

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**IMPROVING LEASING OPERATIONS IN THE REPUBLIC  
OF AZERBAIJAN**

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## GENERAL CHARACTERISTICS OF THE WORK

**Topic relevance and degree of development:** In the modern development stage of the market economy, each country uses different means and methods to achieve economic development dynamics. One of them is the constant development and improvement of the financial sector and its separate segments. One such segment is the leasing service. Leasing in itself is one of the factors that create positive trends in the economy, the development of relations, its expansion. Since the second half of the last century, leasing operations have become widespread in the economies of countries, their financial depth is gradually increasing, and their scope is expanding, which is an indication of how effective this type of business is. Leasing is somewhat different from other elements of financing due to its characteristics. This type of operation includes rent, credit, investment, currency, etc. combines several important principles of operations. Reflecting the nature of mediation in the financial market, leasing is considered to be the most efficient method of attracting and acquiring large capital-intensive vehicles, machinery, equipment and devices, and other capital assets in general. Because in these operations it is not required to fully pay the sales value of the leased machinery or equipment in advance. From this point of view, the leasing operation has the advantage of being considered more efficient for the counterparty than other operations carried out in the financial market.

At the current stage of market relations, leasing operations are used as the most progressive and effective tool for large-scale capital and investments in the economy of both developed and developing countries. Through this type of operation, it is possible to increase economic activity in all areas and sectors of the economy, provide more services and ultimately achieve high efficiency.

Leasing services are expanding in the economy of Azerbaijan, and despite the formation of the leasing market, the level of use of this service has decreased in recent years.

Here are a number of objective and subjective reasons for this. This is due to the disruption of foreign economic relations, the Russian-

Ukrainian war, and the lack of improvement of the legislative framework in the country. Thus, the leasing market in Azerbaijan has been formed at a certain level, a certain number of participants have appeared in the market, a state leasing company has been established in the agrarian field, which the state considers a strategic field, the state's care and support in this field, etc. have been demonstrated. However, these mentioned things have not yet been able to ensure the proper development of leasing in our Republic, which is considered an element of progressive financing, business, and financial mediation in the world.

In this regard, the expansion of the leasing market, its application in all areas of the economy and further increase of its financial depth are required. Further improvement of each specific leasing operation, expansion of the application of concessions and privileges in accordance with the world experience in this field, promotion and strengthening of this type of operation among the population and entrepreneurs are lagging behind the demand. Also training of professionals in this field, etc. it stands as one of the current issues of the day.

There are conditions and grounds for the development of the leasing market in our country. Determining the methods and rules for developing this market at the necessary level using possible options, organizing and improving it at the macro and micro level as a whole should become the direction of action of the state, researchers, and also market participants as the most important problem. Leasing operation reflects various aspects of innovative financial activity, methods of application of new techniques and technologies, acceleration of investments, prospective business organization, etc. By actively using these tools and continuously improving operations, efficient results can be achieved in the economy. In this regard, the main perspectives and directions of the activity of the leasing market, which play an important role in the expansion and improvement of leasing operations selected as a research object, have been reflected in the recently adopted normative documents in the country. The Law of the Republic of Azerbaijan on leasing service was adopted on November 29, 1994. However, since this law was not complete for the development of the

leasing service, the Law of the Republic of Azerbaijan on the leasing service was canceled in 2003.

In addition, the Decree of the President of the Republic of Azerbaijan dated December 20, 2018, approved by the Decree “On the improvement of state support to agriculture and leasing activities in the agricultural sector” was issued.

In this decree, *“Ensuring competitive activity in the market of agricultural production equipment, improving the mechanism of concessional sale of equipment and breeding animals through leasing, expanding private agrotechnical services, effective use of budget funds directed to concessions by applying the principle of public-private partnership”* is reflected in this decree. It should be noted that the problems experienced in the global economy in recent years and the increase in the price of resources are affecting the country's economy. In order to ensure economic growth in various areas of the national economy, it is necessary to use innovative technologies, as well as various modern machinery and production equipment more efficiently. In order to achieve all this, investments must be made and the accessibility of entrepreneurs must be ensured. One of the most effective ways to overcome the problems in this area is the further expansion of the leasing service operating in the country and the improvement of leasing operations. It is from this point of view that the scientific research work on “Improvement of leasing operations in the Republic of Azerbaijan” is distinguished by its relevance.

In general, numerous aspects of leasing services, its development directions, theoretical-methodological and practical issues have always been the focus of research scientists, economists, and practitioners. Classical economists, modern experts, foreign scientists, as well as Azerbaijani economists focused on issues related to leasing. Among Azerbaijani scientists, Z.A.Samadzade, E.A.Guliyev, A.B.Abbasov, B.Kh.Atashov, R.M.Jabiyev, I.H.Ibrahimov, M.M.Bagirov, Z.H.Zeynalov, Z.R.Asadov, S.A.Akhundov, M.O.Shiraliyev and others related to the development of the leasing service a number of research works have been carried out.

You can find the works of foreign scientist on the formation of the leasing market, its development, principles of operation, its role and

importance in the economy. Among them are A.I.Dabrynin, O.I.Lavrushin, T.G.Filosova, V.I.Vidyapinin, K.R.Tahirbeyov, V.V.Polyakov, H.M.Vasilev, A.S.Kryach, J.Sebikin, T.Lemon, L.M.Carter, A.M.Tavashev, B.Ch.Fomichev and others.

Despite conducting research on issues related to the development of the leasing market and solving its numerous problems, the state of the country's leasing market in recent years, its development problems and necessary development directions have not been comprehensively investigated in these works, and the directions for improving leasing operations have not been determined. From this point of view, it is necessary to conduct research in the direction of improving leasing operations and increasing the importance of this market.

**Object and subject of the research:** The leasing services market of the Republic of Azerbaijan and the leasing companies that are its active participants were selected as the object of the research.

The subject of the research consists of a set of methods and rules, economic relations applied to investigate theoretical and practical issues related to the organization, regulation, and improvement of the leasing market.

**Research goals and objectives.** The main purpose of the conducted research is to examine the main features and parameters of the formation of the leasing market in the Republic of Azerbaijan, to analyze the current state of leasing operations and to determine the directions for improving the organization and management of leasing in the future. For the scientific justification of the above, and the effective application in practice, the following tasks are set as a goal:

- investigate the necessity of establishing leasing relations, reveal its economic essence, study its role and importance in the economy;
- to study the characteristic features of the formation of the leasing service, to determine the methodological issues of using the leasing potential;
- to study the world experience of organizing leasing service on the example of foreign countries;
- analysis of the current state of the country's leasing market activity based on important indicators;

- assessing the activity of the leasing services market and preparing proposals for improving economic results;
- determination of the possibilities of applying advanced elements of the world experience of leasing relations in the leasing market of Azerbaijan;
- examining the normative-legal basis of the organization and management of the leasing market of our Republic, and preparation of proposals for the improvement of leasing operations.

**Research methods.** Comparative analysis, statistical analysis, positive-pragmatic, systematic approach, balance and other methods were used during the research.

**The main propositions defended:** The main propositions defended in relation to the research work are as follows:

- ✓ it was considered necessary to determine the historical views on the emergence of leasing and the characteristics of its types, as well as the role of the formation of the leasing services market in economic development;
- ✓ there is a need to investigate the characteristics of the formation of the resource potential of leasing in the country and the comparative determination of the methodological issues of effective use of the leasing potential;
- ✓ there is a need to conduct a comparative analysis of the national and international experience of conducting leasing transactions;
- ✓ based on the analysis of national leasing services operations, there was a need to identify the main problems that hinder its development;
- ✓ based on the characterization of the existing legislative acts on the organization and management of leasing operations, it was considered appropriate to determine the existing gaps and the factors affecting them;
- ✓ credit, tax, price, etc. in the expansion of leasing operations. it is required to determine the level of use of regulatory mechanisms;
- ✓ There is a need for scientific justification of appropriate options and possibilities of benefiting from international experience in the improvement of leasing operations in the country.

**The scientific novelty of the research:** Scientific innovations obtained as a result of the research can be presented in the following order:

- ✓ based on modern scientific approaches and research, the formation of the resource potential of leasing and the methodological aspects of its use were determined;

- ✓ the world experience of conducting leasing operations on the example of foreign countries was investigated and the possibilities and methods of its effective use in the national leasing service market were determined and substantiated;

- ✓ the legal basis of conducting transactions in the national leasing services market was studied, and new approaches to the improvement of leasing operations were determined;

- ✓ existing problems in the development of the country's leasing services market were investigated, its financial-credit, organizational and price (tariff) regulation mechanisms were determined;

- ✓ on the basis of statistical data of the last years, the existing obstacles in the organization and management of leasing operations in the example of the leading leasing companies were identified and relevant scientifically and experimentally important proposals were developed;

- ✓ in accordance with the development programs, concepts and Strategic Roadmaps adopted in the country, effective mechanisms for achieving the development goals of the leasing services market have been developed;

- ✓ according to the results of the conducted analysis and assessment, the main parameters of leasing operations and their calculation methods were clarified.

**Theoretical and practical significance of research.** The conceptual provisions obtained as a result of the research of leasing relations, the specific proposals put forward, the development of the leasing market in our Republic, the improvement of leasing operations, the adoption of necessary programs for the effective development of the leasing business, the preparation of functional, purposeful programs and forecasts, and the economic policy of the state in the relevant field can be used. In addition, the research materials can be



widely used in teaching the subjects “Fundamentals of Business”, “Banking” at the bachelor's level, “Theoretical and practical issues of business”, “Organization of entrepreneurial activity”, “Theoretical and practical issues of the financial market” at the master's level. The materials of the research can also be used as a direction in the activity of leasing companies and improvement of their work.

**Approval and application.** As a result of the research, scientific works were published in 17 (including 11 scientific articles (4 of them abroad), 6 theses (1 of them abroad)) published on the dissertation work. Conference materials include “Formation and development of the leasing market in Azerbaijan” (Minsk, 2012), “Characteristics of leasing and its application mechanism in the agricultural sector” (Sumgait, 2018), The theses entitled “Leasing process in the economy of Azerbaijan during the years of Heydar Aliyev's rule” (Baku, 2023) can be cited. During the research, the author also wrote “The modern market form of leasing-rental relations” (Baku, 2009), “Problems and perspectives of the development of leasing in Azerbaijan” (Moscow, 2012), “Directions of development of leasing operations in the agricultural sector” (Baku, 2018), “Leasing as a resource the formation of its potential and rules of use” (Nakhchivan, 2018) “Experience of regulation of leasing relations: mutual comparison and realities” (Baku, 2023) articles were published.

**The name of the organization where the dissertation work was performed:** The dissertation work was performed at Odlar Yurdu University.

**The total volume of the dissertation is indicated by indicating the volume of the structural sections of the dissertation separately:** Dissertation consists of introduction, three chapters, conclusion and list of used literature. 11 tables, 1 picture, 1 graph, 1 diagram and 7 schemes are given in the thesis work. The total volume of research is 251327 signs. Introduction – 14224 characters, chapter I – 59859 characters, chapter II – 61354 characters, chapter III – 77963 characters, conclusion – 11765 characters, reference list – 14024 characters. It consists of 225165 symbols, excluding tables, figures and bibliography.

## MAIN CONTENTS OF THE WORK

In the **introductory part** of the thesis, the relevance and degree of elaboration of the topic, object and subject, goals and objectives of the research, methods, main propositions defended, scientific novelty of the research, its theoretical and practical significance, approval and application, the overall scope of the work are explained.

In chapter I of the thesis entitled **“Leasing operations in Azerbaijan and the theoretical-methodological basis of its implementation”**, the necessity of leasing and its role in the development of the national economy; formation of the resource potential of leasing and methodological issues of its use; the world experience of organizing and conducting leasing operations was investigated and analyzed in detail.

In this chapter, the theoretical issues of leasing operations, its economic importance are investigated and analyzed. It is noted that in the modern stage of development of the market economy, leasing is used as an element that has multifaceted parameters and plays an important role in the development of the economy. As noted in modern economic literature, leasing is a form of investment in various economic operations, a specific form of credit operations, as a special tool used in the expansion and modernization of production processes, a type of entrepreneurial activity, a special type of business activity, etc. is used as Due to the fact that it has numerous economic parameters, provides a high level of economic efficiency and is a necessary tool for each of the participants of the transaction, the dimensions, boundaries, scope, etc. of leasing transactions. is constantly expanding.

The author shows that the experience of the United States is more advanced when studying the history and necessity of leasing. Many researchers consider this country to be the first geographic location where leasing was created. Historical facts prove that only real estate was leased in this country for a long time, that is, until the 1960s and 1970s. In parallel with this, some machinery and equipment were also leased as real estate in very few cases. In this country, carriage

horses, vans and phaetons, etc., are considered movable property. contracts on the temporary use of other persons began to be applied starting from the first half of the 19th century.

The conducted studies show that the factors affecting the formation of the leasing service network in the national and world economy are mainly the following:

- lack of liquid funds in the required volume;
- gradual strengthening of competition in the field of investment;
- the decrease in the profit of the companies restricts their ability to invest the necessary amount of funds in order to increase the production.

The increasing importance of leasing in the economy, its being a very efficient method of operation, etc. parameters made leasing one of the leading types of business. One of the main events in this direction was the establishment of the United States Leasing Corporation - US Leasing Corp. This company was the first leasing company established in 1952 in San Francisco, USA. The company is registered as a company established by providing all the legal bases in human history. Its creator, Henry Schoenfelt, is called the founder of leasing companies and operations in America. The company has greatly expanded its activities, gaining more and more reputation and image. The main essence and purpose of this company's activity was to make maximum profit. For this, the company has confirmed with its activity that there is no need to have ownership rights over an infinite number of means of production. Tools, devices, machinery, buildings, equipment, land, etc., are necessary for economic activity. that is, it consists of effectively using what the lessee needs through leasing. The proliferation of supporters of this idea led to the growth of leasing as a field of entrepreneurial activity.

The formation of the leasing market begins first of all with the creation of its legal framework. The creation of the above-mentioned markets takes place under the influence of different factors in each country. These factors include political, economic, organizational, management factors, as well as the structure of the country's economy, the goals and priorities of the economic policy, the volume of the gross domestic product, the level of employment, the level of

inflation, the level of development of entrepreneurship, the level of capital, credit, investment flows, etc. macroeconomic factors such as.

Our analysis shows that both internal and external resources should be used to conduct leasing operations and to overcome competition in leasing relationships. The involved financial resources and special funds are used here. In order to cope with the task set in leasing operations, leasing companies attract various sources - financial resources. In this regard, the resource sources of the leasing company can be reflected as follows. (scheme 1). It can be seen from the data of Scheme 1 that the formation of the resource potential of the leasing company takes place due to two sources, as in other economic subjects. Although both internal sources and external sources form the aggregate base, each of them has separate specific characteristics. Thus, the special funds of the leasing company have the most necessary protective, operative and regulatory functions, through which they can achieve effective results by fulfilling their urgent tasks and obligations during the activity of each economic entity.

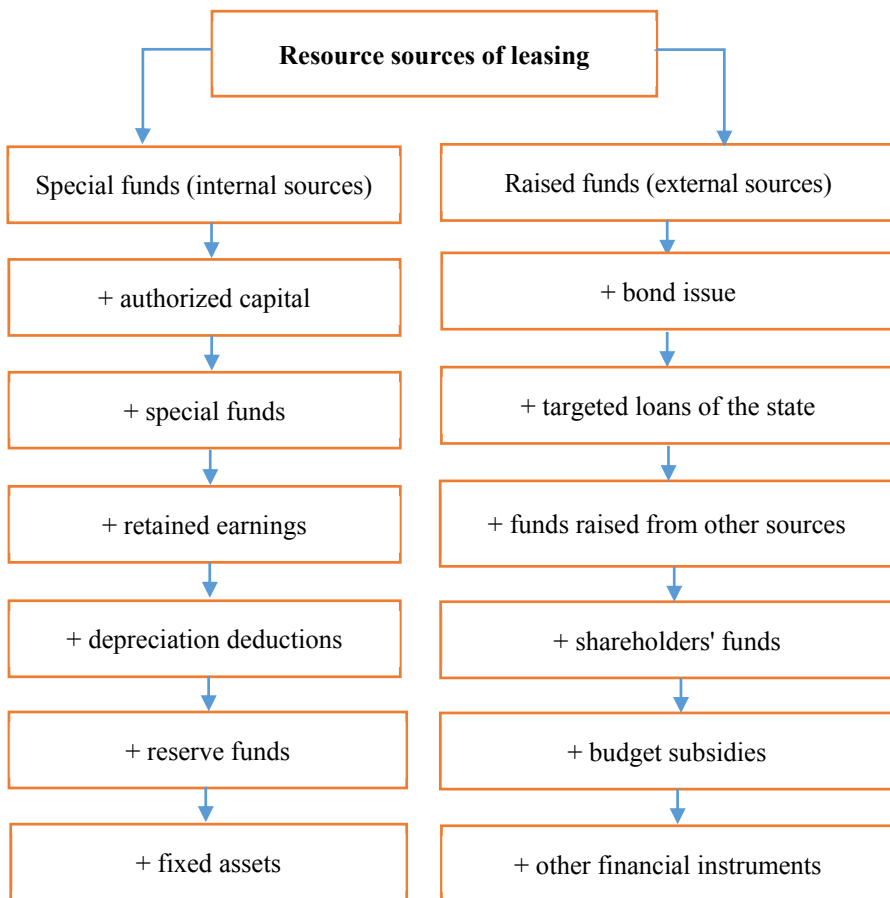
As noted by economist M.M. Bagirov, "A sufficient amount of private capital acts as the most necessary parameter that ensures the liquidity and reliability of leasing companies"<sup>1</sup>.

The dissertation analyzes the share of total investments directed to the fixed capital of leasing in some countries of the world, the value of leasing contracts in countries that are members of the Federation of European Leasing Companies Associations, and other indicators. It is noted that when analyzing the leasing market in the world, it is not correct to compare the leasing market of Azerbaijan with the corresponding market of developed countries. Because it is difficult to find similarities between the leasing markets of countries with huge differences in development levels. Therefore, based on the experience of the Russian Federation and Turkey, the main indicators of the leasing market and the structure of investment in the economy through leasing are analyzed. Tendencies in the structure of

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<sup>1</sup> Bagirov, M.M. Banks and banking operations. Textbook. / M.M. Bagirov – Baku: Nurlan, 2003. – 512 p.

financing sources and service weight of large, small, medium-sized businesses and state enterprises, as well as special weight of physical persons, among those who take leases in the leasing market are investigated.



**Scheme 1. Resource sources of leasing**

*Source: The scheme was compiled by the author based on practical materials of leasing companies.*

Economist scientist Professor B.Kh. Atashov shows in his research that "Financial leasing is the most common form of leasing,

where the lease term coincides with the full depreciation period of the leased property. This leasing is more convenient when the lessee needs to re-equip the existing technical capacity."<sup>2</sup> According to research and analysis, one of the main sources of financing of leasing companies is the advance given to the lessees. In this form, the source of the formation of financial resources can be considered a traditional source.

In Chapter II of the dissertation entitled “**Analysis of the current situation and evaluation of the results of the implementation of leasing operations in Azerbaijan**”, the formation of the leasing market in Azerbaijan and the normative legal basis of its activity; The analysis of the current situation of the implementation of leasing operations in Azerbaijan and the analysis of the economic efficiency of leasing operations in Azerbaijan were studied.

In this chapter, the author examines the emergence of the leasing market in our country under the influence of factors such as the formation of private property, entrepreneurship, and business activity. Leasing market includes credit, investment, capital, money, etc. It justifies that it has undergone an evolutionary process in parallel with the development of its markets. He notes the importance of creating normative and legal bases for this. The formation of the leasing market is influenced by political, economic, organizational, etc. relates to factors. The author divides the formation of the leasing market into 3 stages; 1) private property and business environment; 2) normative legal basis of formation of leasing relations; 3) Investigates the directions of support for the development of the leasing market.

The dissertation shows that, the leasing market is one of the most important and promising and efficient segments of the financial market in all countries of the world, its efficiency and prospects depend on the level and specific characteristics of leasing. Such features include the following: The first feature is that risks are met in a diversified manner in each transaction in this market, and

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<sup>2</sup> Atashov, B.X, Financial markets. Textbook for high school students. / B.Kh. Atashov – Baku: Kooperasiya, – 2016. – 456 p.

therefore the level of risk is not high. The second feature of leasing operations is the unity of entrepreneurial and financial activities, therefore, its expansion and growth opportunities are multifaceted. The third characteristic is that specialization in this market is constant and the improvement is rapid. Fourth, leasing operations are an effective economic tool for the development of business and entrepreneurial activity, regardless of the country of the world. The fifth feature is that this operation combines the parameters of credit, financial and investment operations, so its attractiveness increases. The development of the leasing market in our country, which includes all these features, has not been synchronized with the pace of economic development. However, despite this, the leasing market began to form in the context of structural transformation in the economy, and continues to grow and expand. The share dynamics of the leasing market of Azerbaijan in the gross domestic product during 2007-2022 is given in table 1.

**Table 1**

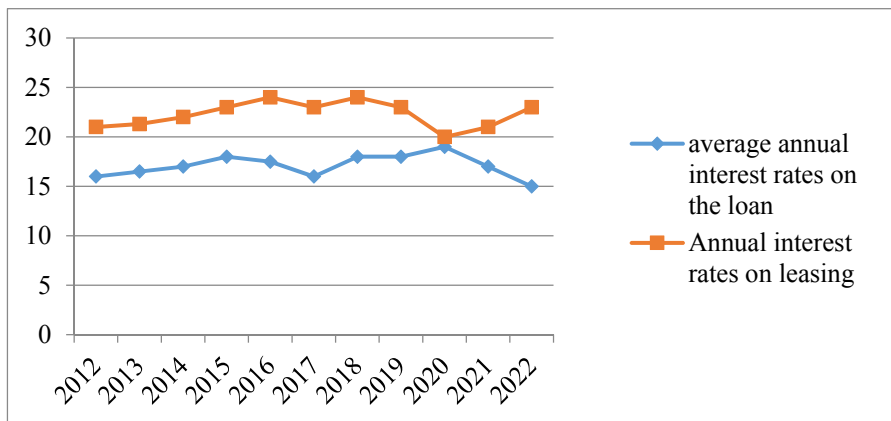
**The dynamics of the specific weight of the leasing market of Azerbaijan in the gross domestic product during 2007-2022**

<b>№</b>	<b>Years</b>	<b>Volume of leasing transactions (in million manats)</b>	<b>Volume of gross domestic product (billions of manats)</b>	<b>Specific weight of leasing in GDP (in %)</b>	<b>Change from previous (in %)</b>
1	2007	186.4	28.36	0.65	-
2	2008	205.7	40.14	0.51	-0.14
3	2009	89.8	35.6	0.25	-0.26
4	2010	235,0	42,465	0,55	+0,30
9	2015	77,2	54,380	0,14	+0,03
10	2016	102,8	60,452	0,17	+0,03
11	2017	141,4	70,338	0,2	+0,03
12	2018	153,1	80,092	0,19	-0,01
13	2019	161,5	81,896	0,197	+0,007
16	2022	50.0	133,826	0,004	-0,193

The volume of leasing transactions and the volume of gross domestic product starting from 2010 and including 2022 are shown

here, and the share of leasing transactions in the gross domestic product was calculated and determined during those years. In 2015, leasing operations totaled 77.2 million manats, and GDP totaled 54.380 billion manats. The share of leasing in GDP was 0.14%. In 2022, the total of leasing transactions was 50.0 million manats, and the total GDP was 133.826 billion manats. The share of leasing in GDP was 0.004%. One of the important indicators to be considered in order to study and analyze the development features of the leasing market in our country is the dynamics of the share of individual leasing objects in contracts during 2010-2022.

Some of the important parameters that should be considered for the assessment of the situation in the country's leasing market and which affect the final results of the leasing activity are the following: the total leasing portfolio for the leasing organization, the number of leasing contracts for the organization, the average cost of one contract, the contract for overdue debts number, the average amount of overdue debts, the share of overdue debts in the total leasing portfolio. In order to get a clearer picture in this area, let's pay attention to the graph of the dynamics of average annual interest rates in the credit and leasing markets of Azerbaijan (graph 1).



**Graph 1. Dynamics of average annual interest rates in Azerbaijan's credit and leasing markets in 2012-2022, in percent**

*Source: The graph was prepared by the author based on data from CBA and the Association of Leasing Companies.*



It can be seen from the graph that during the period 2012-2022, the average annual interest rates in the leasing market were higher than the interest rates in the credit market. This deters those who need funds from the leasing market and attracts them to the credit market. It is noted in the dissertation that the increase and decrease of the specific weight of the leasing objects in the collective leasing contracts could not become an indicator that ensures the dynamic development of the market. In this regard, determination of the limit of regulatory capital of leasing companies, organization, regulation, management of leasing activity, annual interest rate used in leasing operations, etc. investigates issues. It is noted that the highest dynamic annual interest rate of leasing transactions is 35% in Parex Leasing, 30% in Finans Leasing and Ata Leasing, and 26% in Qafqaz Leasing. The low level of this indicator was determined at 8% in Agroservice, 17% in MBC Leasing, and 21% in Uni Leasing. It is considered that the result of the high annual interest rate in the leasing market is that this market is not developing enough and the demand is not high. Therefore, as a result of the high annual interest rate, subjects cannot meet their needs due to the lack of working capital and refuse leasing services.

One of the indicators affecting the development of leasing operations is the advance payment for the operation. It should be noted that the higher level of this indicator can create a difficult economic situation for every economic subject facing a shortage of working capital. The lack of funds, or rather the lack of them, can direct economic subjects in different directions.

In the dissertation, the main indicators of MBC Leasing, Standard Leasing, and Ata Leasing companies are comparatively analyzed. In order to assess the state of the leasing market, the leasing portfolio, the number of contracts, the average cost of a contract, overdue debts, etc. indicators are analyzed. The increasing and decreasing tendency of the leasing indicators for the years 2012-2022 is investigated, and we come to the conclusion that there is a need for the state to intervene in the leasing market with an organizational and economic mechanism.

In chapter III of the thesis entitled **“Priorities for improving and increasing the efficiency of leasing operations in Azerbaijan”**, the main directions of development of leasing financing and leasing

operations, problems of organization and management of leasing operations and directions of improvement of market mechanisms and possibilities of application of international experience in improving leasing operations of Azerbaijan are determined.

In recent years, the formation of sufficient financial resources obtained on the basis of socio-economic development in Azerbaijan has led to the creation of a favorable macroeconomic environment and economic growth, and based on these, the basis for ensuring the economic and political security of the country has been created. The integration of lands freed from enemy occupation as a result of the victory in the 44-day Patriotic War into the economy of the Karabakh economic zone, the opportunities created by the international North-South and regional transport-logistics corridors created a new stage in the economic and political development of our Republic. From this point of view, the creation of security, economic and mutually efficient activities in the South Caucasus region, as well as the increase of economic and trade activities, will strengthen the leading role of our Republic, which is the leading country in the region, in the economic lives of the neighboring states.

In the dissertation, it is noted that an important problem in the leasing market in Azerbaijan is the lack of funds of leasing companies. Unlike the banking and insurance sectors, the small scope, portfolios and capitalization rates of leasing companies make this area unattractive for both foreign and domestic investors. The high cost of financing for leasing companies in our Republic leads to the inability of these companies to offer favorable conditions to the lessees. The average annual interest rate in the leasing market is above 18%, which makes it lose in competition with banking and insurance, which are the main competitors of leasing. Despite the lowering of the interest rate on leasing in the last two years, it still loses the competition. Leasing activity operates as a special area of business, and if the scale of leasing use increases, it can be the main way to renew equipment in those enterprises, modernize the national economy and, as a result, provide the consumer market with competitive local goods. The effectiveness of leasing deals is manifested in the increase of the volume of investments in our

country, in the improvement of the economic conditions of leasing companies, and in the production of competitive products by small and medium-sized business entities.

Currently, the existing normative-legal basis in the field of leasing services in our Republic does not allow the leasing market to develop more efficiently. There are certain deficiencies in the rules regulating the activity of leasing companies in the “Property Code”. Thus, it is considered that the concept of leasing, types of operational and financial leasing of leasing operations, guaranteeing and insurance of leasing transactions with pledge and surety, insurance and other issues have not been resolved taking into account the nature of use of the object in these documents.

The dissertation shows that among the measures, concessions can be applied and new regulatory mechanisms can be defined for the growth and development of the leasing services market. In addition, the application of additional concessions for leasing in areas of significant importance for the economy will be considered. These benefits can create conditions for stimulating the use of leasing services as an alternative source of financing by leasing entities.

As a result of our republic's non-adherence to the Ottawa Convention on International Financial Leasing, a number of problems arise in terms of providing the necessary guarantees to foreign investors when leasing operations are carried out in our country, which reduces the interest of foreign investors in the market of leasing services.

Another problem in the field of leasing is the fact that leasing companies, unlike banks and non-bank credit organizations, have yet to join the Centralized Credit Register (MKR). In our view, this may minimize the potential for lessee defaults. The analysis shows that one of the other reasons hindering the development of leasing is the lack of incentive mechanisms and concessions in the field of leasing activity. The inability of leasing companies to offer leasing financing on terms more favorable than bank loans creates an obstacle for the development of leasing companies, which results in a decrease in the number of leasing subjects' applications for leasing.

It should be noted that there are a number of problems related to the optimization of contractual relations between the lessor and the lessee. The main unsolved problems can be considered:

- The number of leasing deals is low due to the low demand of the leasing subjects for the services of the leasing companies;
- Leasing payments due to lessee's solvency decrease non-payment.

The problem of increasing leasing agreements can be solved by changing the organizational management and investment process, creating favorable conditions for the lessee. It is noted that due to the increase of small and medium entrepreneurship, it is possible to cooperate with material and technical means, which can act as real subjects ready to buy leasing services in the market.

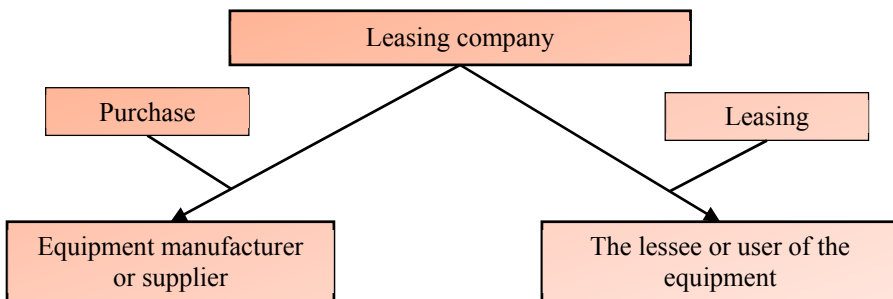
It is necessary to analyze and evaluate whether there is a real need to conclude a leasing agreement at the stage of preparation for concluding a leasing agreement in the system of leasing services. It is considered especially important to have a preparatory stage in order to prevent inappropriate spending of state funds during the use of state financial support and granting of concessions for the acquisition of leased property.

In order to reduce the possibility of financial losses related to investments in enterprises that are the subject of leasing, it is advisable to assess the leasing capacity of the lessee enterprise before concluding a leasing agreement.

The possibilities of applying the international experience of leasing operations in Azerbaijan are investigated in the dissertation. Conducting leasing operations, concluding contracts, participants, etc. it is carried out according to the characteristics of each country. Besides, they perform functions of the same nature in leasing relations of leasing companies (scheme 2).

Important functions of leasing companies include:

- the leasing company determines to what extent the price offered by the lessee corresponds to the current market prices;
- companies providing leasing services buy the property desired by the lessees from enterprises engaged in the production of equipment or their purchase and sale based on concluded leasing contracts;



**Scheme 2. Scheme of leasing relations**

*Source: Compiled by the author.*

- companies engaged in leasing services provide the purchased equipment for temporary use to legal and natural persons who lease it under the conditions specified in the leasing contract.

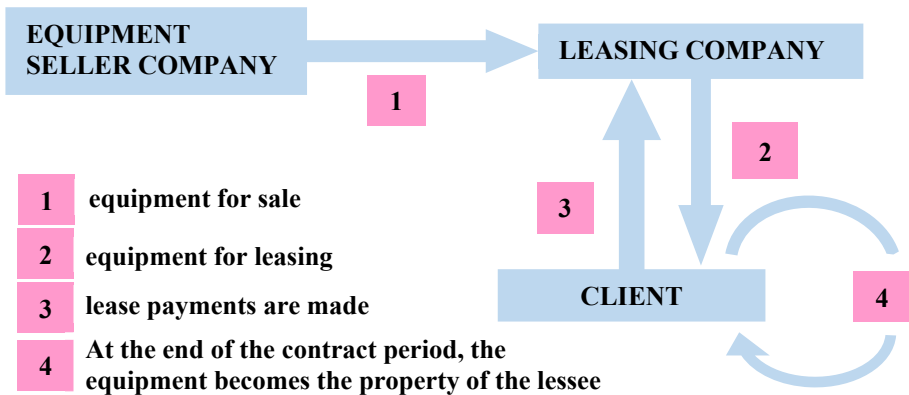
The leasing agreement concluded with leasing companies covers the following:

- the object of the leasing contract;
- parties to the leasing contract (subjects of the contract);
- duration of the contract;
- lease payments;
- additional services offered for leasing services.

The leased property is involved as the object of the concluded leasing agreement. Leasing should be distinguished depending on whether the leased property is movable or immovable.

The relationship and relations of the parties are shown in the scheme of conducting leasing transactions (Figure 1).

The analysis of the data of the experience of the countries of the world for the period 2016-2021 shows that the differences in the leasing legislation and regulation of the countries hindered mutual cooperation in this field between the states, and as a result, it was difficult to find a productive landfill for international leasing. In order to solve the problems arising between states in this field, to unify (harmonize) international leasing operations, on 28.05.1988, 55 countries of the world signed an agreement on international financial leasing in Ottawa, Canada. The signing of this agreement has led to the further development of financial structures and financial leasing



**Figure 1. Leasing operations scheme**

*Source: Compiled by the author.*

in the countries of the world, and the rise of international leasing. As a result, leasing relations have taken their current form, scale, size and parameters. There are all the conditions and opportunities for the application of the positive trends of leasing relations in the countries of the world mentioned above in our country. In the dissertation, it is noted that developed Great Britain, Australia, Denmark, USA, Russia, Italy, Canada, Turkey, etc. using the experience of countries in the effective application of leasing can accelerate the development of the leasing market in our country.

## CONCLUSION

In the course of the research work, extensive information and knowledge was obtained about the current situation, development trends and priorities of the leasing services market in our country. The obtained indicators were compared with the corresponding indicators of the leasing services market of near and far foreign countries, and the current level of development of the national leasing services market was analyzed. At the same time, the main points arising from local and foreign experience on the management and regulation of the leasing market were examined. This, it is

considered appropriate to present the results of the study in a general way. First of all, let's note that in recent years, there have been ample opportunities for the development of the leasing market and leasing relations in Azerbaijan. This can be mostly attributed to the development of investment and property markets. Thus, the increase in transactions in the real estate market, in turn, moves the investment market, which ultimately becomes the “catalyst” of the leasing market. It should also be taken into account that the development of the leasing services market lays the groundwork for the harmonious and balanced development of the sectors, divisions and spheres of the national economy.

The results obtained from the dissertation work are that the development of leasing operations leads to the mutual development of the real and financial sectors in the country. In addition, the development of the leasing market formed at the level of the expansion of leasing operations in the current period has a significant impact on the increase of the investment potential of the economy, the provision of the economic interests of the state and the improvement of the social condition of the population. Due to its socio-economic importance, directions and degrees of influence, the leasing market, which has become an actual research object in the infrastructure development of the national economy with its unique organizational structure, legislative base and level of economic activity, can be said with certainty that it is an integral and important component of the economic system.

Special attention was paid to the scientific innovations and similar issues obtained in the research work, and the following scientific justifications were made by us:

1. Forming the resource potential of leasing and determining the methodological aspects of its use can be reflected in several stages:

- For the efficient organization of leasing service in the country, leasing companies should first identify potential customers and it may be considered necessary to conduct analyzes to determine what assets they need;

- It is considered important to determine the financial sources for obtaining the resources that will be the assets of the leasing company of the specified equipment;

- In order to effectively use the leasing service and to reduce risks, it can be considered mandatory to evaluate the creditworthiness of customers by analyzing the ability to repay the loan on time;

- Leasing conditions, including interest rates, depreciation, property insurance, maintenance, etc., should be reflected in the contract concluded between the parties;

- After closing the operations, the leasing company must constantly monitor and analyze the results of its activities in order to identify possible improvements and optimize processes;

- One of the main points in the improvement of leasing service and leasing operations is the improvement of personnel potential, preparation of strategic plans and special attention to modernization.

2. The world experience of conducting leasing operations on the example of developed countries has been studied and by effectively using it in the national leasing service market, the normal functioning of the infrastructure elements of the national economy should be ensured in order to form the effective functioning mechanism of the leasing services market. Here, the main issue is that justified and systematic measures should be taken from a scientific and practical point of view in order to adapt the development of leasing relations to the national interests and the interests of economic development. Taking into account the role of foreign experience leasing service in the development of entrepreneurship, state support, targeted programs and projects are implemented. It stipulates the improvement of the normative-legal basis for the expansion of leasing operations. According to researches, it is believed that the main issue in focus here is the effective use of funds allocated from the state budget in the implementation of leasing programs.

3. It is considered necessary to have new approaches to the improvement of leasing operations by examining the legal basis of transactions in the national leasing services market. Studies show that, in fact, determining the legal basis of operations in the leasing services market plays a key role in improving leasing operations. Researching the legal basis of operations in the leasing market helps leasing companies reduce risks, ensure compliance with legislation and develop more flexible and competitive offers for customers. For



example, it requires attention to the protection of the rights and interests of the parties, a more detailed analysis and consideration of the interests and rights of the lessor, lessee and third parties of all parties in modern leasing operations. This includes developing more flexible agreements and dispute resolution mechanisms. The leasing market is subject to changing laws, and modern leasing companies must constantly update their practices and agreements in line with the latest changes in laws. As is known, with the use of mutual legal and economic mechanisms between the lessor and the lessee, state property is gradually transformed into other types of property (private, joint, share ownership). Therefore, leasing contracts should be managed at the state level by creating an improved legal framework and supporting the development of the leasing services market, at the level of the lessor by establishing a model of balanced relations between the participants in leasing transactions, and at the level of the lessee with the purposeful use of leasing services.

4. Studying the existing problems in the development of the country's leasing services market, improving its financial-credit, organizational and price (tariff) regulation mechanisms is derived from the requirements of the modern market economy. The low level of leasing service and leasing operations in recent years is due to their financial problems. We believe that lessors should be exempted from paying tax on the profit obtained from the implementation of financial leasing contracts valid for at least three years, as well as from value added tax when performing leasing services, and in addition, from paying customs duties and taxes in relation to goods that are the object of international leasing. partial release may be appropriate.

5. Based on the statistics of the last five years, scientific and experimental methods for eliminating obstacles in the organization and expansion of leasing operations in the example of leading leasing companies were reflected in the research work. One of the results of our research is that an important condition for the strong development of the leasing market, the strengthening of leasing relations, the improvement of leasing operations is the increase of the range of services in this market, the wide application of this type of service in all areas and sectors of the economy, the increase of the inclusiveness

of leasing operations for entrepreneurs, etc. consists of. One of the important conditions for achieving the above can be considered to be the existence of a special law and other normative-legal documents regulating leasing relations.

6. In accordance with the development programs, concepts and Strategic Roadmaps adopted in the country, there is a need to develop effective mechanisms for achieving the development goals of the leasing services market. The analyzes show that the level of the legal regulatory framework for leasing operations, its level of sophistication and perfection is an important condition for the proper organization of leasing relations in the future, for the activity of this market to lead to effective results. Therefore, the presence of a normative-legal base of leasing relations that meets modern, international requirements should always be the focus of the state's attention and should be improved. The use of innovation tools in financial instruments, the examination of the legislative framework can stimulate the creation of new financial instruments and products that allow more flexible management of leasing operations, taking into account legal requirements.

7. From our side, the modern state of the leasing market in our country, the most important indicators that characterize the state of this market, the dynamics of the share of the leasing market in the GDP, the comparison of the dynamics of the growth of the GDP and the leasing portfolio, the dynamics of the share of leasing objects in aggregate contracts, the dynamics of the authorized capital of leasing companies operating in the country, annual interest rates of leasing, advance payments, bargaining objects, depreciation rates, etc. on the basis of which the general situation of the market was determined. Based on the analysis, it was determined that there are opportunities, conditions and potential for the wide development of leasing relations in our country, which can be used effectively. The most important conditions that create this potential are the following: GDP growth in the country in recent years; there are dynamics in investments; sectors of the economy are gradually developing and expanding; large amounts of funds are allocated for social and infrastructure projects, etc. At the same time, there are important parameters that determine

the improvement of leasing relations. For example, the level of risk in leasing operations is not high, these operations act as a unity of financial and entrepreneurial activities, specialization and improvement in this market are going fast, leasing is an effective economic tool for the development of business and entrepreneurship, since leasing relations reflect parameters such as credit, finance, and investment. is attractive because Our conclusion based on these parameters is that there are fertile conditions for the development of leasing in our country.

**The main content of the research is reflected in the following works published by the author:**

1. Leasing is a modern market form of rental relations // – Baku: Azerbaijan Scientific-Research Institute of Economics and Organization of Agriculture. 2009. – p. 95 - 99.

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