Application of preferential leasing at enterprises of the agro-industrial complex

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Abstract. The article deals with leasing operations for small enterprises of the agro-industrial complex. The following basic conditions of leasing transactions are considered: requirements for the lessee, minimum interest rate, minimum / maximum lease term, type of the financed property in the current market situation, industries and regions that are allowed for cooperation in the current market situation. The risk factors of the lessor and the lessee are analyzed. It is noted that when considering the segment of small and medium-sized enterprises of the agro-industrial complex, the main factor that determines the risk of the transaction is the uncertainty of the future profit of the lessee. A scheme for determining the risk of a leasing transaction is proposed. The risks of the lessee's and lessor's segments are considered. The conclusion is made about the high riskiness of leasing transactions for enterprises of the agro-industrial complex.

1. Introduction

In recent decades, leasing forms of investment have become an integral tool for stabilizing and developing the economy in many countries, including the Russian Federation.

The official recognition and desire of the state to promote the development of Russian leasing is reflected in a series of legislative and regulatory-methodological acts [1].

Classic leasing operation is carried out with the participation of the following parties: lessor, lessee and seller (supplier) of the property.

2. Materials and methods

The leasing scheme can be described as follows:

1. At the initial stage, the potential lessee selects the leased asset from the supplier or manufacturer.
2. Further, for lack of funds, the client applies to the leasing company with a request to purchase for him the selected object of lease. The company checks the conditions for the acquisition of this asset and evaluates its benefits. In case of acceptable conditions for the lessor, the company will check the potential client. If there is no negative about the client, the agreement begins of the basic conditions under the agreement between the manager of the leasing company and the company - lessee.
3. After reaching an agreement, leasing agreement is signed.
4. After fulfilling all the conditions in accordance with the signed lease agreement, the client can re-register the asset in ownership of his company or return the property back to the leasing company.
For each leasing transaction and for each lessee, a certain set of basic conditions is offered (figure 1), on the basis of which a commercial proposal for the lessee is formed. The basic conditions define the basis of the lease transaction. Based on the formation of this basis, the parties to the leasing process make a decision whether this cooperation will be beneficial or not. The basic conditions are different for different transactions. They are divided according to the client's risk level and the risk level of the selected leased asset.

![Figure 1. Basic terms of a leasing transaction.](image)

1. Requirements for the lessee for assessment
2. Minimum level of interest rates
3. Minimum / maximum lease term
4. Type of property financed in the current market situation
5. Industries and regions suitable for cooperation in the current market situation

Considering the segment of small and medium-sized enterprises in the agro-industrial complex, it is worth noting that the main factor that determines the risk of the transaction is the uncertainty of the future profit of the company - lessee, due to the fact that small companies in the agro-industrial complex often suffer from a lack of liquidity.

The next risk factor is the lessee's risk. These risks include:
- risk of choosing the subject of leasing;
- risk of not receiving lease payments;
- risk of non-return of property;
- other risks.

The ratio of risks for a certain leasing transaction is carried out by assigning a risk rating for each criterion of riskiness. Further, according to the correspondence table, the general possibility of concluding this transaction is determined. It should be noted that the risk of a transaction is determined by the most risky criterion.

Amount of the advance payment, term of the lease agreement and interest rate under the agreement depend on the risk of the transaction. The interest rate also directly depends on the client's capital structure, due to the fact that the client's debt burden increases the risk of non-fulfillment of the terms of the agreement.

Also, the industry in which the lessee operates also affects the basic terms of the transaction, since this segment can be unstable and prone to crises.

The next important factor is the minimum acceptable margin level. This factor also affects the interest rate. The level of margin depends on the costs of the leasing company for a particular lease transaction and ensures a break-even operation.

The next important point is the choice of the leased asset by the client. The risk of the leased asset is determined based on the following factors:
- liquidity of the asset;
- factor of uncertainty and risk;
- useful life of the leased asset, tax incentives;
- complexity of delivery;
- territorial operating conditions.

Financing a liquid asset is beneficial to the lessee and the lessor, due to the fact that for the lessee the level of transaction risk becomes lower and, accordingly, the conditions such as high advance payment...
and high interest rate are reduced, for the lessor the benefit is that in the event of a withdrawal he will be able to quickly convert the leased asset into cash (to sell, to re-lease).

The analysis of the liquidity of the leased asset is based on the following factors:
- presence of a secondary market for assets of this type;
- ease of transportation of the asset in case of potential retirement;
- territorial location of the lessee in terms of ensuring ease of asset monitoring;
- trend in prices for a given type of asset.

From all of the above, we can conclude that the least risky leased asset is valued.

3. Results and discussion

Having analyzed various approaches to determining the risk of an upcoming leasing transaction, the authors propose their own scheme for its determining (table 1).

The parameters for assessing the financial condition of a customer are determined by segment of the asset and by segment of the customer.

Table 1. Determination of the risk segment of the transaction and the risk of the asset.

| Asset segment | Lessee's segment |
|---------------|------------------|
|               | 1 | 2 | 3 |
| 1             | 1-1 | 1-2 | 1-3 |
| 2             | 2-1 | 2-2 | 2-3 |
| 3             | 3-1 | 3-2 | 3-3 |

It is worth clarifying that the segment of the transaction (color) is determined by the highest risk of the leased asset in the application.

The definition of the lessee's segment is made according to the table 2.

Table 2. Definition of the lessee's segment.

| Segment | Client requirements | Organizational and legal form | Term of work | Kind of activity |
|---------|---------------------|-------------------------------|--------------|------------------|
| 1 (Low) | joint stock company (open or closed), limited liability company, public joint stock company | joint stock company (open or closed), limited liability company, public joint stock company, individual entrepreneur | more than 5 years | permanent, profitable (non-seasonal activity) |
|         | All clients not related to the first and second segment |                               |              |                  |
| 2 (Average) | joint stock company (open or closed), limited liability company, public joint stock company | 2-5 years | permanent, company with warehouses |
| 3 (High) | farms and non-profit organizations | 6 months - 2 years | agricultural activities, pawnshop, taxi |

We propose to determine the definition of an asset segment by the table 3.

Table 3. Definition of asset segment.

| Segment | Asset requirements | Asset type | Asset value, thousand rubles |
|---------|--------------------|------------|----------------------------|
| 1 (Low) | Russian-made asset | 500 - 1000 |
| 2 (Average) | asset of Russian and foreign production | 1000 - 2500 |
| 3 (High) | asset of Russian and foreign production | 2500 + |

As we can see, leasing transactions for enterprises of the agro-industrial complex are highly risky.
Agriculture is one of the most labor-intensive and capital-intensive sectors of the economy. At present, in Russia, a characteristic feature of the financial condition of Russian agricultural enterprises is the lack of their own funds for the technical re-equipment of production. There is an acute issue of attracting financing for small enterprises of the agro-industrial complex [2].

At first, it seems that the best option is to attract bank lending, but not all banks can satisfy the client's request. Due to the fact that small enterprises of the agro-industrial complex often cannot provide suitable collateral due to its absence in this segment. In this regard, the option of microloans remains as financing for this segment, which is much more expensive than a bank loan or raising its own funds [3].

Therefore, for most enterprises of the agro-industrial complex, the way out of this situation is leasing, as one of the ways to invest capital in fixed assets and intangible assets.

Currently, many universal leasing companies are starting to work with the small and medium-sized business segments but, unfortunately, at the moment, not all leasing companies are able to finance this segment. This is due to the fact that most often small enterprises of the agro-industrial complex do not meet the requirements of banks that finance leasing companies. Banks also set certain requirements for financing leasing transactions. Only a small number of banks are able to finance small deals [4].

Also, one of the problems in working with small businesses is the processing time of the application. Currently, leasing companies do not have a generally accepted leasing mechanism for working with small and medium-sized enterprises. In this regard, all transactions, both with a large segment and a small one, are considered at the same time. More often the client can receive agricultural equipment after a long time. For a small segment, this is unacceptable, since by allocating funds for an advance payment, the client plans to attract the leased asset to work as soon as possible [5].

The issue of interaction of leasing companies with a small segment can also be complicated by the amount of the transaction. Since, due to the requirements of banks for the amount of financing per transaction, leasing companies have to overestimate the amount of a leasing transaction for small and medium-sized businesses. For example, the client is offered to make an advance payment in a larger amount (from 30%) or the client is offered an alternative option for the leased property (more expensive than the selected one).

In connection with the above, the authors propose to stimulate the demand for leasing for small and medium-sized businesses by introducing a project to provide leasing for small enterprises in the agro-industrial complex on preferential terms (figure 2).

![Leasing scheme for small enterprises of the agro-industrial complex](image)

Figure 2. Leasing scheme for small enterprises of the agro-industrial complex.

Most often, when contacting a leasing company to acquire the required asset, many lessees, after receiving a preliminary calculation, are forced to either abandon the required asset or to choose a cheaper analogue.

This project will help a large number of small and medium-sized businesses to develop rapidly. For lessees, this service is similar to an installment plan. In this regard, it becomes more relevant at the development stage, as the client is trying to get the necessary benefits and reduce their costs for the necessary acquisition.

As we know, the goal of a leasing company is to make the most profit of each proposed project. This project is no exception.
To make a profit on the signed agreements for the proposed project, the leasing company will use discounts from suppliers - partners, which usually reach 10% -15%.

The client will be supplied with the property at the supplier's price excluding the discount. This proposal helps to reduce costs for the lessee and at the same time bring profit to the leasing company. Of course, the rise in price of 10% -15% is small, but in this case the leasing company will receive a large number of new clients and, accordingly, will increase profits in the future. Also, due to the relevance of this product, the leasing company will receive significant profits by concluding a large number of agreements.

By introducing this project into the organizational and economic mechanism of a leasing transaction, we will receive the following scheme at the stage of signing leasing agreements (figure 3).

![Diagram](image)

**Figure 3.** Implementation of "Preferential Leasing" product into the mechanism for signing an agreement.

Thus, the application of the ideas outlined in the article will allow achieving a balance of interests of all stakeholders, and in particular, small businesses in the agro-industrial complex.

4. **Conclusions**

The article proposes a scheme for determining the risk of a leasing transaction. The risks of the lessee's and the lessor's segments are considered. The conclusion is made about the high riskiness of leasing transactions for enterprises of the agro-industrial complex. The increased risks are caused by the fact that small enterprises of the agro-industrial complex are characterized by insufficient own funds for technical re-equipment of production. The issue of attracting financing for small enterprises of the agro-industrial complex by expanding the use of leasing transactions was considered. For this purpose, a leasing scheme has been proposed based on the provision of benefits to the lessee.

**References**

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