



ANALYSIS OF THE DEVELOPMENT OF PARTNERSHIP RELATIONS IN THE FIELD OF LEASING SERVICES IN THE REPUBLIC OF KARAKALPAKSTAN

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As in all sectors, the main component of the actions of small businesses and private entrepreneurs in the service sector is the provision of an economic and legal form of concluding contracts for the implementation of certain operations between partners. A partnership agreement is concluded only when certain rights and obligations acceptable to each of the parties are clearly defined and signed. Also, the legal consequences of the concluded contract begin as soon as the contract is signed, and according to it, each of the parties voluntarily undertakes certain obligations (providing products, providing services, paying for equipment, providing other services, etc.). Whether it is a state partner or a non-state private partner, the non-fulfillment or insufficient fulfillment of these obligations by any party, from the point of view of contractual and economic law, creates the need to apply certain measures in favor of the other party against the party that did not provide the performance.

Before talking about the specific forms of cooperation between business partners, we note that all their diversity, as we mentioned above, are combined into six main areas of business activity, which have their own characteristics in the formation of partnership relations.

Before talking about any specific forms of partnership in business, it should be noted that partnership within the framework of business activity is divided into four main directions:

1. Cooperation in the field of production;
2. Cooperation in the field of commodity exchange;
3. Cooperation in the field of trade;
4. Cooperation in the field of financial relations.

An agreement is concluded when certain rights and obligations are assigned to each of the parties participating in it. The legal consequences of the concluded agreement (rights and obligations of the parties) begin after the date of signing the agreement, in which each party voluntarily undertakes certain obligations (delivery of goods, delivery payment of expenses, etc.). Failure to fulfill or improper fulfillment of these obligations creates the need for fine sanctions to be applied in favor of the partner of the guilty party. The form of the agreement and its content depend on the specific directions of cooperation between entrepreneurs (for example, a trade agreement is definitely different from a cooperation agreement in the field of production, etc.), thus a logical chain arises: first, the entrepreneur-initiator identifies a future partner within the framework of cooperation, then looks for a specific form of cooperation, and then offers to conclude a contract.

Production cooperation means a form of cooperation in which each partner performs his work within the framework of a single production process, and the income from the production cycle and the sale of manufactured goods is divided multiple times depending on the size of the work. For example, let's consider a single production cycle - furniture production. Two partners participate in this cycle. Each of them performs its share of work (Fig. 1).

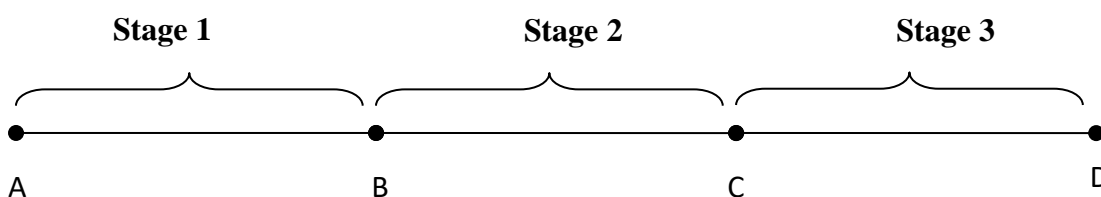


Figure 1. Single production cycle (furniture production)

Each cross-section represents a single manufacturing process;
 1st stage - production of semi-finished products for furniture (partner A);
 2nd stage - production of furniture from semi-finished products (partner B);

3rd stage - organization of sale of finished furniture (partner C).
 The main component of this form of relationship is not the sale of semi-finished products from partner A to partner B at point B, but the bringing of these semi-finished products into a condition suitable for further processing and consumption

(since it is not a sale at point B, but a simple transfer, the settlements between partners C are the goods of partner C after organizing the sale, it is carried out at point D. In order to avoid disputes, the partners determine in advance the amount of the share of each party related to the production of goods based on the total amount of work, and this is the subject of the contract. However, it is not possible to determine the share of each party based on the total amount of work. These indicators are mainly conditional on the basis of the agreement and are based on objective factors. The minimum share of each partner in the volume of work is determined on the basis of business calculations. Therefore, according to the agreement, the profit

received after the sale of goods by partner C is distributed among the partners.

So, you and your partner have come to manufacture furniture (in cooperation). In this case, your task is to process the raw materials to produce a semi-finished product, and your partner's task is to produce furniture from the semi-finished product (that is, ready-to-consume goods). In this case, your work volume and share is 40%, and your partner's is 60%. In that case, the partner will produce ready-to-consume goods and sell them on the market, and he will share 40 percent of the income with you and 60 percent with him (Figure 2).

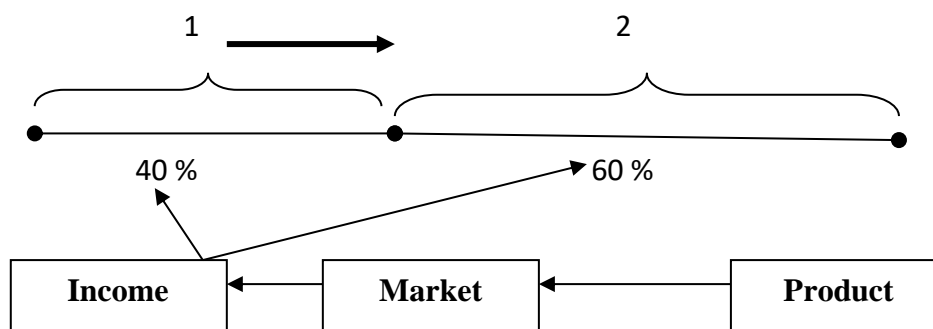


Figure 2. Distribution of income depending on the share of partners in the total volume of work.

1 – share of partner A (40%); 2 – Share of partner B (60 %):

Such a system of partnership relationships is characterized by high efficiency, because the economic interests of the partners are fully aligned. Based on this, each partner understands that 40 or 60 percent of 20,000,000 soums is more than 40 or 60 percent of 10,000,000 soums. Therefore, partners strive to sell this product at a higher price and gain an important position in the market. Because the higher the income, the higher the share they get.

Leasing is a form of rent in which technology, tools and equipment are placed on the market as long-term rental objects.

Using a lease has great advantages. When setting up production (or restructuring it), large investments are not necessary if you have leased the equipment. In addition, lease payments can be made with goods (with goods produced on the basis of the leased equipment). This is an example of a classic lease. There are also many forms of modern leasing where the rent is paid in cash (rather than goods). In this case, the form of relationship between the partners is different, that is, it is called by a common name - financial lease.

Leasing should be distinguished from similar forms of financing in other forms. Leasing is not only an opportunity to use borrowed funds, but also a special ownership relationship. Thus, leasing is a special form of ownership relationship, which involves not only renting the equipment, but also selling the equipment to the consumer after the end of the contract for the use of this equipment. It should be noted that ownership of the leased equipment is transferred from the lessor to the second lessee upon full payment of the leased equipment. It is this condition that is the main aspect in the development of leasing relations.

Structural changes in the economy of Uzbekistan, the deepening of economic reforms and the development of entrepreneurship require the search for additional financial resources for the renewal of the main capital. The limited internal financial resources of the national economy in general, and newly formed business structures in particular, make it necessary to look for non-traditional sources and methods of investment financing. In particular, it is appropriate to give an example of the establishment and development of leasing relations based on the attraction of foreign credit lines and interstate loans. For example, the practice of taking new technology and equipment for use on the basis of leasing is a proof of this.

Leasing is a type of economic activity that can fully meet the requirements of scientific and technical development and the harmonious integration of private, group and social interests. In the face of financial difficulties, leasing allows entrepreneurs to enjoy the latest technology and modern equipment.

The term "leasing" is derived from the English verb "lease", which means to give or transfer property for temporary use. Some sources claim that leasing should be understood as long-term renting of machines, equipment, vehicles and other movable property of production importance [8, 10, 15, 20].

In the economic literature, there are supporters of the idea that "leasing is just an extended contract for rent" or "leasing is a special type of rental relationship..." or "a rental contract in which the lessee's ownership rights are preserved throughout the lease period" [5, 14, 20].

There are other definitions of leasing in our country and foreign literature [18, 11, 12, 21, 22]. In particular, some economists interpret that "leasing is a type of professional lending that



provides an opportunity to sell movable and immovable equipment to the lessee and includes a lease agreement" [11].

In the scientific literature, some authors consider leasing as a long-term lease and emphasize legal relations such as the option to purchase the leased property of the lessee [6, 18].

In the works of thinkers and laws of the ancient countries of the East, there is also talk about the relations of rent and leasing, which are characteristic of that time. For example, 293 oyaats of the "Holy Qur'an", which is the main source of Islam, are directly devoted to economic thinking, or in the 188th oyaat of Surah "Baqara" and in "Nisa", "Nahl", "Sajda", "Yasin", "Ankabut", "Sad" suras, the issues of property and property relations were clarified [19], in paragraphs 82-85 of the book "Mukhtasar" on Sharia laws, rent and its types, renting and giving, the procedure for canceling it, about tenant partners [16], 54th chapter of "Hadiths" on market relations, chapter 56 on the nature of honest trade, chapter 8 on bonak [13], the holy book of Zoroastrianism "Avesta" also talks about virtue and economic unity, property-credit relations, creativity [4].

In many works by Farabi [1], Ibn Sina [24], Beruni [7], Yusuf Khos Hajib [25], Nizamulmulk [17], Amir Temur [3], Ulughbek [23], Navoi [2] and Babur [9], Islamic economic ideas, direct property and property relations, rent and leasing relations characteristic of this time, although primitive, are highlighted.

The following types of leasing are distinguished in the economic literature:

A finance lease is a rental relationship in which the lessor purchases the equipment for later transfer to the lessee. The price of such equipment shall be paid to the lessor by the lessee in installments, plus interest.

A leaseback is a type of finance lease in which the owner of the equipment sells the equipment to a leasing company, which, as the lessee, enters into a lease agreement for the equipment. This form is implemented like a mortgage loan. In addition, a refundable lease is an alternative to a foreclosure transaction here. At the same time, the seller of the property receives the agreed amount from the buyer (leasing company or bank) who leased it, takes possession, and then the buyer appears as a tenant. After that, the company that previously owned this equipment becomes a lessee and continues to lease its previous property under new, different conditions.

Operating or service leasing is a short-term equipment lease, in which a number of lessees rent the equipment in a row, computers, photocopiers, faxes and other complex information communication technologies, airplanes and cars are used as objects of operational leasing.

A fully reimbursed lease is a long-term partner relationship in which the lessee gradually pays back the full cost of the equipment and a portion of the lessor's profits.

Partial lease is a type of lease in which the lessor receives back a certain part of the price of the equipment and receives a certain profit for the services rendered. He makes several such agreements to achieve the desired amount of profit.

Liveridge leasing is a relationship in which several companies, firms, organizations act as lessors. This type of leasing is used in the implementation of large projects.

A lease with additional obligations is a rental relationship in which the lessor assumes additional obligations (for example, maintenance, equipment repair, insurance, etc.).

A pure lease is a form of relationship in which the lessor only leases the equipment, and all other problems related to the use of the equipment are borne by the lessee.

Other forms of relationships can be used when concluding contracts for renting cars and equipment:

- Renting - short-term rental of equipment and machines;
- Hiring - medium-term rental of equipment and machines;
- Leasing – long-term rental of equipment and machinery.

Today, there is a generally accepted opinion in the world that leasing operations (compared to other operations) is a new promising field. Leasing forms based on spiritual (not physical) wear and tear of equipment play a key role in relations between entrepreneurs and foreign partners in Uzbekistan.

If in 2010 there were only 2 lessors in the market of leasing services of the Republic of Karakalpakstan, in 2022 their number increased to 12 (Table 1).

When analyzing the information of the Association of Lessors of Uzbekistan (ALU), the market share of the lessors operating in the market, the dynamics of their change are of particular importance (see Table 2).

Table 1
Dynamics of the number of lessors operating in ALU of the Republic of Karakalpakstan in 2010-2022¹

Years	2010	2015	2020	2022	2022 compared to 2005, times
Number of lessors	2	3	5	12	6,0 t

¹ Author's calculations based on information from the Association of Lessors of Uzbekistan



Table 2
Dynamics of the share of participants in the ALU of the Republic of Karakalpakstan in 2010-2022²

Years	2010	2015	2020	2022
Leasing companies				
Property value, mln. US dollars	630,8	963,8	1668,6	1228,9
Share, in %	54,1%	53,4%	72,2%	68,5%
Banks				
Property value, mln. US dollars	342,3	589,8	184,1	40,0
Share, in %	29,3%	32,7%	7,9%	2,2%
Others				
Property value, mln. US dollars	192,3	249,2	457,8	524,8
Share, in %	16,5%	13,8%	19,8%	29,2%
TOTAL:	1165,4	1802,8	2310,5	1793,7

In 2022, an increase in the share of leasing companies was observed in the ALU of the Republic of Karakalpakstan. If in 2010 54.1% of ALU belonged to leasing companies, by 2022 this figure will reach 68.5%. In Table 3, we can see the dynamics of leasing contracts in 2010-2022 in the ALU of the Republic of Karakalpakstan.

From Table 3, we can see that in 2022, compared to 2010, the number of transactions concluded in ALU increased by 2.4 times, and the value of transactions increased by 8.7 times. In

2010-2022, we can see that the number of valid contracts in the Republic of Karakalpakstan ALU has increased by 2.0 times, and the value of contracts has increased by 8.3 times.

In table 4 below, in the study of ALU in Karakalpakstan, if we analyze its structural structure by sectors, the structure of leased assets by sectors, in 2010-2022, the most growth rates of leasing transactions in Karakalpakstan ALU are agricultural machinery (28.6 percent), freight transport (18.6 percent), corresponds to the share of computer and ICT (12.6 percent).

Table 3
The dynamics of the portfolio of leasing transactions in ALU of the Republic of Karakalpakstan in 2010-2022

Years	2010	2015	2020	2022	2022 compared to 2010, times
New transactions for the year					
Number of transactions	1938	3814	5875	4756	2,4 M
Value of transactions. In bln. soums	8,3	19,4	54,7	72,6	8,7 M
Leasing portfolio at the end of the year					
Number of active transactions	13068	17693	21012	23830	2,0 M
Value in bln. soums	149	245	336,6	818	8,3 M

Table 4
Dynamics of types of property leased in ALU of the Republic of Karakalpakstan in 2010-2022³

Fields, equipment, types of property	2010		2015		2020		2022	
	Number of transactions	Value of transactions, mln, US dollars	Number of transactions	Value of transactions, mln, US dollars	Number of transactions	Value of transactions, mln, US dollars	Number of transactions	Value of transactions, mln, US dollars
Light industry	87	0,034	172	0,0795	265	0,2243	215	0,2977
Food production	44	0,017	86	0,0399	132	0,1124	107	0,1492
Polygraphy	5	0,0018	10	0,0044	15	0,0124	12	0,0165
Production of construction and building materials	142	0,0551	278	0,1289	429	0,3635	348	0,4825
Other production equipment	277	0,10782	545	0,252	839	0,7106	679	0,9431
Trade	4	0,00135	7	0,0032	12	0,009	9	0,0119
Medicine	10	0,00392	20	0,0092	30	0,0259	25	0,0343

² Author's calculations based on information from the Association of Lessors of Uzbekistan

³ Information from the Association of Lessors of Uzbekistan



Computers and ICT	245	0,0956	483	0,2236	745	0,6305	603	0,8369
Agricultural machinery	755	0,2939	1486	0,6871	2289	1,9374	1853	2,5714
Truck transport	277	0,1078	545	0,252	839	0,7106	679	0,9431
Passenger transport	14	0,00528	27	0,0123	42	0,0348	34	0,0462
Real estate, property complex	41	0,01622	82	0,0379	126	0,1069	102	0,1419
Others	37	0,01433	73	0,0335	112	0,0945	90	0,1254
Total	1938	0,754	3814	1,743	5875	4,972	4756	6,6

Also, according to the data of the table, in the next 12 years in Karakalpakstan, the share of property in all directions in the market of leasing services is increasing in terms of absolute number. In particular, the number of leasing transactions for light and food industry, medicine, passenger transport equipment and technologies increased by 2.5 times on average. In addition, it should be noted that leasing of agricultural machinery is still leading in terms of transaction value. This is mainly explained by the high price and demand for equipment (Table 4).

Figure 3 below shows the structural analysis of equipment leased in the Republic of Karakalpakstan in the next 10 years, according to which 24 percent of the total leasing contracts issued in the "Kishlakkhujalikmashlizing" system are cultivators of various models, about 35 percent are tractors of 3 different models, and 10 percent are cotton drug spraying devices.

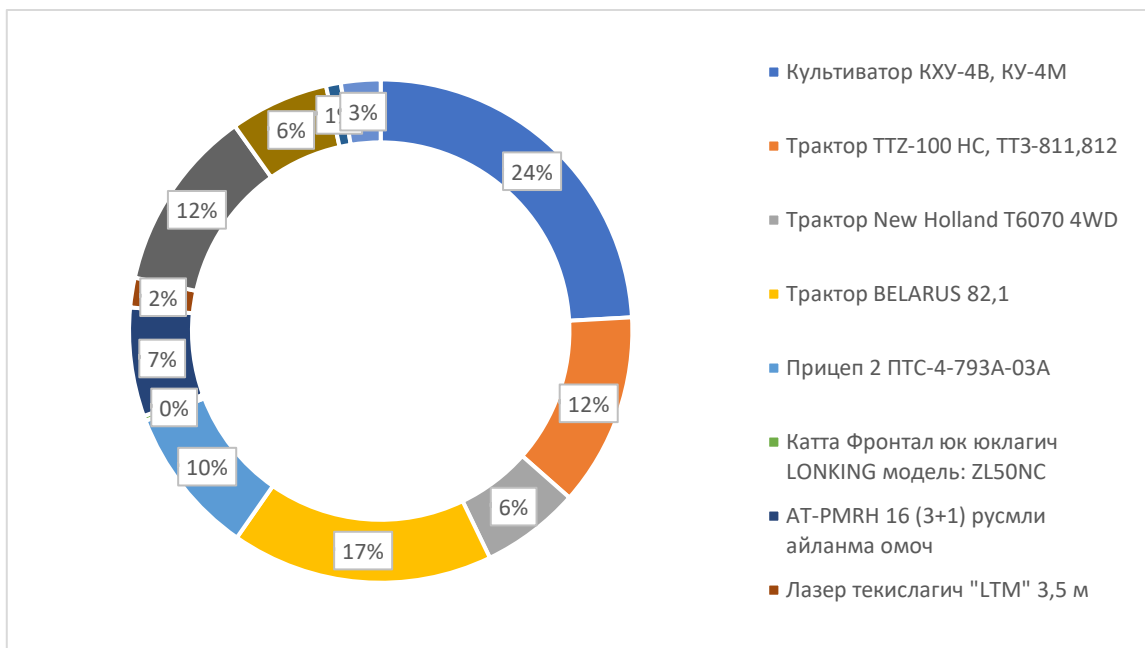


Figure 3. The structural share of the agricultural machinery leasing services market in the Republic of Karakalpakstan⁴, in %

According to our analysis, 289 units under 11 names leased in Karakalpakstan cost 114.6 billion. In terms of organizational and legal form, the main lessees of agricultural machinery are 6 types of organizations, such as clusters, farms, JSC "Ozagroservis", JSC "Uzkimyoimoya", JSC "Uzpakhta sanoat" JSC "Uzdonmahsulot" JSC and other organizations.

Also, as of the first quarter of 2023, lessees in Karakalpakstan will receive nearly 10 billion from lessors. there is an overdue debt of more than soums, the share of clusters is 4.98 billion

soums, the farmers' council is 4.3 billion soums, and the debt of other organizations is 852 million soums.

In conclusion, it is appropriate to take the following measures for the further development of partnership relations in the field of leasing services in Karakalpakstan:

firstly, critical in-depth analysis and optimization of the portfolio of services provided by leasing organizations across the republic by types and forms;

⁴Accounts of the author based on the information of the Karakalpakstan branch of Uzqishlokhhojalikmashlizing



secondly, to develop mechanisms for liquidation of existing debts for agricultural leasing services provided in the region of Karakalpakstan;

thirdly, to strengthen information and consulting activities to increase the share of modern, innovative leasing services in the composition of leasing services;

fourth, the wider development of services such as industrial production, ICT, architecture and design, 3D modeling, leasing of modern machinery and technologies in non-agricultural fields.

We believe that the implementation of the listed proposals and recommendations will lead to further improvement of leasing services in Karakalpakstan in terms of quantity and quality.

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