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THE IMPACT OF LEASING AND CREDIT INSTITUTIONS ON THE BUSINESS ENVIRONMENT IN UKRAINE DURING THE WAR

The war period in Ukraine has been accompanied by changes in the business environment, such as a decrease in consumer demand, incoherence of economic processes, and general uncertainty, so most businesses have experienced a decline or even disappeared from the markets, unable to cope with downtime due to power outages and other unfavorable situations. In contrast, many new businesses have opened in the western part of the country, taking advantage of certain advantages such as internal migration and the significant release of specific niches in the market. The services provided by leasing and credit institutions have become a kind of salvation for young and already operating businesses, contributing to their survival and development in the face of instability and risks, which gives a significant impetus to improving the overall market conditions. Access to financial resources and flexibility is essential for businesses to adapt to a rapidly changing environment and fulfill their strategic objectives. Some businesses may have faced financial challenges in wartime, such as reduced working capital and insufficient liquidity. In this case, loans could provide businesses with additional financial resources to cover urgent expenses. Others needed to upgrade equipment and vehicles to ensure safety and efficiency. Leasing helps businesses access the assets they need without incurring significant costs.

A deeper dive into the issue is needed to understand the global impact of financing through lending and leasing on small and medium-sized businesses.

Leasing is a unique investment transaction in which a leasing company purchases equipment or assets from a supplier and leases them to a customer under certain conditions and for a specified period for a monetary reward. As a result, this will lead to the subsequent transfer of ownership of these assets to the client [30].

Leasing is a significant financial instrument that affects the market conditions in Ukraine from different perspectives. First, it increases the availability of necessary equipment, cars, other assets, and technologies for businesses and entrepreneurs. This allows them to modernize and increase their competitiveness, which is essential for economic development. Secondly, it also helps preserve enterprises' liquidity, as it does not require significant capital investments, which is especially important in conditions of limited financial resources. This stimulates production, as it allows companies to upgrade and expand their technical base without excessive financial efforts, which in turn increases production and helps create new jobs. Leasing is also an effective tool for small and medium-sized enterprises that can only sometimes spend large sums of money on equipment and assets. It helps these enterprises access the necessary resources and compete in the market, contributing to entrepreneurship development [20].

We can distinguish such forms of financial leasing as operational and financial.

Operational leasing means that the lessee has the right to use the property provided by the lessor for a certain period, but at the end of this period, he or she has no option to buy the property.

Financial leasing is based on the fact that the client must pay the total cost of the property during the lease agreement period and, at the end of the period of use, has the opportunity to purchase the property [3, 22].

In Ukraine, financial leasing mainly prevails, which is a typical phenomenon in this market's early stages of development. Most clients want to purchase the leased asset after the lease agreement expires. Operational leasing, in turn, is less common but is offered to corporate clients to meet their needs for using passenger cars [13].

After analyzing the leasing market of Ukraine, we can identify the most famous large companies providing this service in Figure 1.

Fig. 1. Leasing companies in Ukraine, [16, 17].

Leasing companies make a significant contribution to Ukrainian businesses by providing profitable access to equipment and machinery without global financial losses and preserving liquidity and flexible financial control.

A loan, in turn, is a form of financing when one person or organization provides another with monetary or material resources on the condition of repayment, including payment of interest, within a certain period [4].

Credit is a critical element in the current market environment, reflecting the complex economic relations in society. It has always been and remains an essential tool for promoting production development. Capital circulation is activated at both large and small levels of the economy by providing credit. Credit is a link in the reproduction process, contributing to increased profitability of production and return on capital [9, 15].

Credit relations arise when the monetary resources of enterprises, organizations, the budget, and the population are temporarily mobilized and used to meet economic and social needs, subject to their return [3,2].

Credit, in turn, has a variety. Researchers in their works include a wide variety, but based on current realities, the following primary forms of loans can be distinguished: commercial, bank, government, consumer, mortgage, and international [14, 15].

Commercial credit emerged earlier than others, as it is directly related to the production and sale of goods. Thus, commercial credit is a form of financial relations that regulates the redistribution of material resources and determines the terms of a credit agreement between two economic entities. This form of credit means that the seller (or manufacturer) allows the buyer to defer payment for the purchased goods, works, or services. The advantages of this form of credit are quick and convenient obtaining of financing; no additional collateral is required from lenders, except for the prohibition on pledging property for other loans; the requirements for the borrower's creditworthiness are usually less strict than in the case of bank lending, and lenders less frequently carry out creditworthiness assessment; the process of approving the extension of the loan is usually less complicated [2, 12, 15].

A state loan is a form of credit relationship in which the state acts as a borrower, and creditors can be individuals or legal entities. The economic purpose of the state credit is to accumulate financial resources for the state on the principle of their repayment to finance various public expenditures. This form of lending emerged as a way to cover the state budget deficit [2, 15].

Consumer credit is a specific type of credit that allows individuals to purchase durable goods with a deferred payment plan. Such a loan is provided by trading companies and specialized financial institutions to individuals and is repaid in installments. The main idea of consumer credit is to enable consumers to use goods and services before they can pay for them in full. This helps to improve the living standards of citizens and increase the demand for goods and services, which in turn contributes to the growth of their production and economic development [2, 15].

A mortgage loan is a particular type of financing that involves lending and pledging real estate, such as land, residential or commercial buildings, etc. These loans are usually granted for an extended period. An essential condition for obtaining a mortgage loan is private ownership of real estate and land [15].

International credit is the movement of borrowed financial resources within the framework of international economic relations. This type of credit includes loan agreements between states, banks, and enterprises of different countries. The main idea of an international loan is to transfer monetary or commodity resources from one country to another on a deferred repayment basis. The use of international credit is usually determined by the need to deepen the international division of labor and develop international economic relations. The modern understanding of international credit includes various forms of credit relations that facilitate the exchange of borrowed capital between countries [2, 15].

In today's environment, most services are moving from offline to online. This also applies to financial services such as lending and leasing. Online lending from microfinance organizations (MFIs) in Ukraine is an essential financial service that is of great relevance to a wide range of people and small businesses, especially during wartime, because of the great inconvenience of offline services for people. The main advantages of such lending are quick access to financial resources, which allows you to get money when you need to immediately cover small financial needs, such as unexpected expenses or urgent bills; the ability to get a loan to people with low credit ratings; minimal document requirements; financial flexibility; development of small businesses that need additional capital to expand their operations [29].

Given the economic decline in most regions of Ukraine after the outbreak of full-scale hostilities, the government initially decided to introduce tax holidays for small businesses. It later gained popularity with the particular loan program 579, which was launched on February 1, 2020. This state program allows banks to provide loans to individual entrepreneurs and legal entities at 5, 7, or 9 percent per annum for a maximum period of 5 years. Thus, while a conventional loan is issued at 30-40%, under the 579 program, the state finances the difference in interest, and the recipient pays only 5, 7, or 9%. This program finances all types of activities according to the Classifier of Business Activities, except for gambling, tobacco and alcohol products, manufacturing of weapons and explosives, programming, and financial and insurance activities [7, 8, 10].

A loan under the 579 program can be issued for the following purposes:

1. Purchase or modernization of fixed assets, except for vehicles that are not intended for commercial or industrial use.
2. Acquisition of non-residential real estate or land plots for business activities of a business entity without the possibility of transferring to third parties.
3. Construction, reconstruction, or repair of non-residential premises where the main activity will be carried out and which are owned or used by the business entity.
4. Acquisition of intellectual property under commercial concession agreements related to the implementation of credit and investment projects by a business entity [19].

The main requirement for obtaining a loan by individual entrepreneurs and legal entities is that they have successfully operated their businesses for at least one year and have had a good turnover over the past year. Specific criteria determine interest rates in this program:

1. For 5% per annum, the annual income must be up to UAH 50 million, and the number of new hires must be at least two during the quarter.
2. For 7% per annum - the profitability for the last year must also be up to UAH 50 million, and when hiring an additional new employee, the interest rate may be reduced by 0.5%.
3. For 9% per annum - the business income for the year must be more than UAH 50 million, and in the same way, the interest rate can be reduced by 0.5% with the hiring of each new employee [10].

Let us take commercial, freight, and agricultural machinery financing as an example. Entrepreneurs can get such equipment for their business under the government program of 5-7-9%. To do this, they first need to prepare all the necessary documents, then formulate an application and submit it to the bank, wait for a favorable decision, choose the necessary equipment from Ukrainian suppliers, pay an advance of 30% of its total cost, and finally sign a loan agreement at the bank branch. Other necessary conditions include a pledge of the equipment to be purchased, as well as the need for a guarantor. The guarantors can be official spouses or immediate family members. For legal entities, this may be a guarantee of the founder or ultimate owner with a larger share in the authorized capital [6].

The documents required to be submitted to the bank for individual entrepreneurs include tax returns for two years, a certificate of registration of an individual entrepreneur, a passport, an identification code, a passport, and an identification code of a spouse in case of an official marriage.

For legal entities, the list of documents is as follows: an order to appoint a director, a decision or protocol on the appointment of a director, a 311 card for the last 12 months, financial statements for the last period, reports on employees for the last period, information about the founders. The bank may also require some other documents if necessary.

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