

Financing of Environmental Protection Equipment in Industrial Enterprises through Leasing

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ABSTRACT

The article describes sources of financing of environmental protection equipment in industrial enterprises through leasing. Also, the advantages and disadvantages of the leasing mechanism in greening enterprises are expressed. Problems preventing the use of leasing in environmental protection and scientific and practical proposals for their elimination were given.

Introduction

According to the Constitution of the Republic of Uzbekistan, land, underground resources, water, flora and fauna and other natural resources are national wealth, they must be used wisely and are under state protection. [1].

The analysis of the current state of the environment, global and regional environmental problems, new environmental hazards serve to improve the quality of life of the population in the Republic of Uzbekistan and are considered an integral part of the ongoing socio-economic process until 2030. it requires special attention to the financing of the sector [2].

In such conditions, leasing is one of the effective ways to finance environmental investment projects. By the end of 2021, the share of the leasing portfolio in GDP in our country is still small, i.e. 0.8 percent. Its share in fixed capital investments is 1.1 percent [3]. Contrary to us, according to Russian economists, the share of leasing in the structure of capital investments of economic entities will reach 40%, as a result of which the leasing market can achieve high growth in the near future [4].

Literature analysis. In our country, the use of leasing in the field of environmental protection is considered a topic that should be researched by economists.

Our economists D.F. Gozibekov, O.Sh. Sobirov, A.G. Muminov, O.M. Kuljonov, and their relations regarding the importance of leasing services, the legislation regulating it, and the financial market. [5], E.G'. Nabiev, M.D. Marpatov [6], Sh.U. Khaidarov, K.A. Ortikov, H.A. It was covered by Tukhsanov [7].

The basis of leasing relations is a combination of financial relations, including credit and rental relations, with the help of which the process of redistribution of financial resources takes place in order to maintain or increase the real value of capital in time and space. and focused on its legal aspects. The second group of scholars stated that the definition of leasing should reflect the position and interests of all the entities participating in it, taking into account that it is a property relationship.

We can witness that the issues of using leasing in environmental protection are being researched by foreign scientists. In particular, Russian scientist V.D. Gazman developed a methodology for determining the socio-economic effectiveness of leasing statistics and environmental protection in the field of renewable energy in Europe [8].

K.P. Kolotyryn [9], A.S. Yashkin [10], S.M. Frolov, V.V. It was also discussed by Mogilnyi [11].

The issues of greening of industrial enterprises were studied in the scientific works of S.A. Makovetsky, who focused on the development of a model for improving the greening of production [12].

The main part. Today, the issue of attracting long-term investments in the financing of environmental protection projects is becoming more and more urgent for our government. Many investment projects related to environmental protection are not implemented due to lack of financial resources. This requires finding alternative financing sources for financing projects related to environmental activities of our enterprises.

Although the volume of lending operations of commercial banks has been increasing in recent years, they prefer to allocate short-term consumer loans in most cases. The long-term nature of loans allocated for the financing of activities related to environmental protection, the unpredictability of environmental risks and the high value of environmental protection objects cause problems in financing this sector.

In foreign countries, banks in this area do not have enough collateral for loans, refuse to grant loans due to the high amount of allocated funds or use strict conditions (for example, high interest rate) [12], the use of credit resources remains ineffective.

Leasing and credit relations are close to each other in terms of economic content, so they compete with each other. Below is a comparative analysis of the use of leasing and credit mechanisms in the activities of industrial enterprises related to environmental protection:

Table 1. Specific features of financing methods [13]

Basic aspects	Funding methods	
	Credit	Lease
The possibility of purchasing any goods at the expense of the funds involved	yes	yes
the purchase of technical equipment	no	no
The work of costing the costs related to the increase in the investment project	no	yes
It is possible to calculate accelerated depreciation up to 2 times compared to the property being purchased	no	yes
Purchased fixed assets have the privilege of not paying property tax	no	yes
Requirement of additional security to acquire property (funds).	yes	no
Limiting the amount of funds in financing the project	yes	no

When choosing a form of financing for environmental investments, quantitative assessment

requires a comparison of the effectiveness and costs of each form (loan or lease). In particular, when financing a project through leasing, it is important to evaluate the effectiveness of using leasing as part of the financial model of the contract. Therefore, to determine the effectiveness of leasing, it is necessary to use the following inequality (see formula 1) [14]:

$$EIL_n > P_a, (1)$$

where: IRD_n is the expected level of internal profitability of enterprise assets acquired on the basis of innovative leasing;

P_a is the company's expected return on its assets (without leasing).

Such assessment is carried out by comparing the present value of cash flows from leasing operations with the presented value of cash flows from a bank loan that can be used for the same transaction. Here, we will consider the positive aspects of leasing equipment intended for environmental protection for lessees (industrial enterprises):

- Industry enterprises can quickly upgrade the equipment they use for environmental protection due to accelerated depreciation of leased property. Under current law, certain properties may be subject to an accelerated depreciation rate of three. As a result, the lessee will have the opportunity to purchase the property at the lowest balance sheet value at the end of the contract period;
- the lessee can legally reduce the tax base. Capitalization of lease payments reduces the profit tax rate. The use of accelerated depreciation also leads to a decrease in property taxes. According to Article 411 of the Tax Code, objects used for environmental protection and sanitation, fire safety are not considered objects of property tax taxation [15];
- the leasing scheme is organized in such a way that it does not require the withdrawal of financial resources from the activity of the lessee;
- although the repayment of lease payments is intended for a long period, it will be possible to use the leased property with the realization of the first lease payment;
- the leased property corresponds to the real needs of the lessee, which prevents the misuse of the property;
- the lessee will be able to apply for a loan to commercial banks in the future due to the fact that he has reserves for the possibility of borrowing;
- since the lessor bears the risk of loss or damage to the leased object, in most cases repairs and maintenance of the object is carried out by him. In particular, if the leased object is complex and the lessee does not have the ability to repair the leased object, the object is repaired by the lessor;
- since the lessor is legally the owner of the leased object, the lessee is freed from the costs associated with ownership of the property;
- as a rule, leasing operations are carried out on the basis of a fixed interest rate, which protects the lessee from inflationary fluctuations. This situation is particularly problematic due to the large costs observed in environmental protection enterprises;
- the leasing service allows the enterprise to acquire modern domestic or foreign environmental protection equipment at affordable prices and with the condition of servicing it later;
- in international leasing transactions, the lessee usually obtains a number of tax benefits (accelerated depreciation, investment tax benefits, etc.) based on the legislation of the lessor's country;

- at the end of the period specified in the lease agreement, the lessee may purchase the leased object at the residual value (or give it away for free).

In foreign countries, establishing the activities of industrial enterprises in the field of environmental protection is carried out by greening them. Encouraging the greening of industrial enterprises is carried out primarily as a result of the enterprise receiving benefits from ecological and economic activities. Through this, the model of encouraging the enterprise's greening can be expressed as follows (see formula 2) [12]:

$$P = E_a - (E_p(Q) + E_{av}) - 2\sqrt{K_1 K_2} \quad (2)$$

In this:

P - the profit received by the industrial enterprise from ecological and economic activity as a result of using the ecological leasing scheme;

E_a - the average costs incurred in the implementation of environmental and economic activities of the industrial enterprise without the use of leasing;

$E_p(Q)$ - the average fixed costs incurred by the industrial enterprise in the implementation of ecological and economic activities using leasing;

E_{av} - the average variable costs incurred in the implementation of environmental and economic activities of the industrial enterprise using leasing;

$K_1 K_2$ are coefficients that mean the decrease of operating costs and the increase of maintenance costs with the increase in the number of environmental protection equipment.

Although leasing services are improving today, the issue of greening industrial enterprises in our country, the level of using the leasing mechanism in the field of environmental protection remains extremely low. We will consider the main reasons for this one after another.

Leasing relations in our country are regulated by the Law of the Republic of Uzbekistan "On Leasing", the Civil and Tax Codes and the UNIDRUA Convention on International Leasing. The Law "On Leasing" [16] and the Civil Code [17] stipulate that lessors' activities with non-profit organizations are limited, that is, the leased object is used for business purposes. This is the basis for limiting the use of leasing services in environmental protection.

It is known that one of the main issues of interest to the lessee when concluding a lease agreement is the liquidity of the leased object. The liquidity level of equipment used in environmental protection is relatively low. The underdeveloped secondary market for this equipment may require the lessor to provide additional collateral from the lessee.

One of the most important reasons is the complexity of the documentation process when signing a lease agreement. When leasing property, the lessee must submit an application for leasing, the lessee's questionnaire, charter, foundation agreement, certificate of state registration, documents confirming ownership, copies of all licenses, financial statements of the lessee for the last four quarters (with the tax authorities' mark), tax they provide a number of documents, such as a certificate from the tax authority on the absence of debt, a bank certificate on all bank accounts, certificates on the absence of obligations of the lessee in banks. If all these documents satisfy the lessor, he will make a positive decision. After that, a lease agreement, a purchase agreement, a loan agreement, an insurance agreement, if required, will be concluded. This may cause customers to refuse to use the leasing service.

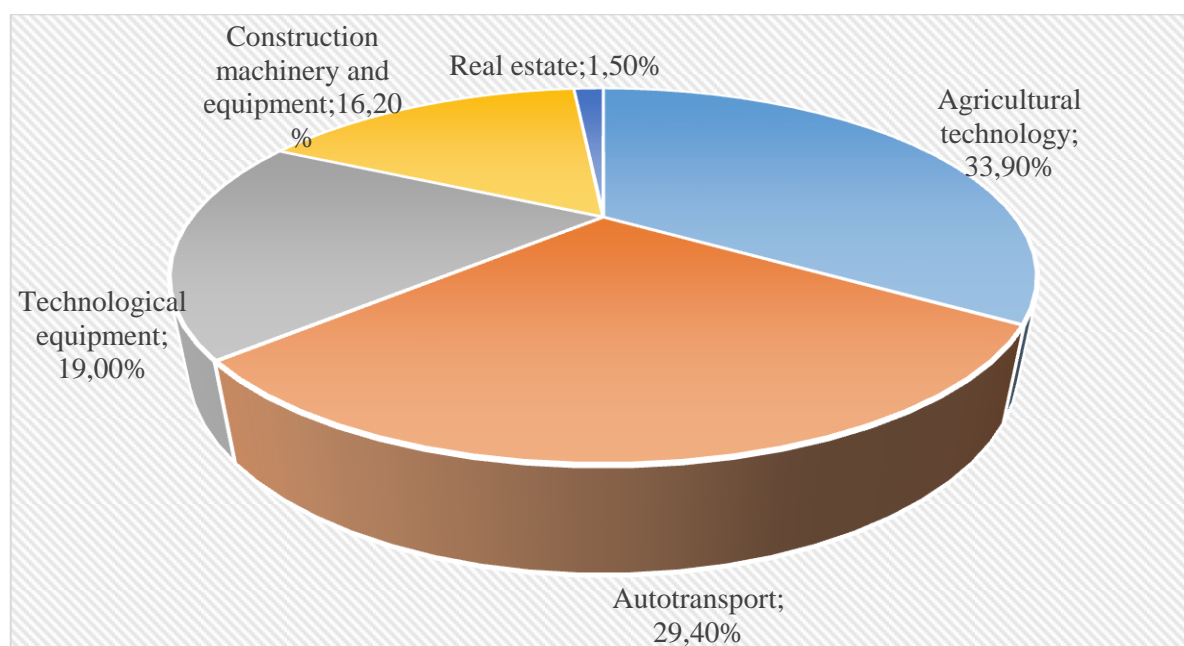
The lack of information about the environmental protection equipment market in our country, where imported equipment is used more than domestic equipment, may be one of the main reasons for the introduction of leasing in the industry. On February 2, 2022, President Sh.Mirziyoev announced that the coverage of household waste collection by 95% and the

volume of recycling by 40% on the priority tasks of 2022 on the implementation of the nationwide project "Green Space" to further improve the waste management system and improve the ecological situation in the regions. tasked to deliver.

In addition, there are still financial and infrastructural problems to support this process in the field of waste processing in our republic. As of 2019, there are 183 enterprises processing solid household waste with a total capacity of 894,000 tons per year in our country. For comparison, more than 300 enterprises with a capacity of 2.3 million tons operate in France [18].

It is clear that leasing is not a financial instrument used in this field. This can be seen from the information of the Leasing Association of Uzbekistan.

Diagram 1. Distribution of leasing contracts by types of fixed assets in the first half of 2022 [19].



It is necessary to develop the necessary measures to eliminate the above-mentioned problems and establish the use of the leasing service in environmental protection.

Conclusions and suggestions

In order to develop leasing relations in the field of environmental protection in our country, it is necessary to implement the following proposals:

- ✓ first of all, improvement of the legislative framework regulating leasing;
- ✓ down payment and interest rate reduction on leasing;
- ✓ formation of the necessary infrastructure for the development of environmental protection equipment leasing;
- ✓ creating conditions for increased investments in environmental protection activities (including in the form of leasing) and developing the use of environmentally friendly technologies;
- ✓ maintaining a diversified customs policy;
- ✓ establishment of personnel training in the field of environmental protection equipment leasing;
- ✓ expanding the production of environmental protection equipment;

- ✓ in the form of leasing in the scientific development of environmentally friendly technologies, productions, raw materials, types of materials, products and equipment, the vulnerability of ecosystems and the impact of the level of pollution of the natural environment on public health and environmental objects .

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