



**XIX. International Balkan and Near Eastern Congress Series on
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**University of Agribusiness and Rural Development/Bulgaria
University "St. Kliment Ohridski" Faculty of Economics/Republic of North Macedonia
IBANESS**

PROCEEDINGS

Editors

Prof.Dr. Mariana IVANOVA

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FOREWORD

International Balkan and Near Eastern Congress Series brings together many distinguished social and behavioral science researchers from all over the world. Participants find opportunities for presenting new research, exchanging information, and discussing current issues.

We are delighted and honored to host the IBANESS Congress Series in Plovdiv / Bulgaria. Presented papers have been selected from submitted papers by the referees. Sincere thanks to those all who have submitted papers.

We hope that through exchange of the presented researches and experiences, the Congress will enhance communication and dissemination of knowledge in Balkan and Near Eastern Countries.

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The Leasing Agreement and Possibilities of use among SMEs in the Republic of North Macedonia

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Abstract: Leasing is a special form of financing for the use of immovables, capital assets, equipment, future assets, manufactured assets etc. Leasing is a commercial activity through which households and commercial entities are enabled to use mobile or immovables for a specified period and for a specified fee.

Leasing, as a special commercial activity, is of special importance for the functioning of trade companies, especially small and medium-sized (SMS) enterprises that are not able to finance the purchase of the necessary equipment or immovables for the commercial activity for which they are registered.

The subject of analysis in this paper is the legal regulation of the leasing agreement. The emphasis is on Macedonian legislation. The authors, also, will make a comparison with leasing legislation of international organizations, UNIDROIT Model law on leasing, UNIDROIT Convention on international financial leasing and legal framework of some EU countries.

The authors, will emphasize the comparison of the data of leasing use among SMEs in the EU and in the Republic of North Macedonia, so for contribution of leasing to economic development of SMEs. Based on the performed analysis, will be given recommendations for the further development of leasing agreement and its use in the Republic of North Macedonia.

Keywords: leasing, agreement, SMEs, model law, finance.

1. DEFINITION OF LEASING AND TYPES OF LEASING

Leasing agreement is typically agreement in commercial law, which had developed in accordance with procurement of assets, or other equipment, without investing own finance and without concluding credit agreements.

Although leasing¹ has been used for thousands of years, it was evolved during the last decades, when it was faced as a specialized financial service rather than a manufacturer-selling technique, with the establishment of the first independent leasing company in 1952 in the United States (Mavrogiannidou, 2012).

The user of leasing (lessee) has a great advantage because he collects income by servicing the equipment or thing he uses for leasing, and with the income thus acquired he can pay the leasing fee. The provider of the lease (lessor) also has an economic interest in participating in this type of activity, because through the lease, he receives compensation greater than the funds he invested in the object that is the subject of the lease.

Leasing is an international term that is used to describe the transfer of the right to use a fixed asset from the lessor to the lessee for a certain payment for a specific number of years in the form of lease.

From an economic perspective, leasing can be defined as "a contract between two parties where one party (the lessor) provides an asset for usage to another party (the lessee) for a specified period of time, in return for specified payments" (Fletcher et. al., 2005).

This is also reflected in accounting-related definitions: According to the Accounting Standard IAS 17 "a lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time".

Leasing represents an organizational-legal form of integration between manufacturers, traders, financial institutions and consumers (users of the goods) (Dabovic. et al., 2012).

According to Report prepared for Leaseurope by Oxford Economic (2015), 30.5% of European SMEs investments are in cash/equity, 18,9% of investments are made by using leasing, 17.8% by other debt, 15,5% by loan for period longer than 3 years, 10% by loan for 1-3 years and 7.3% short term credit. According to

1 The term leasing origins from English word „lease“which means to rent out, to hire out.

Leaseurope, it is estimated in absolute numbers that leasing provides significant support for Europe's SMEs with 104 billion € of SME investment financed through leasing and supporting over 9 million SMEs.

In legal theory, several types of leasing are differentiated based on different criteria.

Depending on the object of leasing, is made a distinction between equipment leasing and leasing of real estate; between leasing of consumable goods (cars, equipment) or investment leasing (machines and other equipment); leasing of immovable property or leasing of movable property.

According to the properties of the leasing provider, leasing can be through a leasing company, concern leasing, production leasing, production-financial leasing, etc.

Of particular importance in practice is the division of leasing into operating (service) and financial leasing. The IAS 17 effectively accounts for the economic substance of the two major types of leasing that are: service (operating) leasing and finance leasing. The first indication that proves whether a lease is operating, or finance is to assess the risk and rewards of ownership have been transferred to the lessee.

Operating (service) leasing is also called short-term leasing. In this type of leasing, it is usually a matter of leasing consumable goods where profitability is realized only by giving the object of leasing multiple times, so it must be about such an object that can be used multiple times. In this type of leasing, most often the lessor is the manufacturer or owner of the object of leasing and most often he retains the obligation to service the items, purchase of spare parts, etc. (service leasing). In the case of long-term leasing (finance leasing), as a rule, it deals with the leasing of objects of great value (Kapor & Carič, 1979). In financial leasing the risk of obsolescence and the term of failure of the equipment, as well as the costs of insurance, maintenance and repairs are borne by the lessee, since the service provider does not provide other services than financing the work (Andonovski & Krstanovski, 2011). In the professional literature, there is a dispute about the length of time according to which short-term leasing will be distinguished from long-term leasing.

In financial leasing, the lessor finances the total amount of the asset or equipment and then the lessee, who requires the equipment or machinery, uses it in exchange of fixed payments. This particular type of lease is also known as Full Payout Lease and there is a full transfer of all the risks and rewards related to the asset from the lessor to the lessee. In this type of lease the lessor has only the role of the financier. Big industrial equipment is a common example of finance lease. Financial leasing has become the mainstream finance tool only after the bank credit in the west developed countries now. In addition, as it is said that nearly 1/3 of investment in the world is finished by financial leasing, which has become one of top five pillars, taking the same important position in finance as bank, insurance, trust and security (Miao, 2009).

Depending on the number of persons participating in the leasing activity, there are indirect leasing or direct leasing (Kolpak et al., 2016). In indirect leasing there is a three-dimensional relationship between the supplier (manufacturer or seller), the leasing provider and the leasing user. With this type of leasing, are concluded two contracts: a sales contract between the supplier and the lessor and a leasing contract between the lessor and the lessee.

Financial and investment leasing are of particular interest from the perspective of the corporate sector for the development and financing of their business activities.

2. LEGAL FRAMEWORK FOR LEASING IN COMPARATIVE LAW

The leasing agreement, as a creation of the law of the USA, was not legally regulated in the law of the countries of Europe for a long time. Things have started to change significantly because of the economic benefits that this instrument provides. Thus, from the common law system, the leasing agreement will first be regulated in the legislation in Europe that belongs to the Romanian procedural civil law system. Indeed, only some of the European countries: France, Great Britain, Portugal, and Italy had their own national leasing legislature. These leasing laws were paying more attention to the matters of status of firms that can, in accordance with their provisions, engage in the leasing business, rather than on the very essence of the leasing agreement/or nature of the leasing cooperation between lessor and lessee. By the end of the first decade of the XXI century, there is almost no county in Europe that had failed to regulate in some manner the leasing business, or at least some of its forms.

The group of countries that already have the leasing law from the end of the last and the beginning of this century was joined by some other countries: Poland, Federation of Bosnia and Herzegovina, and others by

developing the leasing law within the framework of the Civil Code, i.e., the Law on Lien. Some other countries have adopted separate leasing laws like Spain, Croatia, Republic of Srpska, and others, while some other ones passed the law on financial leasing like Russia and Serbia. Due to this trend, the leasing agreement was also legally regulated in Macedonian law at the beginning of XXI century.

Analysis of the legal regulation of leasing in European countries shows that there is a more common approach under which the issue of leasing activities and the definition of the contractual structure of leasing is primarily regulated by civil laws, which fix the original conceptual models of leasing, fundamental principles, essence of obligations, status of contracting parties, and other issues that are elaborated within special legislation.

At the international level, the UNIDROIT Convention on International Financial Leasing remains the most serious comprehensive leasing effort. Indeed, recognizing the need for certainty in international trade, the International Institute for the Unification of Private Law UNIDROIT began work in 1970s aspects" of Draft Rules designed to govern "the civil and commercial aspects" of international financial leasing. The effort culminated in 1988 in a Convention on International Financial Leasing (Ottawa Convention).

The goal of the Convention on International Financial Leasing was to provide a basic international legal framework within which international financial leasing can be carried out. The need for this framework is a product of two factors: the potential for the expanded use of international financial leasing as a method through which capital equipment financing can be facilitated and the varying treatment of financial leasing under the national laws of countries.

The Convention addresses several central aspects of financial leasing for which there was a generally recognized need for an internationally uniform approach. Many issues that arise in the context of lessor-lessee-supplier relationships are left to be regulated, either by application of the underlying principles of the Convention or by the applicable law.

Convention has five key objectives: recognition of the typical tri-partite relationship, transfer of the responsibility for nonconforming equipment from the lessor to the supplier, restriction of the lessor's liability to third parties, safeguarding the lessor's property interest in the event of the lessee's insolvency and ensuring the effectiveness of provisions for some of the lessor's default remedies, such as accelerated payment, liquidated damages, etc.

The Convention is structured into three main parts preceded by a preamble. The first part includes articles which delimit the Convention sphere of application both substantive and geographic and include general provisions. (Chapter 1, Article 1-6). The second part represents the main body of the Convention and contains substantive provisions dealing with the rights and obligation of the parties (Chapter 2, Article 7-14). The third part includes final provision (Chapter 3, Article 15-25).

The Convention applies when the lessor and the lessee have their places of business in different States and those States and the State in which the supplier has its place of business are Contracting States or both the supply agreement and the leasing agreement are governed by the law of a Contracting State.

The Convention governs financial leasing transactions. The financial leasing transaction is a transaction which includes the following characteristics: the lessee specifies the equipment and selects the supplier without relying primarily on the skill and judgment of the lessor, the equipment is acquired by the lessor in connection with a leasing agreement which, to the knowledge of the supplier, either has been made or is to be made between the lessor and the lessee and the rentals payable under the leasing agreement are calculated so as to take into account in particular the amortization of the whole or a substantial part of the cost of the equipment.

Financial leasing according to the Convention represents a "distinctive triangular relationship" requiring three discrete parties: a lessor who advances funds for the purchase of the equipment which constitutes the subject of the leasing transaction, a lessee who selects the equipment and pays a rental fee for the right to use it and a supplier who sells the equipment to the lessor. Financial leasing also links two separates, albeit interrelated, contracts: a leasing agreement between the lessor and lessee, and a supply agreement between the supplier and lessor.

The Convention applies when the lessor and the lessee have their places of business in different States and those States and the State in which the supplier has its place of business are Contracting States, or both the supply agreement and the leasing agreement are governed by the law of a Contracting State.

The Convention is not a code of law dealing with international lease financing but intended not only to facilitate international leasing operations, but also to serve as a model for future national legislation. Indeed, the number of ratifications (20 countries by now)² shows the success of the Convention. The influence of the Convention does not stop here. This Convention also created the basis of work that led to the UNIDROIT Model Law on Leasing in 2008.

Developed by UNIDROIT in 2008, the Model Law on Leasing attempts to aid the international expansion of leasing. In summary, the Model Law on Leasing focusses on the private law aspects of leasing, thus steering clear of its fiscal, accounting and supervision aspects. It applies only to commercial leases and, therefore, does not extend to consumer leases, thus focusing on the transactions judged to be most critical to economic development. The Model Law on Leasing applies to an extended range of assets, in short encompassing all those categories of asset used in the trade or business of the lessee (and plant, land, capital goods, equipment, future assets, specially manufactured assets, plants and living and unborn animals). It covers a broader range of leasing transactions than the Convention, the idea being, while recognizing that financial leasing is the most powerful engine of growth in this field, to avoid channeling the development of the industry into any category of transaction: it, therefore, applies to both financial leases and non-financial leases.

The Model law on Leasing contains 24 articles, organized in IV Chapters: General provisions, Effects of a lease, Performance and Default and termination.

3. ECONOMIC PERSPECTIVES OF LEASING FOR SMEs

The legal regulation of leasing agreements in countries in Europe has helped the development and financing of small and medium-sized enterprises (SMEs) also in the EU.

For example, in 2019, the overwhelming majority (98.9%) of EU businesses forming part of the non-financial business economy were micro or small enterprises employing (SMEs) fewer than 50 persons. Their economic weight was lower in terms of their contribution to employment or value added: micro and small enterprises employed just under half (48.4%) of the EU's non-financial business economy workforce, while they contributed just over one third (35.3%) of the value added (Eurostat 2022). Among the EU Member States, micro, and small enterprises (SMEs) contributed the highest shares of value added in the non-financial business economies of Malta (55.8% of total value added generated by micro and small enterprises), Cyprus (52.9%) and Estonia (52.6%). Meanwhile, medium-sized enterprises contributed the highest shares of value added in Estonia (26.0% of total value added generated by medium enterprises), Latvia and Lithuania (both 25.1%).

Small and medium-sized enterprises (SMEs) today are the backbone of Europe's economy. They represent 99% of all businesses in the EU. They employ around 100 million people, account for more than half of Europe's GDP and play a key role in adding value in every sector of the economy. SMEs bring innovative solutions to challenges like climate change, resource efficiency and social cohesion and help spread this innovation throughout Europe's regions. They are therefore central to the EU's twin transitions to a sustainable and digital economy. They are essential to Europe's competitiveness and prosperity, industrial ecosystems, economic and technological sovereignty, and resilience to external shocks.

In most industrial countries, leasing is a key source of investment financing provided by equipment manufacturers, banks, and independent leasing companies. Starting out as a manufacturer's tool for increasing sales, it has evolved into a specialized service that serves most sectors of the economy including agriculture (farm equipment leasing contributes to over 10 percent of the US\$242 billion U.S. leasing industry) (Nair et al, 2014). Because of these benefits of leasing, leasing is increasingly being used by SMEs. Leasing is a possibility for SMEs to expand their access to short- and medium-term financing (Kraemer & Lang, 2012). According to European Commission Analytical Report the most widely used external sources of financing by SMEs in 2011 were bank overdrafts (40%), leasing/hire purchase/factoring (36%), trade credit (32%) and bank loans (30%). (SMEs access to Finance, 2011 pg.18),

According to the obligations of the lessor, the lessee acquires the right to possess and use asset, capital goods, equipment etc., that are necessary for lessee commercial activity. The lessor relies on the lessee's ability to generate sufficient cash flows to pay the lease rentals (rather than to rely on the lessee's other assets or track record/credit history). Leasing enables also borrowers with limited track record / credit histories and collateral

² Status - UNIDROIT retrieved on 18.02.2023.

to access the use of capital equipment, often even in cases where they would not qualify for traditional commercial bank lending.

According to European Commission Survey on the access to finance of enterprises (SAFE) 2022, leasing or hire-purchases was a relevant source of financing for 47% of enterprises, while 51% say it is not relevant for their firm. Just over one in five SMEs used leasing or hire-purchases in the last six months, making it the second most used form of external finance. Moreover, the category leasing (including hire-purchase and factoring) was the second most frequently cited source of external financing in the EU (following the category bank overdraft, credit line or credit cards overdraft). According to the Report one quarter (25%) of SMEs have not used this form of financing in the past six months. At the national level, leading country is Poland where 40% of SMEs used leasing in the past 6 months. The EU countries from the region are below EU average (21% of SMEs used leasing in the past 6 months), Croatia with 19%, Greece with 15% and Bulgaria with 13% of SMEs using leasing in the past six months (European Commission, 2022).

The European statistics show that leasing is more used in construction (28%) and industry (25%) SMEs than in trade or services-oriented SMEs (20%) (European Commission, 2022). SMEs lease a broad range of assets, passenger cars and other commercial vehicles < 3,5 t are the most hire with 19,4%, the second type of assets that is the most lease are other machinery and industrial equipment with 16, 3%, the third type of prefer assets are IT and communications equipment with 15,5% (Oxford Economics, 2011).

According to Oxford economics survey results (2011, p.18) the main reasons why SMEs prefer leasing are: prices (compared to other form for financing), tax benefits and absence of collateral requirements. According to the survey for small enterprises is not very important the easiness for obtaining the lease. In a survey conducted by the EBRD Evaluation Department (2011), the reason for leasing with which most respondents (80%) agreed was that business had grown due to using leased equipment. And opposite of Oxford survey results, the second most important reason (77% agreement rate) was that it was "quicker to obtain lease finance" for SMEs (EBRD Evaluation Department, 2011).

The numbers show out that the leasing is an alternative instrument to facilitate access to finance; it enables in particular new/young enterprises (including the so called "gazelles") without credit track record and limited possibilities to provide collateral the use of capital equipment. As such, it also mitigates market weaknesses of SME lending (Kraemer & Lang, 2012).

4. LEASING IN THE REPUBLIC OF NORTH MACEDONIA

The leasing agreement in the Republic of North Macedonia was for the first time regulated as a special named agreement by the Law on Leasing (Official Gazette of the Republic of Macedonia" No. 4/2002) which was adopted in 2002, 6 years before UNIDROIT adopted the Model law on leasing. In Macedonian law, the leasing agreement was regulated in a special law because the Macedonian civil material law has not been codified yet.

Leasing in Law on Leasing is defined as an activity that refers to a movable thing and an immovable thing, during which the lessee determines the thing of leasing that is purchased or produced by the lessor and is given to the lessee for use for an agreed period of time, in exchange for the payment of a fee for the use of the leased thing, based on the leasing agreement concluded between the provider and the lessee, according to the conditions specified in it.

According to the Law, two types of leasing are defined: financial and operating leasing. According to the National Classification of Activities, financial leasing as a commercial activity belongs to the group of other financial-service activities, except for insurance and pension funds.

In the basic text of the law, the legislator did not differentiate between the provider of financial and operating leasing in relation to the conditions for performing this activity. In the beginning, basic capital and permission from the Ministry of Finance were prescribed for the establishment and operation of lessors, regardless of the type of leasing they provide. However, in 2011, considering the importance of financial leasing, the legislator again prescribed a minimum basic capital and the mandatory obtaining of a license for establishment and operation, however, this time only for lessor.³

³ About the situation in the Republic of North Macedonia in the period from 2006 to 2011, more at Boskovska Diana, Leasing Sector in Macedonia-States and Trends, Annals of the University of Petrolane, Economics, 11(4), 2011, 45-52.

The legislator stipulated that the provider of financial leasing should be established with a minimum basic capital in the amount of at least 6 million denars and that the basic capital must be in monetary form, be paid in full and not come from loans and credits.

According to the data published by the Ministry of Finance on 22.12.2022, in the Republic of North Macedonia 8 trading companies are registered as providers of financial leasing, of which the first trading company was licensed to work in 2006, and the last two were licensed in 2022.⁴

Of the registered providers of financial leasing, it is characteristic that all providers have a much larger basic capital than the legally stipulated minimum. Thus, one of the companies has a basic capital 120 times greater than the legal minimum, 4 of the providers have a basic capital 6 or more times the legal minimum and 3 providers have a basic capital greater than 2 times the legal minimum.

The Law on Leasing further reserves the rights and obligations of the contracting parties in the leasing agreement. In order to protect the contracting parties, the legislator provides mandatory form of the leasing agreement in written or electronic form, and for it to be notarized.

Considering that the macedonian Law on Obligations (Official Gazette of the Republic of Macedonia No 02/2001... 215/2021) is subsidiarily applied, it is considered that the requirement for a written form is fulfilled when the parties exchange letters or come to an agreement with the help of some means of communication that makes it possible to reliably determine the existence and content of the statement, such as and the identity of the person giving it.

With the adoption of the new Law on Notary (Official Gazette of the Republic of Macedonia 72/2016), the problem of the certification of the agreement drawn up in electronic form has been overcome, because the possibility of drawing up a notary document in electronic form is legally regulated, if the notary and all participants have signed it with a qualified certificate issued by an authorized issuer (electronic signature) and fulfills the other conditions stipulated by special laws that refer to documents in electronic form.⁵

In order to obtain publicity and effect erga omnes of the leasing agreement, the law stipulates that the leasing agreement must be registered within five working days in the special Leasing Register, which is kept in the Central Register. All changes to the contract are also registered in the Leasing Register. Acting in contravention of these provisions constitutes an offence.

The legislator, with the aim of greater protection of the lessee as an economically weaker and dependent party, as well as with the aim of greater predictability and transparency of contractual rights and obligations, prescribed the mandatory provisions of the leasing agreement. So, the leasing agreement must contain provisions for: description of the object, the total value of the object, the amount of the down payment, the time period during which the leasing agreement was concluded, a provision that will submit the request for registration of the object of leasing, for the registration of any change in the leasing agreement and deletion of the leasing object in the special register in the Central Register, total amount of compensation paid by the leasing user, number and amount of separate payments and the deadline for their arrival.

According to the Report on the financial stability of the Republic of North Macedonia in 2021 (National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy), the "leasing" sector has a small role and significance for the domestic financial system, both due to its small volume and weak connection with other segments of the financial system.

In 2021, leasing companies continued to grow, but at a slower pace compared to the previous year. The use of alternative financing instruments in North Macedonia is very low in comparative perspective, which also adds to the limited access to finance. Leasing is one such example, as well as factoring, business angels, etc.⁶ The small impact of the leasing sector on financial stability is also seen through the low participation of the debt of households and the corporate sector towards leasing companies in relation to the total debt of these two sectors. The debt of the corporate sector based on leasing agreements accounts for 1.5% of the total debt of

4 Registar_dekemvri_2022.pdf (finance.gov.mk) retrieved on 01.02.2023.

5 More see: Article 45, Law on Notary and Decision of the Constitutional Court. no. 129/16 of January 24, 2018.

6 More see in Barriers for Access to Finance for SMEs in North Macedonia, Skopje, 2020, p.34.

this sector, while the debt of the population based on leasing contracts represents 0.9% of the total debt of the population.

In 2021, active leasing agreements amounted to 9,224 million denars, while in 2020 they amounted to 5,158 million denars, including here the leasing contracts where both households and the corporate sector are beneficiaries (National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy, 2022, pp 125-128). As comparison in 2008, active leasing agreements amounted to 4,007 million denars and in 2010 active leasing agreements amounted to 1,863 million denars. (National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy, 2011, pp 153).

Table 1: Values of active leasing contracts according to their original maturity date

period	Legal entities (million denars)		
	Up to 1 year	1 - 5 years	5 -10 years
12/31/2017	29	3,312	550
12/31/2018	87	4,246	724
12/31/2019	22	4,657	1,015
12/31/2020	48	5,164	1,338
12/31/2021	21	5,586	1,700

Source: National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy, 2022.

Leasing companies in 2021 participated with 0.8% of assets in the total financial assets in the financial sector of the Republic of North Macedonia, where the participation of banks is still the most dominant with 79.1% (National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy, 2022).

According to data in the Report on the financial stability of the Republic of North Macedonia in 2010 (National Bank of the Republic of North Macedonia Directorate for Financial Stability and Macroprudential Policy), corporate sector in 2008, 2009 and 2010 lease at most cars (passenger cars), the second kind of leasing objects are cargo vehicles and trucks, and least lease are assets and equipment (National Bank of the Republic of Macedonia Directorate for Financial Stability and Macroprudential Policy, 2011, pp 153). This trend is clearly shown in all Reports on the financial stability of the Republic of Macedonia/North Macedonia, starting from the beginning of establishment of leasing sector till nowadays.

5. CONCLUSION

The leasing agreement has become an important part of the legislative of more and more countries in the World. The number of countries which have a special law for leasing, or some part of civil codes dedicated to leasing, these days, is increasing. By the end of the first decade of the XXI century, there is almost no county in Europe that had failed to regulate in some manner the leasing business, or at least some of its forms. The Republic of North Macedonia has a modern law on leasing, that was adopted in 2002, few years before UNIDROIT adopted Model law on leasing. Macedonia legislator, as the most of legislators in other countries, is paying more attention in the leasing law to the matters of status of firms that can, in accordance with their provisions, engage in the leasing business (lessors), rather than on the very essence of the leasing.

Based on the above, it can be concluded that leasing as a special commercial activity and financing opportunity in the Republic of North Macedonia is not so widely used. Still, the largest number of leasing companies are oriented towards vehicle leasing. From the analyzed data it can be concluded that although the number of lessors is gradually increasing, also the number of leasing agreements that are concluded, as well as their value, the participation of leasing in the financial sector in Republic of North Macedonia is still at an enviable level.

The conclusion remains that the corporate sector still does not use leasing as an opportunity for financing business activity, for equipping and performing the commercial activity for which they are registered, in the way and to the extent that SMEs from the EU use it. However, for the development of the economy and SMEs, which are an important segment of the Macedonian economy, the development and promotion of investment leasing is of great importance. SMEs from the Republic of North Macedonia have lack information about investment leasing, the benefits and risks of using leasing, opposit to information about the use of bank loans.

Perhaps the reasons for this situation should be sought from the lessors themselves and their lack of proactivity, relatively small number of registered lessors, their object of interest (mostly focused on vehicle leasing), poor public information about the benefits of using investment leasing, etc., besides solid legal framework, with the adopted *lex specialis* for leasing and a well-established Registry of leasing.

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