



MODERN CONDITIONS OF DEVELOPMENT OF LEASING MARKET IN RUSSIA ON THE EXAMPLE OF RAIL TRANSPORT



Zharikov V. V.^{1†} --- Bezpалov V. V.² --- Ershova M. V.³

¹Doctor of Economics, candidate of technical Sciences, Professor FGBOU VPO "Moscow state humanitarian-economic University", Moscow

²Candidate of Economics, associate Professor FGBOU VPO "Russian University of Economics named after G. V. Plekhanov", Moscow

³Candidate of Economics, associate Professor FGBOU VPO "Tambov state technical University", Tambov

ABSTRACT

With the development of market economy in Russia, as well as improving methods and mechanisms to improve its effectiveness, the article explores different aspects of the leasing market. The essence and content of the lease relationship, the classification of types of leasing: financial and operational, in immovable and movable property, the contract net and full service lease, direct and indirect leasing, fixed-term and renewable (revolving) leasing, describes the main functions (financial or investment including obtaining tax exemptions; production; marketing) and its principal difference from the rent. Data analysis showed a steady market growth of leasing in recent years in Russia, where the major share of the leasing market is the railway, which is forecast in the coming years to double taking into account depreciation of fixed assets and increase market share in Russia's GDP to 3% (Abashina et al., 1998). On the basis of the conducted research the authors have been proposed revitalization activities of the leasing market, such as: the updating of the active part of fixed assets at the expense of new types of leasing; the introduction of activities aimed at coordination and cooperation among scientific and research organizations; provision of free access of small and medium-sized businesses to services of transportation by rail due to the growth and gradual development of the Russian leasing market; as well as the algorithm to improve the efficiency of leasing services on the railway market.

© 2017 AESS Publications. All Rights Reserved.

Keywords: Transportation, Leasing, Growth, Market.

Received: 27 May 2016/ Revised: 23 July 2016/ Accepted: 16 September 2016/ Published: 8 October 2016

1. INTRODUCTION

With the development of market economy in the Russian leasing is formed as an effective way of entrepreneurial innovation and industrial activity. Often, the majority of entrepreneurs in Russia is not so much money is required as technology, equipment, legal and consulting services, as well as they need to be accessible and transparent government support. Different organizational forms of business, including state-owned companies resort to a wide range of leasing services in order to satisfy these needs. Transport in the logistics system of any country performs an important function as a link between all its elements, and is a fundamental component in the formation of prices. Thus, international experience shows that organizations engaged in transporting, use the vehicle primarily provided to them by leasing. Leasing can be an effective way to solve the problems of the situation in the market of transport

† Corresponding author

DOI: 10.18488/journal.8/2017.5.1/8.1.1.10

ISSN(e): 2312-3656/ISSN(p): 2313-2884

© 2017 AESS Publications. All Rights Reserved.

companies in Russia that allows replacement of obsolete equipment and introduction of modern technologies timely. Using leasing, a Russian company without a large initial investment, can renew their funds on more sophisticated and gradually paying off your landlord (the lessor) update equipment, technology, machines and equipment. In large parts of Russia the role of rail transport in the long term will only grow, and therefore to increase efficiency and reduce costs to explore, develop as new techniques, methods and mechanisms for managing logistics systems and improve existing ones where one of the main tools such acts leasing (Amemba and Fssociates, 2014).

2. LITERATURE REVIEW AND PROBLEM STATEMENT

Issues associated with leasing was considered by such famous Russian scientists-economists as V. D. Gazman, V. A. Goremykin, V. M. Guha, M. V. Carp, as well as the issues of stimulation of leasing activity was studied by foreign scholars G. Hamilton, T. Clark, C. Boards. In General, leasing is "a set of economic and legal relations arising in connection with the leasing agreement implementation, including the acquisition of the leasing". For right justification of interaction between the lessor and the lessee prepared the leasing which is defined as: "a contract whereby the landlord (lessor) undertakes to acquire in the property specified by the lessee (the lessee) property for payment for temporary possession and use" (Abashina *et al.*, 1998; Cuming, 1998).

In the form in which the leasing exists now, was formed in the middle of the last century in the United States. In 1952 was created the first leasing company United States Leasing Corp. Nowadays, the share of leasing in total volume of purchased fixed assets is the following: in the U.S. - about 50%, Europe 40%, Asia – 80%. Thus, leasing in many countries is widespread and is considered one of the most efficient ways of business organization (Amemba and Fssociates, 2014). The leasing market in Russia is in its infancy and often gets a negative effect, the latter in such a negative example of events occurring with private airline "Transaero" in September - October 2015. Objects of leasing in Russia, as a rule, are the vehicle, construction machinery, various industrial equipment, machinery, devices, licenses, know-how, buildings and constructions of industrial purpose, etc. a special role leasing plays of vehicles in complex logistics systems, and this is especially relevant in the field of transportation and delivery of goods.

In the modern concept leasing is a long-term lease (for a term of 6 months to several years) machinery, equipment, vehicles, etc. through lease back rent. In the capacity of a lessor are typically manufacturers, banks, leasing company or specialized financial companies. Depending on the terms of the deal, leasing may be a bank, return, general, import, classic, operating, financial and full. As recommendations can be advised entrepreneurs to enter into a contract leasing classic, where the lessor assumes all costs associated with the operation and maintenance of equipment, including tax payments (Cuming, 1998).

Speaking of leasing, many scholars draw an analogy with the rent and some of the examples almost fully equate these concepts (table. 1).

Table-1. Classification of investments by forms of ownership and spheres of investment (Goremykin, 2003).

| Criterion classification | Allocated types | The role of leasing |
|---|---|--|
| Types of ownership and investment entities. | 1. State. 2. Private (individuals and entities). | 1. The maintenance of the priority areas of economic development. 2. Renewal of fixed assets, the accumulation of idle funds. |
| Sphere and objects of attachment. | 1. Financial. 2. Real (tangible, intangible). | 1. The accumulation and investment of available funds. 2. Renewal of fixed assets, expansion of production. |

Source: Goremykin (2003).

The essence of leasing is the separation of the concepts of property ownership and right of using. The owner of the property on all the time a leasing transaction, the lessor remains (Goremykin, 2003).

We will note some significant differences from classic leasing rental:

Table-2. Comparative table rental and leasing (Gazman, 2011)

| Categories and comparison attributes | Rent | Leasing |
|--|---|---|
| Type of market relations | There is no sale of the property for rental. | Along with the lessor and the lessee include additional figure – the seller of the leased property. |
| Contractual relationship. | It is only contract of rent. | In the implementation of leasing transactions, the parties conclude at least two contracts: the contract of sale and the leasing agreement. |
| Delivery of property | Delivery of property is made by the manufacturer, agent or the owner. | The delivery of the property leased, as a rule, is carried out not by the manufacturer or original owner, and financial institution or leasing company. |
| Rights and responsibilities. | Renter may use the property without not fully dispose of them. | When leasing, the lessee is granted the rights and responsibilities inherent to the buyer. |
| The distribution of risks. | According to the lease the landlord is responsible to tenant for all failures that prevent the use of the property. | According to a leasing contract the lessor shall not be generally liable for defects, and also it is free of warranty on the property. |
| The expiration of a term (rental / leasing). | At the expiration of the term of the lease the tenant must return the property to its owner. | At the expiration of the leasing term provides for the following options of cooperation between the parties: extension of the agreement, return of property, the transfer of ownership of the property to the lessee. |

Source: Gazman (2011).

The importance of leasing is that allows various market participants without the involvement of large financial resources to upgrade their fixed assets, acquiring the most modern equipment. Leasing opens the way to the latest achievements of science and technology, advanced technology allows small and medium businesses to realize their business projects. As a result, the tenant can immediately continue to release competitive products that are in demand in the market, or to the provision of quality services and revenues gradually to pay off the leasing company. Thus, the development of leasing in Russia will allow to develop the economy to a new innovative level and to quickly introduce modern technologies and equipment in various economic spheres.

Discussion and results of research. According to the authors, the leasing in logistics systems has its specific feature and represents the purchase of a manufacturer of vehicles by the lessor, which in consequence by the owner on the lease term, by investing its own funds at the request of the lessee for the right to possession of the property on a long-term (depreciation) period, followed by abandonment of the property by the lessee under the lease agreement, the lessee for performing the functions of the leasing and investments, the cost of which is repaid gradually to the lessor for the lease term. In this case the lessee is responsible for the condition of the property for the entire lease term. Leasing has many varieties and is constantly integrating with various activities adapting to them, i.e. in constant development and dynamism (table 3).

Table-3. Basic classification of types of leasing on purpose (Lapygin and Sokolsky, 2002)

| Types of transactions | Type of leasing | Content | Result |
|---|--------------------------------|---|---|
| The content of leasing transactions. | Financial. | 1. A longer term lease. 2. Full depreciation of the property. 3. The property remains with the lessee. | 1. The lessor is not responsible for the condition of the property. |
| | Operative. | 1. Short term rental. 2. Partial amortisation period. 3. Is transferred to the lessor at the end of the leasing term. | 1. For the condition of the property is the responsibility of the lessor. 2. Quick update vehicles used by the lessee. |
| The objects of transactions. | In movable property. | Road, air and sea transport, cars, containers, equipment connection. | Without a major investment receives in leasing the property. |
| | To immovable property. | Commercial and office buildings, industrial premises, warehouses. | Without a major investment receives in leasing the property. |
| The relation to the leased property. | Net leasing. | Additional costs in the maintenance of property borne by the lessee. | Savings by the lessor. |
| | Full leasing. | All expenses for maintenance of property assumes the lessor. | Savings to the lessee. |
| On the basis of the relationship between the borrower and the dealer. | Direct leasing. | The manufacturer or the owner rents the property for rent. | Savings to the lessee. |
| | Indirect leasing. | Renting the property is conducted through a third party. | Saving on taxes. |
| According to the method of financing. | Fixed-term leasing. | Rent is disposable. | Known expiry date of the leasing. |
| | Renewable (revolving) leasing. | The lease continues after the first term of the leasing. | You can control the relationship on terms of leasing. |

Source: Lapygin and Sokolsky (2002).

From table 3 it can be seen that the content of leasing transactions, they are very diverse. In this case the lessee without major investments tapped to manage the property for a specified period or forever, gradually repaying the investment and cost of lease (property rental).

Researches have shown that leasing as a complex socio-economic phenomenon, performs several crucial roles in the formation of a mixed economy and increased industrial activity. Of the many functions of the leasing demand currently are four:

1) the Finance function is reflected in the release of the lessee from a single payment of the full cost of necessary property (providing the lessor investment).

2) the Production function is operative to solving industrial problems through temporary use and subsequent redemption, not purchase of expensive assets. This is an effective way of logistics of production and access to the latest technology, scientific and technological advances.

3) Function distribution is the expansion of the consumer and the conquest of new markets, involvement in the leasing sector those who are not ready to buy that or other property.

4) Function of receiving tax benefits.

You can select the following types of benefits according to their directions (Fig.1)

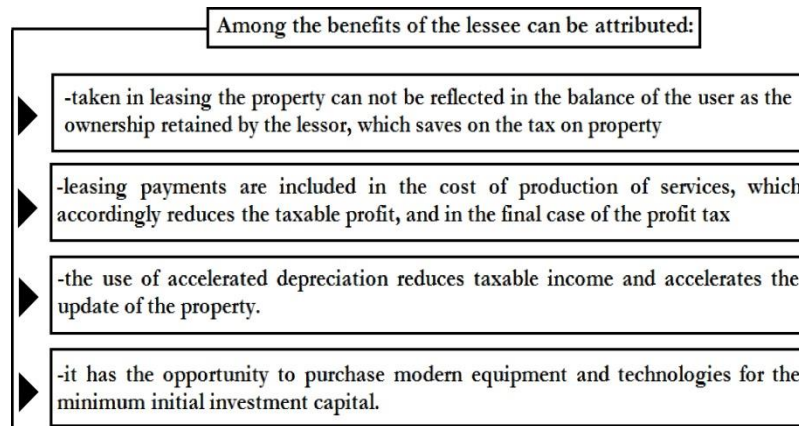


Figure-1. The main types of benefits purchased by the lessee
 Source: presented by the authors

Analyzing the formation and development of leasing relations in Russia can be noted that in recent years there has been a significant growth in the leasing market, the volume of new business in 2012 amounted to 1320 billion, and the total leasing portfolio on 1 January 2013 increased to around 25-30 billion.

The top three market leaders in Russia for 2014: OJSC "VEB-Leasing", OJSC "VTB-Leasing" GC "Sberbank Leasing". In 2014 the amount of transactions state-owned leasing companies fell by 5% and amounted to 47%, and increased the share of companies, which is owned by Russian private banks (from 8.9% in 2011 to 11.4% in 2014). We found that the increase in the share of lessors from the private banking sector is associated, primarily, with access to long term sources of Finance. The main trend in terms of types of equipment in 2014 - a decline in the share of railway equipment, high-end segment of the Russian market (Fig. 2, Fig. 3).

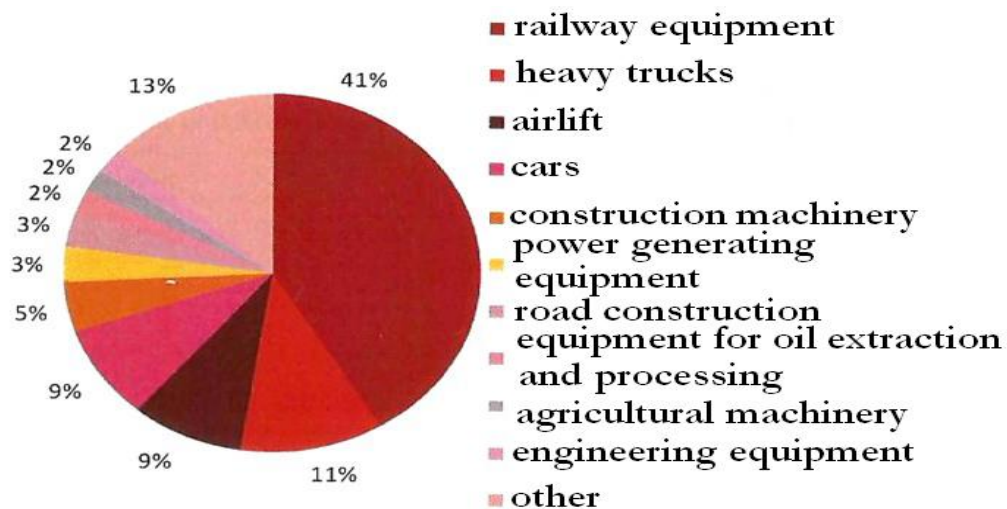


Figure-2. Market structure by types of facilities in the new business, 2014
 Source: presented by the authors based on the analysis of activities of OJSC "VEB-Leasing", OJSC "VTB-Leasing" and GK "Sberbank Leasing" & Draft for Discussion, 2014.

Causes braking of the leasing segment are the emerging overproduction of cars, correction of the prices for rolling stock, the fall in rental rates and the reduction in the volume of shipments. The segment for the first time since 2009 showed negative growth in comparison with 2011 it decreased by 7.3% to 41.3%. The increase in other assets was 16% (Draft for Discussion, 2014).

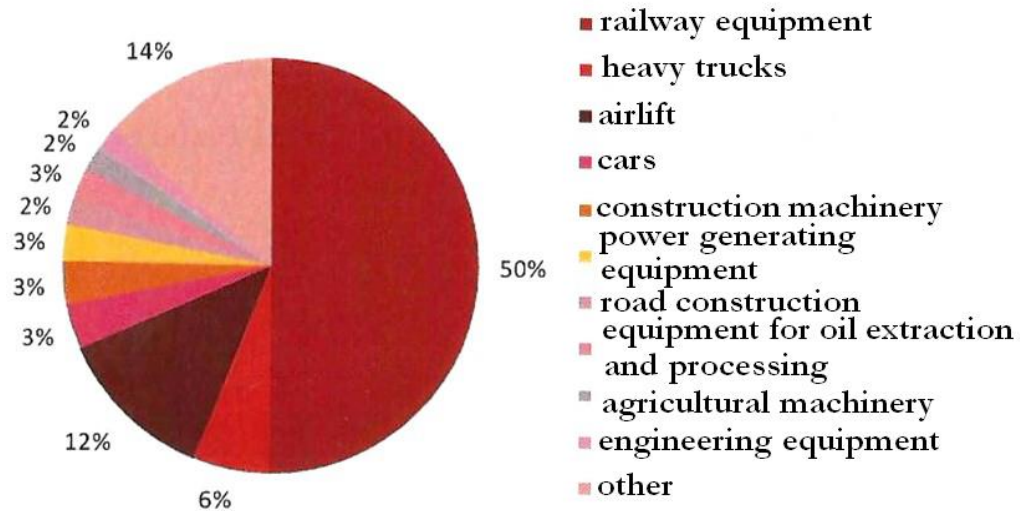


Figure-3. Market structure by types of facilities in the leasing portfolio, 2014 (Draft for Discussion, 2014)
Source: presented by the authors based on the analysis of activities of OJSC "VEB-Leasing", OJSC "VTB-Leasing" and GK "Sberbank Leasing" & Draft for Discussion, 2014.

In our view the development of the leasing market in 2015 - 2017 will be largely determined by the dynamics of the railway sector, and the dynamics of bank interest rates and investment activity in the economy. You can expect that the trend of concentration of business from the major players (mainly the leasing companies with the banks) will continue. However, some economists are of the opinion that the nature of competition is likely to shift towards a pricing that can lead to a General decline in margins in this segment. (Filosofova, 2005)

According to the authors, the prospects for the Russian railway segment primarily depend on the recovery of demand for new rolling stock. Support the market can have a ban on the use of the Park legacy wagons and wagons with unreliable components (precise fixing of the dates of operation), and Vice versa, the extension of operation time and further decline in prices and lease rates will have a negative impact on market volumes. However, the decision to extend the service life of cars Russian Railways in Russia can be accepted not before the end of 2015.

In the short term, experts predict the next position in the railway sector (Table 4).

Table-4. Status of the leasing market of the main railways in the coming years (Articles 2014)

| No | The name of the transport | Satisfaction of needs | Daily rental rate | The price of transport |
|----|---------------------------|-------------------------------|--|---|
| 1. | The gondolas. | Full surplus. | Reduced (from 1.1 to 0.9 thousand rubles.) | Reduced from 2.4 to 1.8 million rubles. |
| 2. | Oil tank. | The complete reduction needs. | Reduced from 1.3 to 1 thousand rubles. | Reduced from 2.3 to 2 million rubles. |

Source: presented by the authors based on the analysis of activities of JSC "RZD" in Russia

Identified in the process of the study authors, the rate of decline in the prices of the cars shows a direct dependence on higher rate of reduction of prices on metal products, whose share in the cost of the car exceeds 50%. It is also has a negative impact on both producers and the market for rail transport in General.

In the sector of oil tank railcars the demand decrease is due to the stabilization of oil production and processing. For the period 2015-2020 is projected to continue declining demand, due to increased volumes of oil transportation via existing pipelines and the commissioning of new, in particular the second stage "the Eastern Siberia - Pacific

ocean". According to the Ministry of industry and trade, the volume of railway equipment production in 2015 expected to be around 10-15% less than in 2014.

3. SUGGESTIONS

1. As one of the measures of market support, the Ministry of industry and trade is developing a program of subsidizing 2/3 of the refinancing interest rate of Central Bank on loans obtained in 2014-2016 in the Russian banks for the purchase of innovative cars with load of at least 25 tons per axle. This measure is aimed at updating of Park of a rolling stock. The slowdown of the leasing market will be due to slower GDP growth and General economic conditions.

2. One of the areas of significant growth of leasing market is the renewal of fixed assets in Russian enterprises. In connection with the depreciation of fixed assets in industrial enterprises, especially their active part (over 70%), lack of own means of the enterprises and the high cost of credit resources, the update may contribute to the growth of the leasing market, which will allow enterprises to upgrade machines and equipment on the basis of innovation. Using leasing to upgrade their equipment at the industrial enterprises will allow to use achievements of science and technology in production activities and significantly raise scientific and technological level in the production and transportation of products.

3. The proposed method of development of the leasing market involves the following steps (Zharikov, 2014). 3.1. Optimization of technological fleet of cars. Due to recession and changes in the structure of GDP of the cars not being used and also the most part of worn. The write-down or sale of the worn-out fleet of cars for several improve the age structure will reduce the tax burden (reduced property tax) and the cost of its contents.

To determine the required fleet, W we can use the following formula (Zharikov, 2014):

$$W = \frac{\sum N_i \times t_{ij}}{T_j \times n} \times K_j \times m;$$

where N_i is the annual program of transportation i-th product during the planning period, piece.

t_{ij} – unit weight of i-th product, t;

T_j – the capacity of the j-the type of the car, t;

K_j - coefficient of variation of volume of traffic. This factor is taken into account technologically necessary fleet of new cars, as it increases its magnitude due to the changes in the nomenclature and, accordingly, in the structure of transport;

n is the average number of trips per year, PCs.

m - the rate of growth of production in various spheres resort to the services of railway transport.

3.2. For the determination of the funding for the construction of new wagons. the first is to pay attention to buy at car-repair enterprises of the modern and high-tech equipments (with minimal funding), which will allow to introduce new technologies and manufacturing multi-profile rolling stock. The amount of annual funding, S it is possible to determine, based on the cost of the active part of BPA and the depreciation rate as follows (Zharikov, 2014):

$$S = \frac{G (H + \varepsilon)}{100}; \quad \varepsilon = \frac{Y_i}{t};$$

G – the carrying value of the cars at the beginning of the year, RUB.;

N is the rate of depreciation on the full restoration of cars, %;

ε - the rate of acceleration of the upgrade of the worn-out fleet of cars, %;

Y_i is the weight of i-th group of cars subject to rapid renewal, in total, in percent;

t - planned period of time the elimination of the backlog in the updating of technological equipment, years.

4. Based on the above analysis and taking into account the calculation of the volumes of new cars, the authors propose an algorithm to increase the efficiency of leasing services on the railway market, which includes five main steps and will optimize leasing relations and to create favorable conditions for all stakeholders (Fig. 4).

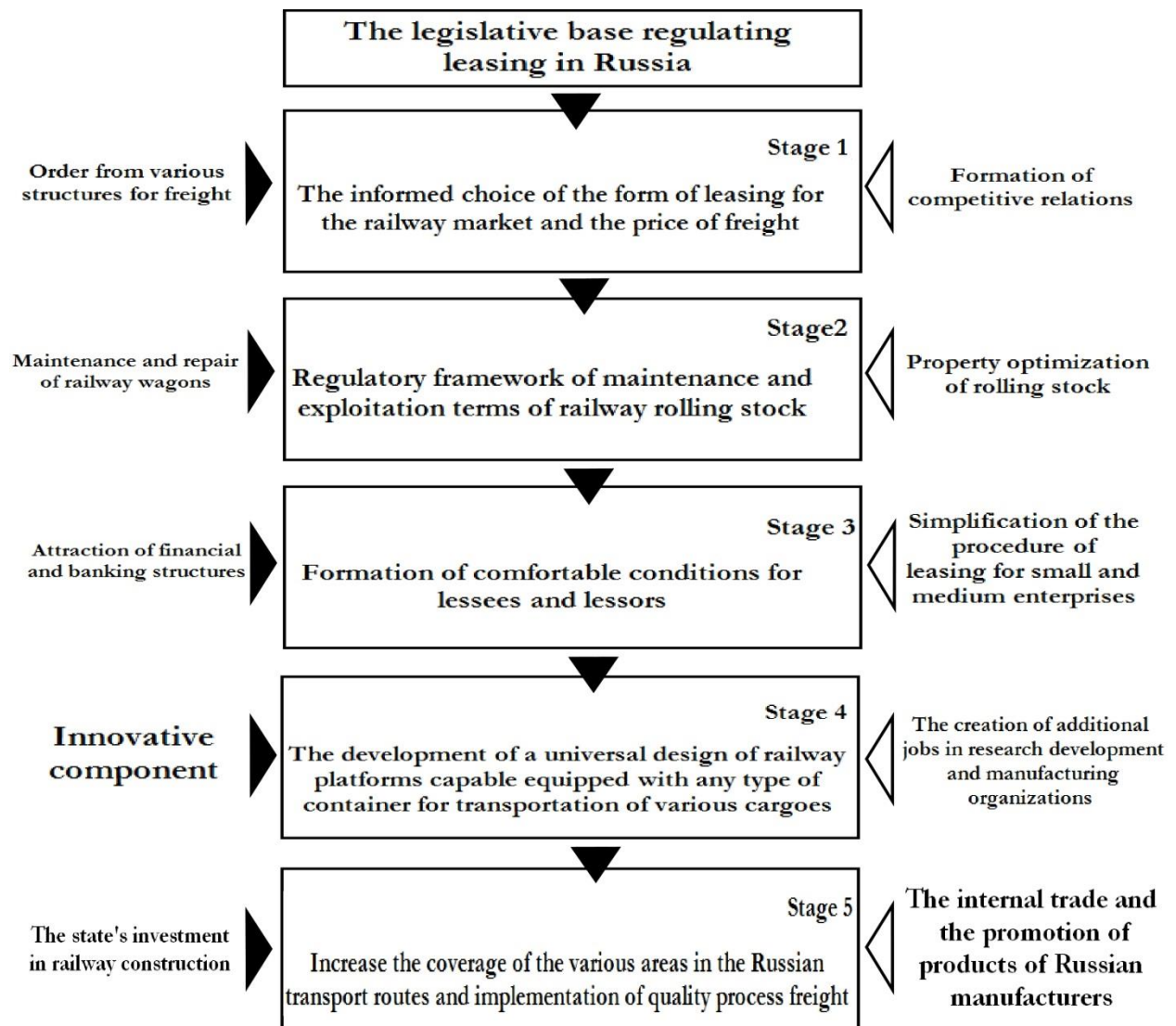


Figure-4. Algorithm of increase of efficiency of leasing services on the railway market

Source: Zharikov *et al.* (2014).

As the results of implementation of the above given algorithm can be (Bezpalov, 2014):

1. The increase in the number of modern rolling stock (including universal cars under 1500 units a year for 10 years) will allow to increase volumes of transportation of goods and reduce the cost of transportation. And gradually enter the international transport market with excess cars on the inside.

2. Creation of conditions for accessibility of the transport of goods on rail lines to small and medium businesses (price, security, distances, delivery times, etc.).

3. The formation of a leasing relationship between rail organizations and spheres of education, science, manufacturing, banking and financial spheres in the creation and implementation of modern equipment and technologies for car-repair enterprises would allow to create a comprehensive system of training are able to work on newly created equipment of railway transport. This will allow employment in related fields and will improve the overall competitiveness of railway transport compared to other modes of transport.

4. Creating affordable and extensive railway transport network, consolidating the interests of different regions in Russia based on the principles of modern logistics. This will increase the exchange of goods and will redistribute the total employment and involvement in labor processes various segments of the population. The growth of trade will improve the competitiveness of regions in Russia and will form new cooperative ties in the industrial, agricultural and other sectors of the economy.

5. Implementation of innovative approaches will expand the scope of leasing services in different spheres of activity that will encourage them in turn to the development and formation of the additional information, logistics, production, etc. services on the basis of info-communication technologies.

6. Improving the efficiency of renewal of fixed assets the rolling stock of railway transport (according to the above methodology and guidelines), will improve the quality of freight and improve reliability and safety during transportation.

For comparison, the dynamics of cargo turnover of railway transport from 1975 to 2015 (Fig. 5):

3.1. Turnover of Railway Public Transport (Billion Tonnes Km)

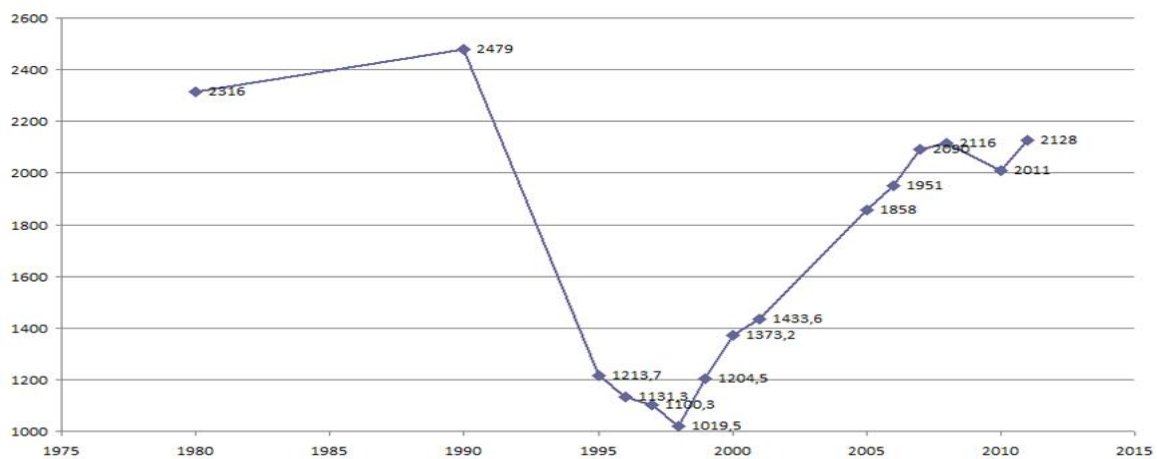


Figure-5. The cargo turnover of the railway transport of General use (billion tonnes km)

Source: presented by the authors based on the analysis of activities of JSC "RZD" in Russia (Discussion Papers, 2014)

As we can see from this illustration the market of railway transportation in Russia is developing and he may seek to 1990, but to do so privedennye above recommendations.

5. Conclusions: 1. The leasing market in Russia has significant prospects for growth and development in comparison with the markets of leading European countries. However, in the coming years, the growth of the leasing market in Russia is expected to moderate in the horizon is the growth in the range of 10-15 %.

2. The size of the leasing market in Russia in comparison with developed markets of the leading countries of Europe is far behind and has great prospects for growth and development, particularly in the area of capital renewal (involving financial and banking institutions).

3. The share of leasing in Russia's GDP in 2014 increased almost twice and reached the final value in 3 %. The same indicator in countries with developed market economy now reaches 6 %, which means that the volume of the leasing market in Russia has potential for significant growth [6].

Introducing the model of algorithm of increase of efficiency of leasing services in the market of railway transport, can be gradually and purposefully projected to stimulate leasing and other fields, for example, the manufacturing sector. This in turn will increase the share of leasing in Russia's GDP and will allow to attract additional partners.

Considering the above given in the article, it's safe to say that the form of leasing in Russia has its essential characteristics, which are caused by a number of economic factors. And the total contribution of the above research will allow a wider range of Russian business structures to use the mechanism of leasing in its activities, and effectively use borrowed capital when you purchase costly liquid assets for your business.

Funding: This study received no specific financial support.

Competing Interests: The authors declare that they have no competing interests.

Contributors/Acknowledgement: All authors contributed equally to the conception and design of the study.

REFERENCES

- Abashina, A.M., M.N. Simonov and I.K. Talia, 1998. Rental and leasing. M.: Filin. pp: 391.
- Amemba, I.D. and L. Fssociates, 2014. A euromoney/ DC gardner self - Study Workbook. pp: 128.
- Bezpalov, V.V., 2014. The effectiveness of restructuring of regional management system, the criteria for selection of indicators and their calculation. Austrian Journal of Humanities and Social Sciences, 7-8: 256-262.
- Cuming, R.C.C., 1998. Model rules for lease financing: A possible complement to the UNIDROIT convention on international financial leasing. Uniform Law Review, 3: 371-384.
- Discussion Papers, 2014. The Main directions of development of leasing market in Russia for the period 2014 - 2015" 9 S.
- Draft for Discussion, 2014. Analysis of the market value of a 100% stake in OJSC "TransFin-M", 74.
- Filosofova, T.G., 2005. Leasing in the system of modern world economic relations: Ways and possibilities of use to improve the country's competitiveness. The Dissertation on Competition of a Scientific Degree of the Doctor of Economic Sciences: 08.00.14 – World Economy, Moscow (Ministry of foreign Affairs, Diplomatic Academy). pp: 332.
- Gazman, V.D., 2011. About the benefits of leasing in Russia: Tax aspects // M.: "Finance", 1: 23 - 28.
- Goremykin, V.A., 2003. Legal framework for leasing. Financial management No. 2, Moscow. Delo I SERVIS: 18 - 26.
- Lapygin, Y.N. and V.E. Sokolsky, 2002. Leasing in the region (Monograph). Vladimir: The Volgograd State Pedagogical University, Publishing House: "Vladimir State University", VIB. pp: 112.
- Zharikov, V.D., 2014. Modeling of knowledge-intensive resource-saving production in Russia. Monograph. Germany: LAP LAMBERT Academic Publishing, -220 C.
- Zharikov, V.D., V.V. Zharikov and V.V. Bezpalov, 2014. Modeling the periodicity of the renewal of production assets in manufacturing enterprises. Asian Social Science, 10(24): 28-34.

Views and opinions expressed in this article are the views and opinions of the author(s), Asian Journal of Economic Modelling shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.