
Financial Decision Development Strategy Model Lessor in Conditions of Economic Instability

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The practice of any task and the development of strategic measures to achieve it requires the definition of the object of influence, the boundaries of influence, the form of influence, methods of influence.

In conditions of economic instability, lessors and lessees began to realize their own financial losses. Responsibility for the decisions made predetermines the strategy of behavior of participants in the leasing services market, erroneous strategic planning leads to an instant loss of liquidity, first of all, of leasing companies - lessors. Therefore, the study of possible strategies for the behavior of the lessor in modern conditions with the help of evaluation models is important. In conditions of economic instability, participants in leasing transactions are undergoing dramatic changes associated both with limited financing from commercial banks and with a significant share of overdue lease payments in total financial receipts. Therefore, the head of a leasing company is forced to seek an answer to the question: "What strategy should he choose in the current economic conditions?" in order to become competitive.

To achieve this goal, many lessors are trying to take tougher measures against their own clients, but in this case, the advantage of leasing financing over credit sources of cash injections plays a huge role - a flexible approach to assessing the financial condition of the lessee. As is known, the current approaches of commercial banks to assessing the financial condition of clients are, on the one hand, a huge barrier for small businesses, often associated with the fact that the amount of equity capital of business entities is very small compared to the requirements of a commercial bank. However, on the other hand, this approach significantly reduces the risks of leasing market participants, especially in conditions of unstable economic development.

Nowadays, lessors accepted as clients those entities that, to a certain extent, did not fit the template stereotypes of financial institutions. It was this flow of customers that largely ensured the growth in sales of leased items, which led them to one of the most priority sources of financing for leased objects, i.e. fixed assets.

However, many leasing structures have ceased to take into account the fact that in order to meet the increased demand for leasing services, the risk that lessors assumed was immeasurably high. As a result, in the event of economic instability, many economic entities lost their own liquidity and were unable to meet their obligations to their own creditors. Oddly enough, the logic of reasoning of many business entities using several sources of raising funds corresponds to the postulates associated with the priority repayment of bank financing. Unfortunately, in many cases, the repayment of lease payments is predetermined either by the volume of lease payments already paid, which prompts management to evaluate investments already made, or by a direct objective need for a particular leased asset. We have to state that the majority of purchased leased items do not correspond to any of the above logical reasoning.

Features of lending to participants in leasing relations are that, by making a certain decision at the present time, it will be possible to predetermine the development strategy of the leasing company

for years to come. In fact, one should be aware that with the emergence of economic instability in many subjects of the economy, leasing companies are forced to struggle with their own decisions. In this case, the chosen strategy of the behavior of the lessor as a legal entity plays a huge role, in addition, it is difficult to overestimate the importance of the selected evaluation criteria for analyzing the current activities of lessors. We also have to state that the assessment of the current activities of leasing participants is largely due to the mechanisms for budgeting the activities of participants in leasing transactions.

Among business entities of various sizes, there is an unfounded opinion that the budgeting process is a planning of their activities. Most entrepreneurs - leaders of small entities consider the process of preparing and coordinating budgets to be nothing more than a return to the pre-transition period to the market. In fact, this understanding of the budgeting process as an integral part of the theory of financial management is erroneous. The setting of budget planning for an economic entity does not deny the presence of such an instrument of the financial mechanism for managing their assets as planning, at the same time it must be borne in mind that the planning process acts as an integral part of the subject budgeting.

When forming the structure of the budgets of the lessor, it is necessary to understand that the chosen stereotype of the budget format must reflect their objective financial situation from the side of the activity for which it was formed and approved.

In the context of defining a strategic planning tool, we have identified an indicator that determines the own working capital (SOS) of the lessor. Of course, it can be said that there are balance sheet forms that can be used to accurately determine the financial results of a leasing company. But at the same time, it follows that such an indicator as, for example, net profit, is an “accrued” value, which casts doubt on the “actual” receipt of financial resources at the disposal of an economic entity - a company.

However, in order to prepare an “objective” control of the lessor’s performance indicators, their own working capital can be allocated, which would be the difference between the total amount of allocated financial resources and the total amount of attracted financial resources for specific dates. So, the portfolio of attracted financial resources should be understood as the value of all assets attracted, attracted on a gratuitous paid basis, taking into account the balance of the loan debt at a particular point in time, on a certain date, and the total amount of placed financial resources should be understood as the monetary value of the debt of counterparties in terms of investment costs of the lessor at a specific point in time, on a specific date. The principles of formation of the total amount of placed financial resources are shown in fig. 1.

When forming the total amount of attracted financial resources, it is necessary to take into account that the debt to investors must be determined on a specific date. It is also necessary to monitor compliance with the conditions for the formation of the total amount not “on shipment”, but “on payment”. This is necessary to determine the actual amount of debt, in other words, if there are documents on the timing and amount of repayment of loans, the person responsible for the formation of the total amount must compare the available accrual data with the amounts actually paid.

A portfolio of placed financial resources is formed somewhat more complicated. Because it is almost impossible to control the correct execution of this document. Secondly, incorrect financial decisions within a particular document can have irreparable financial consequences.

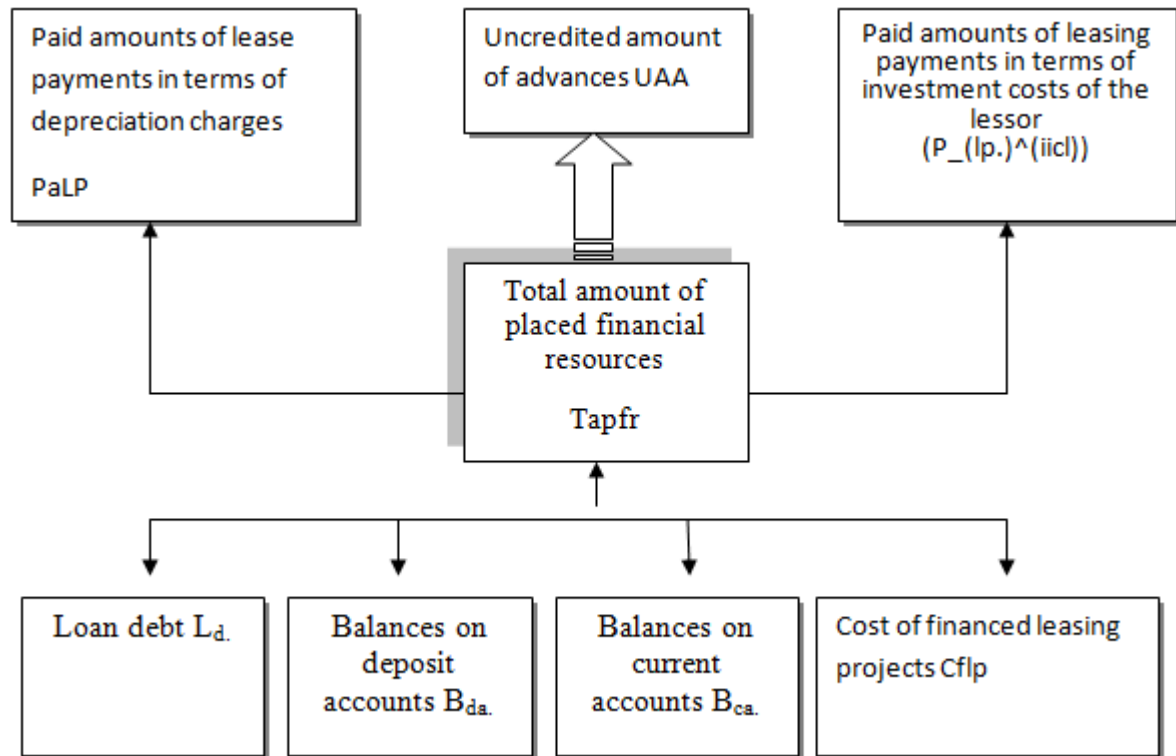


Figure 1. Scheme of formation of the total amount of allocated resources

With the help of Fig. 1, it is possible to determine, using the mathematical methods, the portfolio of allocated financial resources (Formula 1).

$$\mathbf{Tapfr} = \mathbf{L}_d + \mathbf{B}_{da} + \mathbf{B}_{ca} + \mathbf{Cflp}$$

At the same time, it should be noted that the structural direction of leasing payments involves the inclusion of depreciation in the calculation if the property is accounted for on the balance sheet of the lessor, or the reimbursement of the value of the investment costs of the lessor, if the property is listed on the balance sheet of the lessee. When forming the total amount of placement of financial resources, it is necessary to adjust the value of the transaction by the amount of lease payments paid, which are primarily depreciation or investment costs. In addition, the amounts of the uncredited advance must be deducted . In this case, the lessor acts as an investment intermediary between the lessee and the seller of the property, these amounts will not be considered as expenses of the lessors.

The SOS balance reflects the value of lessors' own assets invested in acquired leased items. In other words, taking into account some amendments to VAT, it will be possible to obtain information on how much money will remain at the disposal of the leasing company if all lease payments in terms of investment costs are paid and the obligations of the lessor are repaid. If the balance is positive, we can talk about the liquidity of the lessor, if the balance is negative, we can talk about their low liquidity.

As already noted, simply displaying the totality of placed and attracted financial resources is not enough to determine the strategy of behavior in the leasing market; it is necessary to analyze in more detail the main trends in the change in the balance of SOS in conditions of economic instability (Fig. 2-3). In accordance with the presented directions of development in the broad sense of the word, it will be possible to single out several principal strategies for the development of the lessor. The direction of development represents the ideal development strategy of the lessor. At the same time, the balance will constantly grow over time, which greatly simplifies the budgeting system. In this case, the development strategy can be considered purely theoretical, it has both the advantages of the “ideal” model of the development of the lessor, and its disadvantages. For example, one can always say with certainty that the total amount of allocated

funds is constantly growing, there are no delays in the payment of lease payments, the head of the company does not risk entering into contracts that do not correspond to the scale of the lessor, and their activity can be confidently called liquid, given that the obligations are issued for identical terms with the concluded leasing contracts.

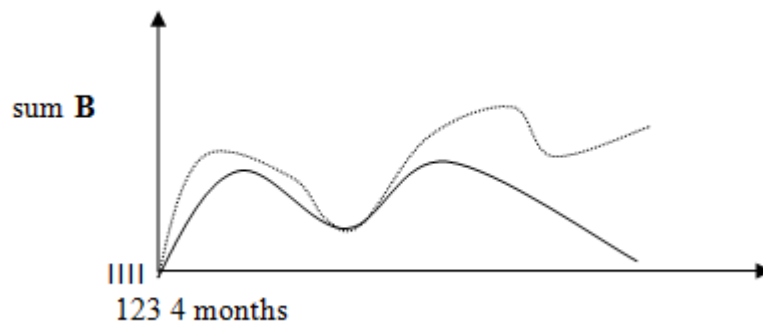


Figure 2. Directions for the development of placed financial resources for leasing

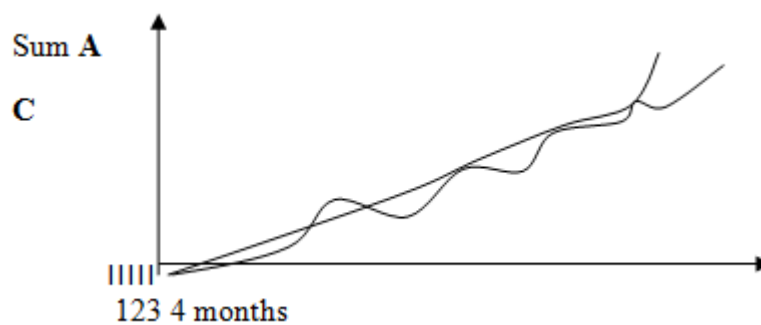


Figure 3. Trend of change in the lessor's SOS balance

Therefore, in reality, it cannot be said that this model is considered the most optimal for the development of leasing activities. The fact is that, like the “wealth effect” of Pareto in the leasing business, there are some optimum points ¹when a company, concluding a contract taking into account their minimum value, for example, 200.0 million soums , faces a choice: either continue its existence as an investor with moderate risk, or enter into a contract that exceeds the specified value.

It cannot be said that any of these decisions is wrong. The question here is how much risk an entrepreneur is willing to take. In the event of a more expensive contract in the coming period, there is more revenue, which allows commercial banks to set new, higher credit risk limits. In the short term, this can lead to the maximum receipt of remuneration. This will make it possible to purchase new leasing items, which are additional collateral items. In this case, a peculiar cycle of development of recorded or analyzed within the framework of economic events is obtained. As a result, this may lead to an increase in the number of expensive contracts concluded. Practice proves the fact that when concluding a contract that differs up to 10 times from the average cost of the concluded leasing contracts, the offer of the leasing company will double. At the same time, the behavior in the market corresponds to curve **C** in Fig. 3. At the same time, rapid growth and some balance drops lead to a final increase in the company's SOS (Fig. 4). However, it should be borne in mind that various actions of the lessor in the market are accompanied by maximum risks. At the same time, it should be noted that untimely paid lease payments in case of delays can lead to a loss of the entity's liquidity. But at the same time, the incoming funds will not be enough to cover bank interest payments on attracted resources. Here, the strategy **A** and **C** is that if the strategy with the behavior of the lessor is as close as possible to the practically established point (see Fig. 3).

Based on Fig. 3, it can be said that the development strategy **C**, as a rule, is inherent in local leasing companies, the conclusion of expensive contracts forces a change in the activity of the company's management and transfers to a new level of risks, we call these "abnormal" contracts "stimulating transactions". When conducting trustworthy "facilitating transactions", the risk that the lessor is willing to take increases.

The undulating growth of the balance can be explained as follows: when receiving a commission for processing a transaction, a certain jump occurs, after that, during the period of delivery of the property, when the lease payment has not yet arrived, and the lessor needs to cover its costs, there is a certain decline, during the period of the schedule for paying lease payments begins to grow and leads to a total increase in the indicator.

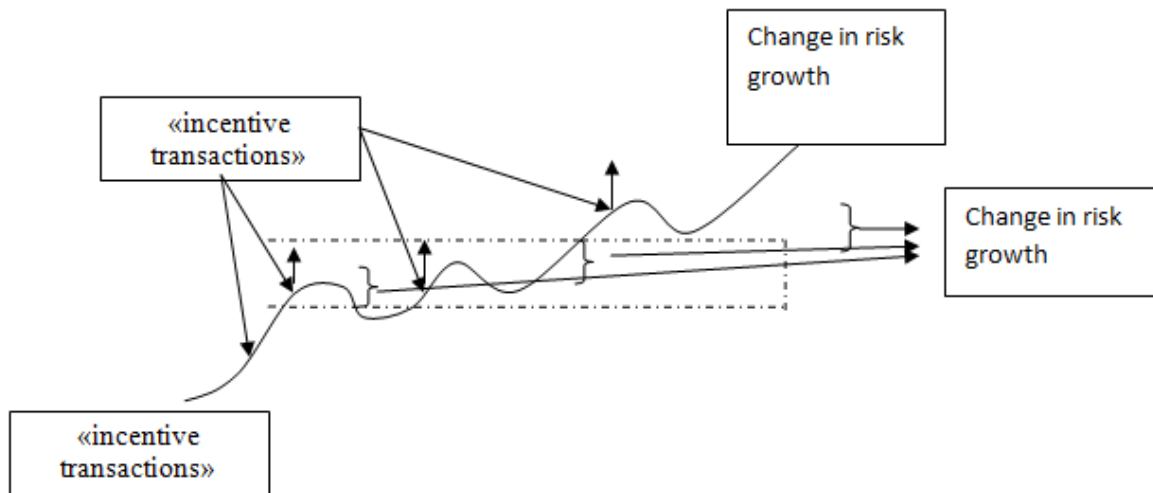


Figure 4. "Stimulating transactions" in the development strategy of S.

The fourth behavioral strategy in the market for the provision of leasing services is curve **B** (see Fig. 5), which corresponds to the majority of developing companies. Their main goal is to maximize the capture of customers by providing more favorable conditions for concluding transactions, the priority of contracts is expensive contracts with long-term leasing agreements. "Incentive transactions" also exist, but in the total volume of large transaction values, these transactions do not lead to a change in risks. In this case, the risk of leasing companies practically does not change. However, all leasing companies face a "critical point" of business development (Fig. 5) - the manager, absorbed in euphoria and "races for sales", faces the choice of the company's development: either move along curve B, or **along curve B1**. However, due to the investment and long-term nature of leasing activities, the choice is predetermined by decisions already made in the past.

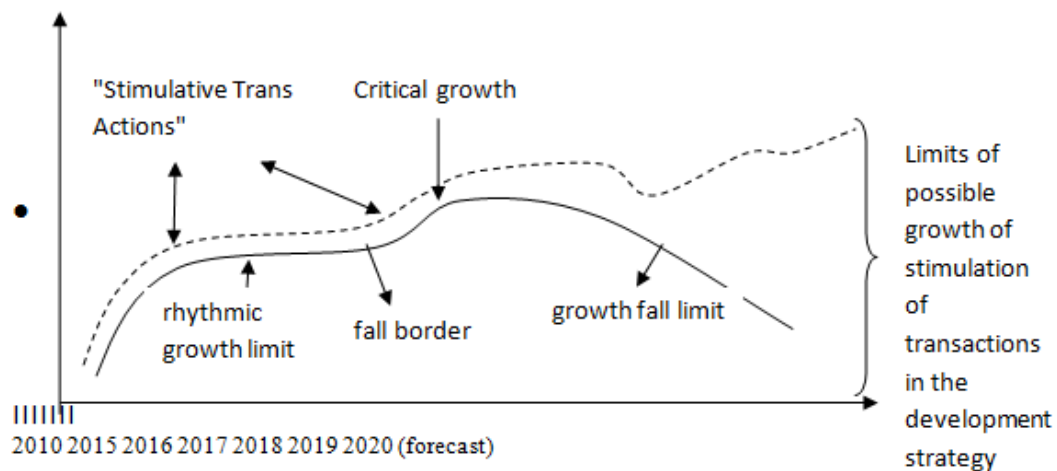


Figure 5. Development strategy B.

At the same time, it should be noted that if a company structures its policy within the framework of risk and works to develop a portfolio of allocated financial resources, when there is a thesis that if banking services have to think about whether it is worth working with this lessee or not, then the decision comes it is very simple - to refuse cooperation, then the development of the leasing company will correspond to curve **B1** , but if the leasing company had a policy of maximum sales at “cheap” rates, the probability of development along curve **B** is maximum.

The choice of a strategy of behavior always remains with the company's management, however, it must be remembered that when making a decision in conditions of economic instability, you double the responsibility for these actions.