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POTENTIAL FOR THE DEVELOPMENT OF FINANCIAL LEASING IN UKRAINE

In modern conditions, the market of financial leasing services occupies a prominent place in the economy of developed countries. Financial leasing is a kind of symbiosis of lending and renting, it has a number of significant advantages for ensuring and expanding the activities of business entities due to the replenishment of their investment income, a convenient source of financing, the possibility of using modern and often expensive equipment without significant costs, modernization of production and normalization of the financial and economic state of business, which invigorates the development of the country's economy as a whole. In Ukraine, despite 30 years of development, financial leasing has repeatedly encountered difficulties, including the problems of the origin and formation of the leasing services market (90s), imperfect legislation, the decline during the financial crisis and post-crisis recovery, and currently – functioning in the conditions of war. The economic instability of the past years and the conditions of the present significantly affect the pace of development of the leasing industry, and therefore its recovery is currently a matter of time. The growth of the financial leasing market in conditions of a pandemic, economic recession and martial law makes it necessary to have a clear mechanism for regulating leasing activities. The priority reference point is the European experience, the study of which in the framework of strengthening the innovative focus of the development of the domestic economy will make it possible to choose a relevant model of the functioning of the modern financial leasing market. The aim of the article is to determine the

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ПОТЕНЦІАЛ РОЗВИТКУ ФІНАНСОВОГО ЛІЗИНГУ В УКРАЇНІ

У сучасних умовах ринок послуг фінансового лізингу займає чільне місце в економіці розвинених країн. Фінансовий лізинг є своєрідним симбіозом кредитування й оренди, має ряд суттєвих переваг для забезпечення та розширення діяльності суб'єктів господарювання завдяки поповненню їх інвестиційних надходжень, зручному джерелу фінансування, можливості використання сучасної та часто дорожчівартісної техніки без значних витрат, модернізації виробництва та нормалізації фінансово-економічного стану бізнесу, що пожевавляє розвиток економіки країни в цілому. В Україні, попри 30-річний розвиток, фінансовий лізинг неодноразово наражався на труднощі, серед яких проблеми зародження і становлення ринку лізингових послуг (1990-ті роки), недосконалість законодавства, спад у період фінансової кризи та післякризове відновлення, а наразі – функціонування в умовах війни. Економічна нестабільність минулих років та умов сьогодення суттєво впливає на темпи розвитку лізингової галузі, а тому її відновлення наразі є питанням часу. Зростання ринку фінансового лізингу в умовах пандемії, економічної рецесії та воєнного стану робить необхідним наявність чіткого механізму регулювання лізингової діяльності. Пріоритетним орієнтиром є європейський досвід, вивчення якого у рамках посилення інноваційної спрямованості розвитку вітчизняної економіки дасть змогу обрати релевантну модель функціонування сучасного ринку фінансового лізингу. Метою статті є визначення регуляторних вимог у сфері лізингової діяльності, ключових векторів



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regulatory requirements in the field of leasing activity, the key vectors of the development of the domestic market of financial leasing services in the context of European integration. To achieve the aim, scientific methods of analysis, synthesis, systematization, graphic and generalization were applied. It was established that, despite a number of problems, the leasing market of Ukraine still has all the prospects of becoming one of the powerful markets of the Central and Eastern Europe region. In this direction, it is urgent to strengthen financial literacy among the population and business entities regarding the understanding of leasing as an innovative way of purchasing equipment and a flexible business financing tool, ensuring an increase in the level of penetration of leasing into the domestic economy, expanding the spheres of attracting external financing, developing state programs, developing vendor financing.

Keywords: financial leasing, regulation of leasing activity, leasing agreement, leasing portfolio, Ukrainian Association of Lessors, Federation of European Associations of Leasing Companies Lease Europe.

розвитку вітчизняного ринку послуг фінансового лізингу у контексті євроінтеграції. Для досягнення поставленої мети застосовано наукові методи аналізу, синтезу, систематизації, графічний та узагальнення. Встановлено, що, попри низку проблем, лізинговий ринок України все ж має всі перспективи стати одним із потужних ринків регіону Центральної та Східної Європи. У цьому напрямі актуальним є посилення фінансової грамотності серед населення та суб'єктів господарювання щодо розуміння лізингу як інноваційного способу придбання обладнання та гнучкого інструменту фінансування бізнесу, забезпечення підвищення рівня проникнення лізингу у вітчизняну економіку, розширення сфер залучення зовнішнього фінансування, розробка державних програм, розвиток вендорного фінансування.

Ключові слова: фінансовий лізинг, регулювання лізингової діяльності, договір лізингу, лізинговий портфель, Асоціація "Українське об'єднання лізингодавців", Федерація європейських асоціацій лізингових компаній Lease Europe.

JEL Classification: G10, G20, G28.

Introduction

The modern market of financial services of Ukraine in the period of increased volatility and significant transformations should become a prerequisite for further social and economic development of the country. First of all, the support and development of financial leasing as an effective mechanism for investing in the renewal of the material and technical base and financing the real sector of the economy is currently one of the effective tools of the domestic economy and a priority in post-war reconstruction.

Leasing tools are quite actively used in the developed countries of the world, first of all, almost a third of investments in fixed assets are made through them. In particular, small and medium-sized enterprises of the countries of the European Union prefer leasing after such a source of financing as credit lines (Potrivaeva N., Kozachenko L., 2019, p. 381). Domestic economic realities show that business entities are cautious about using financial leasing services, which is due to little experience in this field, the long-term imperfection of the legislative framework, and currently, the unstable state due to functioning in wartime conditions.

The legal nature and peculiarities of financial leasing operations, the current state and prospects of its development in Ukraine are the subject of research by many scientists.

The main approaches to defining the essence of the concept of "leasing", the conceptual provisions of the leasing agreement, the analysis of

legislation in this area are thoroughly researched in the works of Karpenko R. (2020), Lepeh S. (2021), Malyshko V. (2015) and others, in particular, the authors emphasize the importance of the successful development of leasing relations in Ukraine, primarily due to ensuring their proper and transparent regulatory regulation. Bestuzheva S., Kozub V. and Dobryn S. (2023) reveal the importance of modern legal regulation of financial leasing services and methodical approaches to the organization of international leasing operations (2023), noting that in the domestic economy, increasing the volume of financing of foreign economic operations requires the search for optimal methods and sources, among which a significant place is occupied by leasing.

The current state, trends in the development of the world market of financial leasing services, as well as the peculiarities of its regulation in different countries have been studied in a number of important scientific works. In particular, Netudikhata K. (2017, p. 93) defines the development of leasing as one of the macroeconomic factors of profound positive changes in national economies. The active use of this financial instrument makes it possible to solve the most important economic problems related to the modernization of the main production assets, the stable development of industries and regions, the expansion of the domestic production market and the increase in sales. The analysis of international experience in supporting the development of leasing during its formation and the level of ensuring its regulation, the need and effectiveness of state support for leasing relations in developed countries are reflected in the works of Amelin S. (2009), Potriveva N., Kozachenko L. (2019), Sytnyk N., Dunets I. (2021) and others. Scientists claim that in modern conditions the functioning mechanism of the leasing market of Ukraine needs updated approaches and development, and therefore the issues of studying the experience of foreign countries in regulating leasing operations and additional opportunities from the use of financial leasing as a form of updating the material and technical base are relevant.

Questions related to the processes of organization, budgeting and planning, financing and efficiency of leasing activity were studied in a number of scientific works by Gordienko T. and Sydorenko V. (2017), first of all, the authors noted the peculiarities and importance of leasing in the development of the country's economy.

The role of financial leasing in supporting the agricultural sector, the problems and prospects of its use for agrarian business entities were outlined by N. Sirenko, T. Gannichenko, K. Mikulyak and A. Polishchuk (2021). First of all, it is important for Ukraine today to widely use this financing tool to stimulate economic growth and development of small and medium-sized enterprises. It has been proven that the development of enterprises in the agricultural sector is possible under the conditions of the implementation of financing support programs and tax incentives for lessees and lessors.

At the same time, the issues of regulatory aspects and features of the development of financial leasing in Ukraine in the conditions of financial market transformations and threats caused by the state of war in the country require further research.

The aim of the article is to establish regulatory requirements in the field of leasing activities, the features of the European financial leasing market and to determine the key vectors of the development of the domestic market of financial leasing services in modern conditions.

The theoretical and methodological basis for writing the article was the research of domestic scientists on the issues of regulation and development of leasing, legislative acts of Ukraine in the field of financial leasing, as well as official statistical data of the European Federation of leasing market participants Lease Europe, the Ukrainian Association of Lessors (UAL), the State Statistics Service and The National Bank of Ukraine as a regulator of the financial market. Such methods as analysis, synthesis, systematization, graphic, generalization are used to present and interpret the indicators of the European and domestic markets of financial leasing services.

The research of the current state of the market of financial leasing services of Ukraine made it possible to single out the vectors of its development, which are described in four sections of the main part of this article.

1. Harmonization of the legislation of Ukraine with the legislation of the European Union and international standards

In some countries, there is no special legal regulation of leasing relations; it is provided by the general norms of tax, civil, economic, commercial and criminal law in such countries as Belgium, Spain, Germany, Hungary, Bulgaria, Japan, USA, Denmark. In a number of countries, including Great Britain, Portugal, France, Sweden, and Austria, there are special laws and by-laws that regulate the provision of financial leasing services (Cheberyako O., Hnatiuk O., 2020, p. 126).

Financial leasing is also usually characterized by an obligation to sell the property at the end of the agreement at a pre-agreed price (Belgium, France), while operating leasing is synonymous with renting and is an unregulated activity (Portugal, Hungary) (Legal regulation of leasing: the experience of Spain, of Portugal, Bulgaria and Hungary, 2016; Netudikhata K., 2017, p. 93).

In Ukraine, the provision of financial leasing services is regulated by the Economic, Civil and Tax Codes of Ukraine, the laws of Ukraine "On Financial Leasing" (2021), "On Financial Services and Financial Companies" (2021), "On Banks and Banking Activities" (2000), and as well as the UNIDROIT Convention (1988) on international financial leasing, which generally corresponds to the peculiarities of regulation in European countries.

The norms of the Civil and Economic Codes of Ukraine establish the legal regime of leasing as a separate type of contractual obligations that mediate relations regarding the transfer of property for temporary use and as an economic activity aimed at investing one's own or borrowed financial funds, which consists in providing property under certain conditions (CCU, 2003; GCU 2003).

The general conditions and procedure for carrying out leasing operations by banks are defined in Art. 47 of the Law of Ukraine "On Banks and Banking Activities" (2000): leasing is one of the banking operations that banks have the right to carry out on the basis of a banking license of the National Bank of Ukraine.

Special national legislation in the field of leasing relations – the Law of Ukraine "On Financial Leasing" is actually built exclusively on a civil law basis; its subject is primarily the regulation of contractual relations. Adopted in 1997 as the Law "On Leasing", in 2003 it was renamed to the Law "On Financial Leasing" to regulate civil-law relations arising from the contract primarily of financial leasing, since operating leasing is equated with rent and it's the activity is not subject to specific regulation.

Morally outdated, not adapted to the realities of the modern concept of the market of financial leasing services, in June 2021 the new law "On Financial Leasing" entered into force, aimed at creating an appropriate competitive environment in the field of financial leasing, which allowed to harmonize the legislation of Ukraine with the legislation of the European Union and international standards, namely:

- inconsistencies in the definitions and interpretations that describe leasing legal relations in various normative legal acts of Ukraine have been eliminated;

- features of financial leasing are detailed;

- the National Bank of Ukraine was defined as the body of state regulation, supervision and control in the financial leasing market and a unified procedure for regulating relations in the field of financial leasing was approved;

- clear requirements for the form of the financial leasing contract and its essential conditions, as well as the consequences of declaring the contract invalid;

- it is prohibited to finance individuals with a reference to the monetary equivalent of a foreign currency;

- the issue of the notarial form of contracts for vehicles with natural persons has been settled;

- the concept of "advance payment" is fixed not as the lessor's funds, but as a component of the leasing payment, which compensates part of the value of the object of financial leasing;

- the protection of the rights and legitimate interests of the subjects of the leasing agreement is ensured, and the supplier's responsibility to both the lessor and the client is strengthened (About financial leasing, 2021).

Therefore, the updated special legislation in the field of financial leasing will increase the demand for the use of this financial instrument, strengthen the protection of the rights of consumers of this service, and reduce the risks of related transactions.

The Law of Ukraine "On Financial Services and Financial Companies" (2021), effective from 2024, significantly changed the appearance of the non-banking financial market. In terms of financial leasing, the Law provides for a number of innovations and advantages, in particular:

- simplified procedure for obtaining a license – each financial service will not need to be registered separately, a single license will specify all financial services to which the NBU has granted the right;
- with the acquisition of the status of a financial company, lessors will not be subject to restrictions on exclusive activity, that is, they will have the right to perform other economic activities, in addition to the provision of financial services;
- implementation of the declarative principle of acquisition of significant participation and appointment of a manager in a leasing company;
- the possibility of outsourcing part of the functions.

At the same time, there are a number of difficulties for lessors. First of all, there are increased requirements for corporate management and internal control, which were not previously applied in this activity and require the development of a significant array of internal documentation, an increase in human and time resources, which, in turn, may be reflected in an increase in the price of the leasing service. Secondly, strict requirements for the business reputation and professional suitability of the head of the leasing company and the owners of a significant share – in case of non-compliance with all requirements, the regulator will be able to demand the termination of their powers. Thirdly, the regulator will have the right to adjust the activities of not only the financial institution itself, but also the providers of accompanying services; in particular, it will have the right to demand documents about them from the lessor. And, fourthly, a wide list of grounds for canceling a license has been established (About financial services and financial companies, 2021).

In general, the constructive changes that the financial leasing market is waiting for should have a positive effect on its development, increase the transparency and quality of the provision of leasing services.

As evidenced by the study of international best practices, almost all countries have from one (Germany, Belgium) to two (Great Britain, France) professional associations of lessors, which cover almost the entire market of leasing relations.

In Ukraine, the Association "Ukrainian Association of Lessors" (UAL), which began its activities in 2005 as a voluntary non-commercial association of professional leasing companies, is also established and successfully functions, which is the only leasing association in Ukraine.

UAL is a member of the Lease Europe Federation of European Associations of Leasing Companies, which unites 43 national associations from European countries and represents the interests of about 1 500 leasing companies

(92% of the European leasing market). UAL members participate in Lease Europe working groups on issues related to the countries of Central and Eastern Europe. Today, the association can provide important services to its members (for example, training courses, statistics and information on the website, exchange of experiences and conferences, news of the legal and regulatory field).

For example, the Polish Leasing Association receives leasing data from its members according to the Lease Europe templates and publishes this data quarterly during press conferences. The data is considered official, used and cited in all research, business reports, newspaper reports, etc. Similarly, UAL has the opportunity to draw attention to this industry by publicizing the results of its participants to the public and the business community (Official website of the Ukrainian Association of Lessors, 2021).

2. Revival of the European leasing business and decline in the domestic market of leasing services

According to Lease Europe, Great Britain has the largest share of the leasing market in Europe. The next important countries in terms of the volume of concluded leasing agreements are Germany and France. Ukraine is part of the cluster of the Central and Eastern Europe region, which covers 8–9% of European leasing (*Table 1*).

Table 1

The value and share of new leasing agreements in certain European countries in 2018–2022

Country or region	2018		2019		2020		2021		2022	
	EUR billion	%	EUR billion	%	EUR billion	%	EUR billion	%	EUR billion	%
United Kingdom	91.9	23.8	96.9	23.4	78.8	22.4	90.6	23.3	95.5	23.6
Germany	57.6	14.9	69.8	16.8	58.7	16.7	71.6	18.4	69.9	17.3
France	56.2	14.5	63	15.2	54.3	15.4	61.4	15.8	61.9	15.3
Italy	29.8	7.7	27.9	6.7	22.9	6.5	28.8	7.4	31.5	7.8
Austria, Benelux, Switzerland	42.2	10.9	46.9	11.3	42.4	12.0	42.2	10.9	*	
Nordic countries, Baltic countries	33.9	8.8	33.6	8.1	30.4	8.6	37.8	9.7		
Greece, Portugal, Spain, Morocco	19.4	5.0	20	4.8	16.1	4.6	20.1	5.2		
Central and Eastern Europe	37.4	9.7	34.9	8.4	31.1	8.8	36.2	9.3		
Russia**	18	4.7	21.9	5.3	17.2	4.9	–			
In total	386.4	100	414.9	100	351.9	100	388.7	100	404.0	100

* aggregated data are not available;

** excluded from Lease Europe in March 2022 due to the aggression of the Russian Federation in Ukraine.

Source: compiled by the author based on official data from Lease Europe (n.d.) for 2018–2022.

In 2017, the portfolio of new leasing agreements reached EUR 384.1 billion (9.4% growth compared to the previous year), with around a third of national markets experiencing double-digit growth compared to the previous year – especially the Netherlands, Poland, Russia and Bulgaria. In 2018 it was noticed an increase in the leasing business by 7.7% compared to the previous year, with most participating countries having positive results, with the exception of Greece, Slovakia, Turkey and the Czech Republic. The largest increase was observed in the Netherlands, Poland, and Bulgaria. In 2019, the volume of new leasing agreements increased by 6%, positive results are observed in many countries, except Italy and Portugal, parts of the Central and Eastern Europe region and the Baltic countries (Lease Europe, n.d.).

The total value of new leasing agreements in 2020 amounted to EUR 351.9 billion, decreasing by 14.2% compared to the previous year. Due to the global COVID-19 pandemic, most national leasing markets in Europe showed deterioration in performance, with around 3/4 of countries recording double-digit declines in 2020 compared to the previous year.

The Baltic countries, Croatia, Portugal, Spain and Morocco suffered the biggest losses, with total new leasing volumes falling by more than 20%. In contrast, Ukraine, Turkey and Greece were the only countries to indicate growth in new volumes in 2020, while recovering from the low levels reached in previous years (Lease Europe, n.d.).

In 2021, the total volume of new leasing agreements amounted to EUR 388.7 billion, which shows an increase of 15.8% compared to 2020. Great Britain continues to occupy a leading position on the European leasing market with new volumes worth EUR 90.6 billion, followed by Germany and France (Lease Europe, n.d.). According to the latest published statistical data, at the end of 2022, the volume of new leasing agreements amounted to EUR 404 billion, which is 3.9% more than the previous year.

In general, recent years have been marked by a significant revival of the European leasing sector: most national markets have received positive results, including more than three-quarters of countries recorded double-digit growth. Thus, the countries of the Baltic region, Turkey, Slovenia and Sweden showed the highest increase in the total volume of new agreements – the increase was more than 30%. It is important to note that the main leasing sectors, which are related to automotive, engineering and industrial equipment, are improving their performance in all directions.

Along with the revival of European leasing, the data of the *Table 2* indicate negative trends and a decline in activity on the leasing market of Ukraine in recent years, which was caused by the introduction of martial law in the country and the risks that accompany business entities in these conditions.

Table 2

The main indicators of the non-bank market of financial leasing services
in Ukraine in 2013–2023

Indicator	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
The value of current financial leasing contracts, UAH billion	67.1	58.6	26.3	23.2	22.8	25.2	29.0	42.0	48.8	43.9	42.3
The value of new financial leasing contracts, UAH billion	31.6	7.4	6.3	9.8	13.0	22.2	26.2	26.1	10.6	3.3	2.1
GDP (real), UAH billion	1410.6	1365.1	1430.6	2034.4	2445.6	3083.4	3675.7	3818.5	4363.6	3865.8	2800.1
Share of the value of current financial leasing contracts in GDP, %	4.76	4.29	1.84	1.14	0.93	0.82	0.79	1.10	1.06	1.14	1.5
Share of the value of new financial leasing contracts in GDP, %	2.24	0.54	0.44	0.48	0.53	0.72	0.71	0.68	0.91	0.09	0.08

* as of the 3rd quarter.

Source: compiled by the author based on official data of the National Bank of Ukraine (Official website of the National Bank of Ukraine, n.d.) and the State Statistics Service (State Statistics Service of Ukraine, n.d.), 2013–2023.

In connection with the deterioration of the situation in the economic and financial spheres, military and political events in the Crimea and in the East of Ukraine in 2014–2015, a decline was observed in the market of leasing services. Since the demand for leasing decreased, the credit-worthiness of lessees deteriorated, the equity capital of leasing companies decreased due to the appearance of systemic losses and the cost of the resources involved increased (Transformation of the financial sector, June 2018). The value of current leasing contracts, after a sharp reduction in 2015, showed certain stability over the next four years (from UAH 23.18 to 29 billion).

The first positive year in terms of indicators in Ukraine after the crisis was 2016. According to statistical data, the number of new lessor contracts in the non-banking sector increased to 9 160 in 2016 (by 22%), before decreasing in 2017. to 7 752 (Leasing industry in Ukraine, June 2018). In 2021, the value of leasing agreements increased by 9.8% compared to 2020 and by 58.8% – since 2019. At the same time, despite the positive dynamics of the growth of the value of contracts in recent years, this amount did not reach the value of UAH 67.1 billion in 2013, the historical maximum of the studied decade.

Penetration Rate is one of the important indicators of the financial leasing market. This indicator can be calculated by two methods. The first is

the ratio of the value of leasing contracts to the total investment in fixed capital reflects the competition of leasing with alternative forms of financing. According to studies (UAL, 2021; Netudikhata, 2017, p. 94), this indicator has the highest values in Australia (about 40%), Canada (32%), Great Britain (31.1%), and the lowest (4%) is in China.

The second indicator, the ratio of leasing to GDP, is more reliable, as it is based on a broader calculation denominator and takes into account the sectoral structure of the economy. The highest values of this indicator (in terms of new leasing contracts) are observed in Sweden (about 3.03%), Great Britain (3.02%), the USA and Australia (2.08%), and the lowest (0.77%) in Italy (Netudikhata, 2017, p. 94). As we can see, in Ukraine since 2015, the values of the share of leasing in GDP have been low, both from the point of view of newly concluded contracts and from the perspective of all current leasing contracts. Only in 2013, it was almost 5% (4.76%), and in subsequent years it only fell, which indicates the decline in the role of financial leasing as an investment tool and the reduction of the scale of its use in the country's economy. Also, according to the results of the military year 2022, the volume of newly concluded leasing agreements on the domestic market decreased by 68.4%, and their share over the past ten years has a record low value of 0.09%.

The rate of leasing penetration can also be calculated in a part of the market, for example, according to UAL data, the largest number of vehicles leased in Ukraine is passenger cars. The degree of leasing penetration in the domestic automobile market is 13%, and in the car market – 11.4% (Leasing industry in Ukraine, June 2018).

3. Strengthening the positions of Ukrainian banks in the field of providing financial leasing services

Banks and non-bank financial institutions can provide leasing services in Ukraine. Although financial companies with the right to carry out leasing activities are more numerous, they are not the main players in the market – it is legal entities lessors who form the main part (90%) of financial leasing contracts. According to the Ukrainian Association of Lessors, its 16 members make up about 80% of the Ukrainian market (UAL, 2023).

Despite the fact that a large number of financial institutions are registered in Ukraine with the right to conduct factoring and leasing activities, in reality they may not conduct leasing activities. As stated in the report "Leasing industry in Ukraine: trends and recommendations for growth", the data of the National Financial Services Agency (the regulator of the non-banking sector until 2020) does not show a clear picture of the market due to outdated reporting forms for data processing. It is also practically impossible to distinguish between companies that are registered to provide

services, but do not actually conduct activities, and those that are active lessors (Leasing industry in Ukraine, June 2018).

Banks, as well as financial companies that have the right to provide leasing services, do not position themselves as the main players in the financial leasing market. At the same time, the study of bank financial leasing shows the increase in the number and value of leasing agreements in the banking sector in recent years.

The number of banks that actually provide financial leasing services is stable and ranges from 17 to 19 institutions, including Privatbank, Ukrgasbank, PUMB, Kredobank, Taskombank, Ukreximbank, Poltava-Bank, etc. In 2020, Ukrainian banks concluded financial leasing agreements in the amount of UAH 6.7 billion, which is 14% less than in the previous year, and the portfolio of banking leasing agreements increased by 10% during the reporting period. In general, the three largest banks by the size of the leasing portfolio have a share of 63% of the total value of the banks' portfolios, and the ten largest banks – 98%. In 2021, the value of new agreements concluded by banks amounted to UAH 9.22 billion, which indicates an increase of 37.5% compared to 2020.

According to official data, the Bank "Investments and Savings" took the lead in terms of annual indicators, the increase in the value of its new transactions amounted to 64 66 3% compared to the same period last year, and reached the mark of UAH 212 million. Ukreximbank also increased its efforts, which grew by 10 323%, concluding deals for a total of UAH 156 million. The three leaders in terms of growth dynamics are completed by Poltava Bank, which increased the value of new transactions by 1.724%, or up to UAH 7.5 million. The growth of the segment was also facilitated by the activity of several new players who were not active last year. Among them there is Cominvestbank, Pivdenny Bank, Bank Sich, Yunex Bank. In general, the bank's portfolio of leasing agreements as of the reporting date amounted to UAH 11.3 billion, i.e., its volume increased by 3% over the year. The three largest banks by the size of the leasing portfolio have a share of 53% of the total value of bank portfolios (UAL, 2021).

Thus, the dynamics of bank leasing remained impressive in the conditions of the "Covid" economy, ahead of macroeconomic indicators, which confirms the huge potential and sustainability of leasing as a financial instrument.

According to the latest official data, as of the third quarter of 2023, the banking leasing sector continues to maintain positive dynamics in terms of the number and value of new leasing agreements. Thus, over the last year, banks concluded 36.5% more new financial leasing agreements, while at the same time, the total banking portfolio of leasing agreements decreased insignificantly. Privatbank, Ukrgazbank, Ukreximbank, PUMB and Kredobank continue to remain in the top five in terms of portfolio size (UAL, 2023).

4. Orientation of leasing services in Ukraine to the spheres of agriculture and the transport industry

In recent years, representatives of the transport industry and agriculture have been the largest lessees in Ukraine, the volume of active contracts under which as of the 3rd quarter of 2023 amounted to UAH 9 334.3 million and UAH 11 091.4 million, respectively. These two industries have the largest share (almost 50% of the total) in the value of current contracts, and the third place is occupied by the service sector, the share of which has doubled in recent years (*Figure 1*).

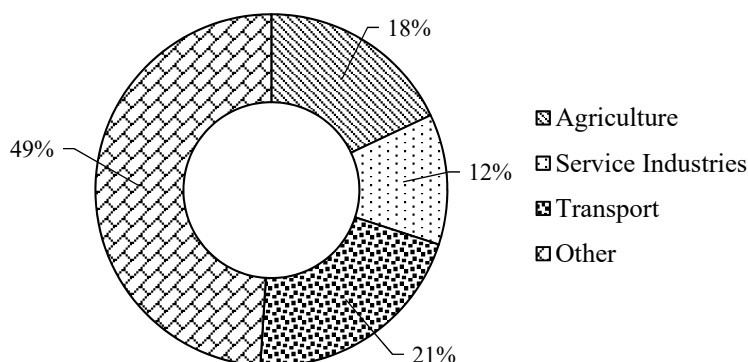


Figure 1. The structure of the leasing portfolio of Ukraine by the largest industries in 2023

Source: compiled by the author based on NBU data (Official website of the National Bank of Ukraine, n.d.), 2023.

Leasing in the field of agriculture has become highly developed in Ukraine, as our state is one of the leading agrarian countries in the world and is among the ten largest exporters of agricultural products. According to the latest UAL data, OTP Leasing is the undisputed leader in this field. The Ukrainian Agricultural Business Club (UKAB) in the information on the structure of leased assets in the agricultural sector notes that the main equipment for which leasing contracts were concluded were tractors (50%), combines (25%) and cultivation equipment (25%) (Leasing industry in Ukraine, June 2018).

The data suggests that lessors are also interested in leasing highly liquid equipment that can be easily returned and resold, with cars being a prime example. In the portfolios of most leasing companies, cars are usually the dominant subject of financial leasing.

Car leasing is certainly the most developed part of the Ukrainian leasing market. Some larger companies operate with "full service agreements" where the lessor manages the company's vehicle fleet. The experience of international companies in providing this type of leasing (AVIS-Ukraine or ALD Automotive) is successfully used by other companies, such as "ULF-Finance" or "OTP Leasing". According to official data, the number of leased cars in 2016 was 6 thousand units, which is 70% more compared to 2015, and in 2017 the total number of leased cars was 5 871. The leaders were the companies "

OTP Leasing" (1 615 cars), "ULF Finance" (1 249) and "Porsche Leasing Ukraine" (1 117) (Leasing industry in Ukraine, June 2018). The sectors in which leasing is only gaining momentum in our country are the computer and telecommunications spheres, as well as the health care sector, the share of which does not even exceed 1%.

At the same time, the structure of leasing in the economic sectors of individual countries is quite different, which is related to the specifics of economic activity. For example, in Japan, which is one of the leaders in the field of high technologies, the largest share is IT and telecommunications leasing (32%), transport, followed by trade and service equipment with a share of 14%. The situation is significantly different in Germany, where the leasing portfolio consists of 77% of transport, 8% of industrial equipment and 6% of IT and office equipment. In Poland, 45% of leasing is cars and light commercial vehicles, trucks and buses – 26%, industrial equipment – 20%, agricultural machinery – 7.3% and IT – 3% (Leasing industry in Ukraine, June 2018).

The results of the analysis of the pan-European leasing portfolio structure show that the largest leasing sector in recent years has remained transport (Figures 2, 3).

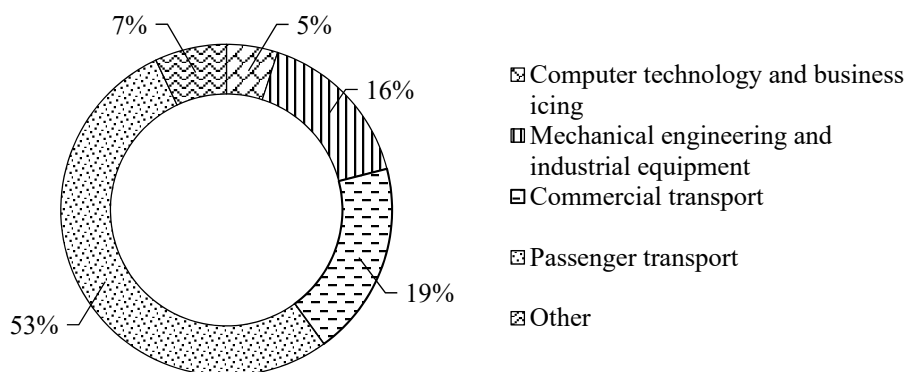


Figure 2. Volumes of new leasing equipment by types of assets in European countries in 2019–2022

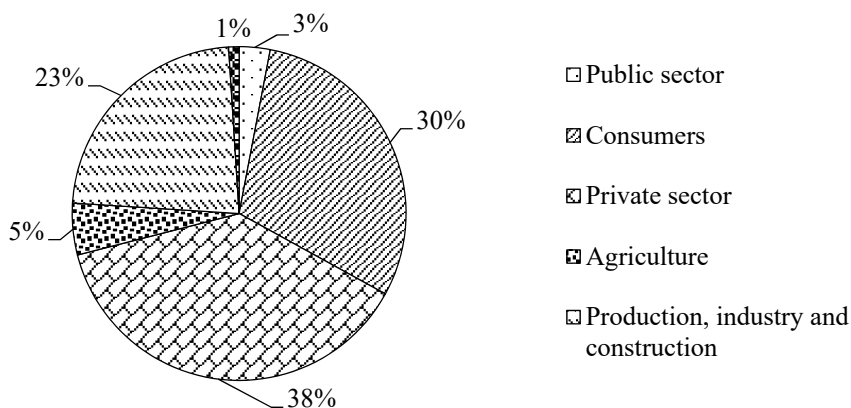


Figure 3. Leasing volumes by customer category in European countries in 2019–2022

Source: Compiled by the author based on official data (Lease Europe, n.d.).

Cars and commercial vehicles account for 72% of the total volume of new services provided in recent years, remaining the largest single segment of assets in the European leasing market. Leasing of industrial equipment takes the third place (16%), and leasing of computer equipment and business equipment – the fourth position (5%). About two-thirds of new equipment leasing (including vehicles, 38%) was to the private sector (business), with 30% to consumers and 3% to government. The agriculture, manufacturing, industry and construction sectors use leasing the least (Lease Europe, n.d.).

Thus, today leasing is a very important way of financing for many companies around the world. The share of leasing is particularly important for the development of small and medium-sized businesses: it is an actual source of financing for 48% of business entities in the EU. Among the companies that consider leasing an important source of financing, there are companies from Germany, Great Britain and Poland (third place in Europe with 60% of companies that indicate that they are interested in using leasing in the future) (Leasing industry in Ukraine, June 2018).

Conclusions

Just as the Ukrainian leasing market began to recover from another crisis, a full-scale invasion by the Russian Federation took place, which was a shock to the country's economy. The leasing market suspended its full-fledged work in the first month, and only in April 2022, after a break of more than forty days, it resumed financing primarily the agricultural sector – agricultural clients of medium and small businesses.

Despite a number of problems, the leasing market of Ukraine has every prospect of becoming one of the powerful markets of the Central and Eastern Europe region. First of all, the attraction of external financing and the support of the state from the development of various development programs will allow to increase the volume of leasing in such areas as equipment for road construction, medical equipment, passenger transport and real estate.

The development of vendor financing is no less important for the domestic market of financial leasing services. Currently, the most popular scheme in which the leasing market operates in Ukraine is through consumers, that is, the initial contact is formed at the level of the lessee and the lessor. In a vendor scheme, the potential lessee approaches the manufacturer or dealer of the asset and accesses the lease through him. Using the vendor scheme, the lessee has access to the lease at the point of sale of the asset rather than at the point of financing. According to a report prepared for Lease Europe by Oxford Economics, the most popular leasing option in Europe is vendor financing.

Thus, the market of financial leasing services of Ukraine has significant potential and opportunities for development, which may open up during the recovery of the post-war economy thanks to the joint efforts of the state, the regulator, lessors and business.

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