sophisticated mechanism for financial investment through investment assets, which greatly expands the options for replacing equipment for both small and medium-sized enterprises and large multinational corporations.

Such a gap between evolutionary development and low capitalization of the leasing industry in Ukraine can be attributed to the continued financial instability in the financial system. Currency market fall in 2010 led to the 70% decrease in the activity of lessors firstly in 2011, and the currency crisis in 2014–2015, the bankruptcy of 94 financial and credit institutions in 2014–2017 and the global recession – all this led to the following leasing market fall, which occurred in 2014, when it was concluded that there were 87% less deals than in 2013.

While studying the features of the financial and credit mechanism for performing leasing operations, scientists usually distinguish six stages (steps) of leasing development that this industry passes from the moment of its appearance to maturity, namely: stage 1 – rent; stage 2 – simple fi-

Source: statistical data from the State Commission for Regulation of Financial Services Markets of Ukraine (key performance indicators of financial companies and lessors)

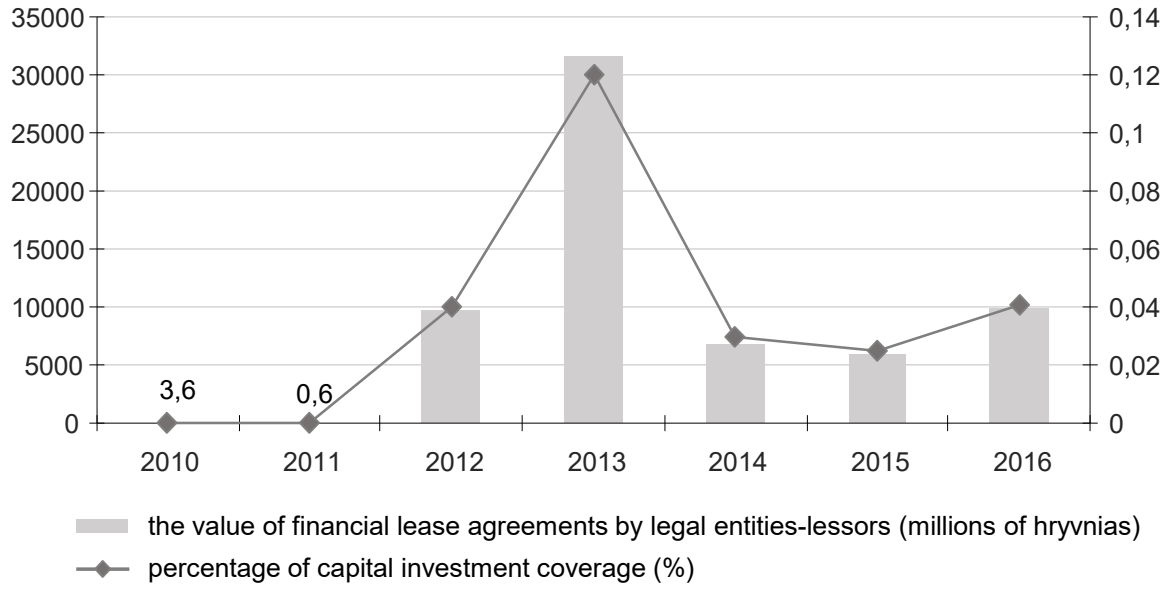

Figure 1. Dynamics of performed financial leasing transactions in Ukraine

nancial leasing; stage 3 – comprehensive financial leasing; stage 4 – package services (operational leasing); stage 5 – the stage of new products; stage 6 – maturity (Nikolayeva & Puhachenko, 2014). Thus, different countries used different methods and tools of the financial and credit mechanism for performing leasing operations at each of the above stages.

The first stage (rent) is known since ancient times and has not lost its relevance. It is characterized by the short-term nature (up to 12 months), by the full set of services, and by the return of the object to the owner after the contract expiration.

The second stage (simple financial leasing) arose and developed into an independent financial service in the middle of the 20th century in the UK and the US. A lessee, having fulfilled the terms of the agreement and having paid full lease payments, receives the opportunity to buy at the nominal price the leased asset, which a lessor does not seek to return. A lessee is characterized by the property psychology. A lessor is limited mainly to the fixed asset financing through leasing. In this case, there is a significant credit risk. And there is practically no secondary market. Bangladesh, Nicaragua, Romania, as well as the Ukrainian leasing market belong to this stage.

In the third stage (comprehensive financial leasing), there is an intensive development of the leasing market, its volumes and market penetration. This process is manifested in the emergence of a large number of entities providing an expanded range of services. Manufacturers and sellers of fixed assets are starting to create their leasing companies. Lessors reduce margin for lessees. At the same time, lessees are given the opportunity to choose between the lease object's redemption or the renewal of the lease term. Public authorities are beginning to actively pursue the stimulating policy, regulate leasing relations. The peculiarity of this stage is the lessors' interest in percentages, competition in operations volumes. Lessors begin to pay attention to the added value as well. At this stage, there are India, Pakistan, Panama, Peru, and El Salvador are at this stage.

The fourth stage (package of services, or operational/operating leasing) is formed when the competition intensifies in the leasing industry and the developed secondary market appears. For the vast majority of operating leases, there is a full complex of services, which is advantageous to the consumer. The emphasis is on the possibility of the lessee to return a fixed asset upon the expiry of the lease agreement. Lessees have the right to set their terms when signing agreements, which lessors have to agree. This feature characterizes leasing as a finished financial product. At the given stage of leasing development, there are Argentina, Belgium, Brazil, Denmark, Estonia, Israel, Indonesia, Ireland, Italy, Colombia, Mexico, Netherlands, Germany, Norway, Poland, Russia, Slovenia, Taiwan, Hungary, Finland, France, and Czech Republic (Smirnova, 2014).

The evolution from the fourth to the fifth stage (the stage of new products) comes with the further competition aggravation, technology transfer and creative search for lessees. Complicated leasing has a variety of options: termination, renewal and continuation of loans, technology upgrades. All this should make the leasing relationship flexible and adapted to various changes (financial, technological, etc.). Venture, complex leasing and securitization arise at this stage. Leasing markets of Canada, Australia and Japan belong to this stage. Characteristic features of the evolutionary introduction of leasing agreements in foreign countries are presented in Table 1.

The final stage of the leasing development is the sixth stage – the stage of maturity, which is inherent in calming down, reducing the number of introduced innovative products. The leasing transactions volume increase is influenced only by the growth of the economy. This stage provides the leasing industry consolidation in the form of absorptions, acquisitions, investment funds, joint ventures. While lowering profits, lessors increase their operational effectiveness, focusing on asset risk assessment features (instead of lending problems). Lessors are trying to attract customers with their knowledge of technics and technology. Leasing branches in the UK and the US are at the maturity stage.

Passing of six stages of leasing industry life cycle is also inherent in a separate country. In spite of the stage at which the market is located, there are

Table 1. Characteristics of the leasing evolution stages in the world

Source: proposed by authors on the basis of Nair et al. (2004), Canada Market Review, Japan Market Review.

Stage	Characteristic feature	The country where it is used
Operating leasing	It is provided for a short term that does not involve the ownership transfer; the price consists of the lease object's amortized cost and the bank interest	All countries
Simple financial leasing	It is provided for a period of 70-80% of the useful service life of the leased asset with the subsequent right of redemption, therefore, taxes charging is expected to be associated with the ownership transfer	Bangladesh, Nicaragua, Romania, Ukraine
Comprehensive financial leasing	It contains all features of simple financial leasing, but also includes services for equipment maintenance and property risk insurance	India, Pakistan, Panama, Peru, El Salvador
Operational leasing	The leasing service contains a set of options – insurance, service, installation, reverse leasing, forfeiting, which are selected by each client individually	Argentina, Belgium, Brazil, Denmark, Estonia, Israel, Indonesia, India, Italy, Columbia, Mexico, Netherlands, Germany, Norway, Poland, Russia, Slovenia, Taiwan, Hungary, Finland, France, United Kingdom, Czech Republic
Synthetic products	It means synthetic instruments creation for leasing loan financing without the involvement of a bank loan	Great Britain, USA, Canada, Australia and Japan

leasing companies that only provide certain services (financial or operational leasing, venture leasing), such as in the United States. At the same time, Korea is the brightest example of being at one of the stages (stage of financial leasing). Given the global integration processes, the possibility of accelerated information exchange with the help of advanced technics and technology, one should expect a reduction in the lease life cycle duration.

The leasing market in Ukraine is at an initial stage, namely, at the second stage of its development – simple financial leasing. There are significant prospects for this area development, but this development is possible only by creating a favorable economic and legal environment. This is confirmed by the developed countries experience, as well as Poland, the Czech Republic, Hungary, Russia, which testifies to the significant revival of economic growth, fixed capital updating in a short term with the help of leasing (Pysarenko & Netudy-Khata, 2010).

Today it is possible to distinguish two methods of leasing, which are most often observed in international practice. The first method is usually used by European companies and banks and it implies the creation of leasing companies in other countries. The second method of leasing involves performing international operations between lessors and lessees located in different countries and it is used when it comes to large lease objects, such as airplanes, trains, and vessels.

The biggest part of global leasing is concentrated in the "triangle": the USA – Western Europe – Japan. The comparative characteristics of providing leasing services in Ukraine and in the world are presented in Table 2.

The comparative analysis of the leasing markets of Ukraine, the USA, Germany and Japan makes it possible to affirm that:

- the level of leasing development correlates with the level of the country's economy industrial sector development and influences the pace of strategically important markets development;
- foreign leasing organizations quickly and skillfully adapt to the real needs of the world economy, introducing the latest forms and methods of leasing operations provision and expanding the scope of its application;
- the implementation of privileges at the initial stage of leasing, aimed at stimulating its development. It is an extremely necessary and economically feasible measure for ensuring social and economic development of the state;
- machine building is the dominant sector of the economy, where the growth of leasing services and the share of leasing in other funding sources are the highest.

Table 2. Comparative characteristics of leasing services provision in Ukraine and in the world

Source: generalized by authors based on (Bohdanchuk, 2014; Hryshchenko, 2006; Korniev, 2011; Onyshchuk, 2005).

Comparative feature	USA	Germany	Japan	Ukraine
The use of leasing in its modern sense	The 50s of the 20th century	1962	1978	The 90s of the 20th century
The stage of leasing development	Maturity of the leasing market	Package services, or operating leasing	New leasing products	Simple finance leasing
Characteristics of a financial lease agreement				
Lessee's investments in the leased asset	Only some improvements	–	–	Improvement of the leased asset only with the consent of the lessor
Term of the lease agreement	Less than 80% of useful life	40-90% of economic life	Less than 70% of economic life and 60% if the term is more than 10 years	More than 75% of original cost
Availability of option (right of redemption)	Not necessarily	Intended cost of the option coincides with the value of the property at the time of realization	Intended options for early completion, updates and other innovations	Not intended
Residual value of the leased asset	Not less than 20%	–	Zero or nominal	–
The cost of leasing payments	More or equal to 90% of the leased asset market value	It covers the cost of production, acquisition and other current expenses	Approximately equal to the total cost of acquiring property	Equals or exceeds the value of the leased asset
Consideration of financial leasing in the taxation system	Leasing is a sale of services. The entire lease payment is recognized by the lessor as gross revenues, and the lessee as gross expenses	Leasing is a sale of property. The share of the lease payment that repays the principal value of the leased asset is not the profit of the lessor and is not recognized as expenditures by the lessee	Leasing is a sale of services	Leasing is a sale of property
Characteristics of leasing activity				
Privileges	Accelerated depreciation, investment tax incentives	Abolished by the government after significant abuses	Not intended	Accelerated depreciation
Dominant sectors of the economy where leasing is being developed	Motor vehicles, planes, medical equipment	Motor vehicles, machinery and equipment, real estate (in particular land), technology of production intensification and information provision	Equipment for information and communication processing, equipment for accounting works automation	Water and rail transport, cars, transport passenger and cargo transportation, airplanes
Leading leasing organizations	Security Pacific Consider Corp, Bank Amerilase Group	Mietfinanz GmbH, Gefa Leasing GmbH	Gentury Leasing System, Orix Corporation	First leasing company, Ukrleasing
Legislation that regulates leasing relations	Leasing agreement and civil and commercial law	Litigation and tax authorities' decisions	General law norms	Special laws
Characteristic features	1. Active occupation of the global leasing market. 2. Fighting fake leasing contracts. 3. Consolidation of the leasing market, in the form of acquisitions, absorptions, joint ventures or alliances and funds. 4. Low profit rates, increased operational efficiency. 5. General decrease in leasing development	1. Dynamic development of various types of leasing. 2. Most leasing operations are carried out by organizations of the National federative association LK. 3. Fierce competition in the leasing market. 4. Active development of the secondary market. 5. Growth of multinational lessees' demand. 6. Leasing organizations provide a full range of related services	1. The use of economic methods of stimulating leasing, i.e. providing cheap long-term loans. 2. Expansion of activity on the foreign market. 3. Leasing is provided by specialized organizations. 4. Creating of leasing organizations ordered by whole markets. 5. Emergence of new products: securitization, venture and comprehensive leasing	1. Stabilization of leasing activities. 2. Limited competition between leasing organizations and severe competition on banks' part. 3. Active penetration of foreign organizations into the leasing market. 4. Emergence of problems with leasing activities financing. 5. Undeveloped secondary market of fixed assets

During 2010–2016, German leasing organizations expand to the international market, develop cooperation, first of all, with its neighbors in the European Union, the Arab world, and more recently with Ukraine, offering competitive leasing services with a wide range of possible leasing items. Although qualitative characteristics of German leasing services are still inferior to American and Japanese ones, which are provided by inter-leasing organizations, now German leasing services exceed the latter by the growth rates of leasing operations.

In Japan, leasing arose much later than in other developed countries, but significant and regular investments in science and technology have contributed to the rapid development of new technologies and have affected the pace of the leasing market and recently led the Japanese leasing market to the fifth stage of the global leasing market evolution – the stage of new leasing products (Frydel, 2012).

The driving forces behind the evolution of leasing were hard competition, leasing organizations' creativity and the continuous development of the latest high-value types of equipment and technology. Operational leasing as a financial product becomes very advanced, with complex options for leasing expiring, early termination options, loans renewals and extending, technology upgrades and other innovations. All these factors create new opportunities for flexible adaptation of the lease term to financial, economic and technological changes of the lessee.

If we analyze the peculiarities of the financial and credit mechanism for performing leasing operations in the world, today the main sources of such operations are:

- bank loans;
- funds and certificates of institutional investors;
- funds and certificates of venture capital investors;
- pools of securities provided with assets, which is a leasing agreement.

As for Ukraine, today the most widespread source of leasing financing is bank loan, which is characterized by a rather high level of interest and imperfect legislation in the field of tax accounting and auditing. In this regard, we consider the alternative experience of financial and credit provision of leasing operations, which is spread in developed countries of the world.

For example, Japanese leasing organizations use instruments and forms of financial and credit support for leasing transactions, such as securitization, venture leasing and comprehensive leasing.

Securitization is a shift in the borrowing market from classical bank lending to financing on the impoverished money market and capital market through securities issuance. The basic principles of its implementation are true sale, synthetic securitization and whole business. The concept of true sales securitization means that a financial company called the originator sell assets to a special purpose vehicle (SPV) that provides financing for the acquisition of assets through the securities issue and its placement on the capital market.

In the case of synthetic securitization, the originator company does not sell assets, but transfers the loss risks associated with certain assets to the target company or bank for the respective premium or fee. During the "whole business" securitization principle, a specialized legal entity provides a secured loan to the originator. To fill the loan, the target company uses funds from the bonds placement in the capital market, while the originator provides its assets to investors-bondholders as securement.

The same practice is also applied by Canada at the state level. The Canadian Federal Government continues supporting the leasing securitization through financing the Funding Platform for Independent Lenders (F-PIL) program. Within the program, the public consortium was created between BDC and TAO Asset Management, funded by independent small and medium-sized financial and leasing companies that directly finance leasing loans for the mobile and commercial equipment purchase. This practice contributed to the restoration of real business leasing financing, which declined by 20% in 2006 due to interest rates approaching to the near-zero level, but in 2016, the growth was already 3.6% (Canada Market Review).

Given the level of interest rates in Ukraine, the volume of investment growth in leasing debt instruments is going to be several times higher than under the present financial conditions of Canada. But the securitized asset may carry a significant systemic risk to the national financial system. However, European countries have revised their attitude towards securitization as a factor of financial and banking instability, and begin to treat it as a part of the anti-crisis strategy. It is believed that properly structured and regulated securitization can diversify funding sources of banks and transfer credit risk to non-bank financial institutions, thereby improving capital performance of the bank, which in turn will increase the opportunities for lending to the real economy. In addition, it is believed that it can complement other long-term wholesale sources of funding for the real economy, including for small and medium-sized enterprises.

Another financing source for leasing operations is the institutional investors' funds and certificates. Institutional investors are highly interested in investments aimed at implementing projects with medium-term period. Financing of leasing aircraft vehicles is an example. German lease market is the leader in this sector. Nowadays, private pension funds are major institutional investors in leasing loan pools financing in Germany, and as of January 1, 2016, insurance companies that specialize in long-term insurance also joined this sector (in connection with regulatory limitations European Solvency II adoption) (Statistics of Lease Europe Association).

Together with an increase of institutional investors' interest in debt instruments and capital as the financing source for agreements in the aviation industry, there is also a positive trend regarding the growth of leasing loans financing by lessors' mortgage bonds. In particular, the expected annual growth of the airspace market in Germany is going to be over 50% by 2030, representing 3.3% of annual growth (taking into account the risk of traffic outflow to the East European low-cost lines) (Statistics of Lease Europe Association). According to experts, this situation will contribute to an increase in the number of leasing transactions during aviation vessels purchase.

At the same time, due to the non-implementation of the Cape Town Convention, which governs the international guarantees provision for a solid implementation of rolling stock lease agreements and specific aviation equipment, there are some difficulties in international leasing transactions implementation in the German market (Canada Market Review). As for now, 70 countries have supported and ratified this Convention, therefore, Ukraine as a leading aircraft manufacturer should join the Cape Town process and the European Solvency II mechanism in order to protect the interests of both lessors and lessees as well as leasing object suppliers, as the Ukrainian producer is currently closed to the global market due to the lack of international leasing financing.

Venture capital investors' funds are the effective source of leasing operations financing. According to experts, venture business provides about 40% of all leasing transactions financing in the US economy. According to the European Private Equity and Venture Capital Association, about 50% of all Western European leasing operations venture financing is currently carried out by UK funds (Smirnova, 2014).

Venture financing as a separate component of financial and credit mechanism for providing leasing operations allows to ensure the management efficiency, to reduce transactional costs connected with leasing projects operation and financing. It should be noted that venture capital can be formed at the expense of firms and venture capital funds' money; money of specialized funds for support of small firms working in the scientific and technical sphere; investment companies' money; institutional financial investors' money (pension funds and insurance companies); non-financial companies' money; industrial and financial groups' money; and national and commercial banks' money.

According to world practice, the main difference between venture financing of leasing operations in Western European countries compared to the USA is a higher specific share of banks' money in the venture capital. In addition, government institutions, universities and other organizations participate in financing risky leasing projects.

The world experience in the leasing operations financing with the help of venture capital with its risk distribution can be one of the most effective ways of the capital attraction for economic development, and can be considered as a real way for the investment market development and the emergence of the innovative Ukrainian economy.

The European Bank for Reconstruction and Development (EBRD) is the main investor of venture financing in Ukraine. In addition, innovative processes are financed at the expense of foreign companies' and individuals' funds, free funds of Ukrainian financial-industrial groups. We can affirm that venture financing is at an initial stage and does not sufficiently facilitate the search for leasing activities capital sources. Therefore, the leasing operations venture financing development in Ukraine should become one of the priority directions of the state policy in the field of innovations and the stipulation for leasing activity activation. Loan capital in the innovation activities financing involves the domination of bank or commercial loans obtaining. However, the advantage of leasing is that it offers risky financing for enterprises without credit history and does not require the collateral for separate positions. Leasing offers to Ukraine product solutions and improvement of financing both for high-tech branches of aircraft industry and for the agro-industrial complex – that is for those sectors of the economy in which Ukraine has strong positions.

The main reasons that hold back leasing operations financing at the expense of venture capital in Ukraine are:

- instability in the country, which hinders the venture business development;
- lack of financial resources and the constant threat of inflation;
- undeveloped securities market;
- poor information support of venture business;
- insufficient economic incentives for attracting venture capital.

Thus, venture financing of leasing operations in Ukraine needs a stable low inflation rate, a predictable exchange rate, stock market development with the state assistance in issuing guarantees on credit swaps under venture leasing loans. It is also necessary to develop the existing system of financial instruments rating on the basis of already existing authorized agencies (Rating agencies. Authorized rating agencies included into the State Register of Authorized Rating Agencies). The rating assessment should provide unbiased information on the debtor's solvency under the securitized asset and correlate with the guarantee premium on the issued debt instrument.

Another impetus for the financial and credit mechanism for providing leasing operations development in Ukraine may be the secondary leasing market development that is currently underdeveloped in Ukraine, Moldova, Russia and Belarus and is available only on the rental market of movable property such as cars, tractors and combine harvesters. Since the leasing object is the lease loan collateral, the equipment secondary market is an essential element in reducing the risk of the debt underfunding. Therefore, the absence of a developed secondary market increases the lessors' activity riskiness by several times. As a result, leasing companies are more vulnerable to the risk of changing the price of equipment than other financial and credit institutions.

Ukraine should also consider introducing a European investment plan for the leasing industry, according to which investing in emerging economies involves the implementation of an innovative policy on equipment resale in case of borrower default. The European plan allows the lessee to sell the equipment to the European operator at the best price. Under this approach, the operating costs and depreciation are still leased by the lessee rather than the European fund, while allowing the client to continue to generate profits from the useful equipment use (Nair et al., 2004).

Expanding tools and methods of leasing operations financing and thereby increasing the Ukrainian leasing market capitalization can be achieved through the relevant appeal submission from the Ukrainian association of lessors to the European Commission. According to the JUNCKER PLAN launched in June 2015 by the European Commission, the investment recovery in the innovation industry of European countries should take place, which decreased by 15% in 2017, to the level of 2007.

Table 3. Types of loans granted to support the leasing industry in the Eurozone

Source: World Leasing Yearbook, 2017 (The Juncker Plan and other support for leasing in Europe).

Program	Type of loan	Potential recipient of a loan	Lessor
Loan of European Investment Bank for intermediaries	Loans to financial intermediaries	All lessors	European Investment Bank (EIB)
Target long-term refinancing loan (TLTRO-Targeted Long-term Refinancing Operation)	Refinancing loans to commercial banks of the Eurosystem	Eurozone banks	European Central Bank (ECB)
COSME	Portfolio guarantees for leasing companies	All lessors	European Investment Fund (EIF)
InnovFin	Guarantees for loans granted to SMEs and small companies with low capitalization	All lessors	European Investment Fund (EIF)
Portfolio of first loss compensation guarantees (FLPG – First Loss Portfolio Garantees)	Guarantees for SME loans that have been credited with more favorable terms or benefits	Characterized by national level	European Investment Fund (EIF) and National Agencies
Initiatives for SMEs	Guarantees for SME loans that have been credited with more favorable terms or benefits	Characterized by national level	European Investment Fund (EIF) and National Agencies
Structural funding program	Guarantees for loans in the leasing company's portfolio, which will be repaid firstly in case of default	All lessors	European Investment Bank (EIB)
Securitized asset for loans granted to SMEs (SISI-SME Initiative Securitization Instrument)	Guarantees for loans in the leasing company's portfolio, which will be repaid firstly in case of default	Banks	European Investment Bank (EIB)
AGRI – Agricultural Guarantee Fund	Guarantees for loans granted to agribusiness, forestry and farms	All lessors	European Investment Bank (EIB)

The European Fund for Strategic Investment (EFSI) is the part of the European Investment Fund (EIF), which promotes investment in the private sector through the investment guarantees placement, as well as finance guarantees that are part of the lessors financing program, which lend money to small and medium-sized enterprises (SMEs) (Table 3).

Around EUR 5 billion were provided from EFSI through 60 investment agreements with lessors. These deals are not limited to direct investments and guarantees, but are done for refinancing loans granting to commercial banks of Eurozone TLTRO. Within this program, about 17,000 small and medium-sized businesses received leasing financing, which allowed to create additional 750,000 jobs.

Thus, the implementation of world experience in the financial and credit mechanism for providing leasing operations functioning will facilitate the leasing financing, provide an investment inflow in this sector, have a positive impact on the financial stability of leasing companies and the financial and credit sector in general and will contribute to the leasing activity development in Ukraine.

CONCLUSION

Based on the specific characteristics of the six stages of leasing development in the world (rent, simple financial leasing, comprehensive financial leasing, service package (operational leasing), the stage of new products, maturity) it was found that Ukraine is at the second stage, named simple financial leasing. Today, the country has significant prospects for leasing development, but first of all, it is necessary to create a favorable economic and legal environment. Secondly, to diversify financing sources of leasing operations, namely: to use funds and certificates of institutional investors and venture capital investors, security pools provided with assets, which is a leasing agreement. Third, to introduce such instruments and forms of financial and credit support for leasing transactions, namely: securitization, venture leasing, complex and operational leasing. At the same time, the secondary leasing market development in Ukraine (which is currently underdeveloped and available only on the rental market for movable property such as cars, tractors and combines) will reduce the leasing companies vulnerability to the risk of changing equipment prices.

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