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Leasing as a form of financing transport activity⁵

Introduction

Leasing history dates back to the era of antiquity. Experts say that the first form of Leasing could be observed in letting and leasing transactions which relied on time and payable lending things. This took place about five thousand years ago in Egypt and Mesopotamia civilization. Evidences for concluding lease agreements and leases in the State of the Sumerians are documents that come from the twentieth century BC. These transactions were further developed in Rome and ancient Greece. For Leasing term can be related to Aristotle well known statement: “Wealth is more to use than the properties” [3].

In Poland, the leasing began to operate only since 1989. It happened after the entry into force of the Act on economic activity and business with foreign entities of 23 December 1988 (Dz.U. nr 41, poz. 325). Previously there was in Poland command system, which is not conducive to the development of the Polish economy market. Therefore, by the end of the 80s leasing was not popular in Poland and did not play a significant role. Only in 1990, arose the first company, which the basis of activity became leasing [7].

The word “leasing” derives from the English verb “to lease”, which means “rent”, “hire”. In practice, however, the word has a slightly different, broader meaning. As an economic term we can say that leasing is a combination of forms: rent, lease, rental and hire purchase.

In the literature, there is no one specific definition of leasing [1-12]. This is because it occurs in different varieties, types and forms. An additional difficulty is the fact that in different countries are not uniform regulations for the leasing.

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⁵ Artykuł recenzowany

Leasing agreement is often defined as the one that for a fee and for an agreed time, one of the parties shall submit to the use of movable and/or immovable assets of the other party.

In the literature, the following definitions of lease agreements can be found:

- leasing is a contract under which one party to a contract (the lessor) shall provide the other (the lessee) the right to use a specific fixed asset, which it owns, in exchange for payment, and time of use of the object is clearly defined in the contract [2],
- leasing is a donation by leasing the company of movable assets and real estate in use under the lease for the rent, respectively, for a limited time, if the value of the leasing object will be fully amortized by one lessee [3],
- leasing is a commitment by the lessor (financing), in consideration of the use of assets of the lessee (using), on the terms specified in the agreement, and the conditions that must be fulfilled by giving for use and uses of things are determined by both parties [5],
- leasing is a periodic enabling the use of certain tangible property, for a fee, the lessee obtains the possibility to use the subject of the agreement, while not acquire ownership of the thing, this is the right of the lessor [7],
- leasing is a civil law agreement under which the right to use a specified asset at an agreed period is transferred by the lessor to the lessee in return for a fixed fee [9],
- by the leasing agreement, the lessor is obligated to purchase items from the selected vendor under the terms of this agreement and return it to the client to use or to use and enjoy for a specified time, and using agrees to pay to the lessor in fixed instalments the financial contribution, equal to at least the price or pay for the acquisition of the object by the lessor [10],
- leasing is the ratio of legal-economic development, in which the lessor undertakes to provide the lessee the leased item specified in the agreement for a definite period, in return for the payment of fixed leasing fees, the thing that remains throughout the duration of the contract the property to the lessor, and the period for which the lessor conveys to the lessee object to use as well as the amount of leasing instalments, are closely linked with a standard shelf life of things to use (depreciation period) [12].

These definitions clearly highlight the most important and fundamental feature of leasing, which is the possibility of paid use of the object without the need to purchase.

In the economic aspect, leasing is considered as a form of financing and financing of projects, allowing investors access to investment goods by entering into possession of and using the desired things, without having to involve a large amount of their own money. It can be treated as a kind of "credit in kind" because of the ability to use a sustainable asset for a fixed repayment.

A characteristic feature of leasing is that throughout the duration of the contract and after its completion, the legal dominion (ownership in the legal sense) is the lessor, and economic dominion (the ability to use

good) is the lessee. There is a deviation from this, because it is possible to affix the transaction the clause by the parties, which allow the transfer of ownership right from the lessor to the lessee by buying things at the end of the contract period.

With leasing are connected following definitions [1-12]:

- subject of the lease – it is a good for investment purposes, called the asset, and movable or immovable, for purposes of commercial user (for example means of transport, real estate, etc.),
- lease rent – payment for the use of the leased asset, expressed in money. The amount and frequency of fees paid by the user depends on the terms agreed by both parties in the previously written agreement. Lease payments should ensure that the value of the lessor's return and profit as a percentage, regardless of the conditions formulated in the agreement,
- initial rent – the initial fee, which is paid at the inception of the lease agreement, and it is part of the value of the leased,
- guarantee deposit – deposit, which is intended to cover liabilities arising from the contract of the lessee. Payment of the deposit is not deductible for the lessee and it is returned to the customer after the normal completion of the contract,
- handling fees – may occur in the agreement as one-off charges or cyclic, for example security equipment, property tax, road tax, etc.,
- a call option – an option that occurs in some lease agreements, and lies in the fact that the lessor agrees to sale the leased object at the end of the contract, at a fixed price,
- financial schedule – one of the documents, which is an integral part of the lease agreement, specifying in detail the amount and time limits of all fees the lessee under the contract. In addition, here is a description of any fees or deposit guarantee,
- lessor – a specialized company that provides financial services, or an entity appointed by the bank, in most cases the lessor is the legal form of a joint stock company or a limited liability,
- lessee – it can be any economic operator, he must have adequate creditworthiness,
- guarantor – if the lessee is not able to document the relevant turnover and income (does not have sufficient creditworthiness) posed in the agreement by the lessor, the transaction can be completed if he guarantor position to satisfy these conditions,
- supplier – this is usually a trading company or manufacturer from whom a lessor buys the leased item. When signing the lease agreement, the lessor assigns all rights under the warranty and guarantee to the lessee. The lessee if the equipment malfunctions, asserts his rights not at the lessee (which is the actual owner of the equipment), but directly from the supplier. If the customer chooses the dealer, he automatically liberates the lessor of any responsibility for the possible unreliability of suppliers,
- bank – the entity that most often actually finance the transaction.

There are two basic types of leasing [1-12]:

- financial (capital, accurate, proper or financed),
- operational (current).

As a criterion by which you can distinguish these types of lease shall be:

- the duration of the transaction,
- the character of loads (liabilities) parties,
- the sum of all lease payments.

A characteristic feature of the finance lease is that the agreement is usually concluded for a fixed term, which is close to the period of the economic useful life of the agreement. It is a time in which there will be the possibility of economic and technical use of the leased asset in order to get the profit. Both parties do not have possibility to terminate it, before the expiry of its duration. Such projects usually last from 3 to 10 years, because leasing goods should be fully amortized during the contract. The main duty of the lessee during the term of the agreement is to pay to the lessor the leasing payment instalments, which should cover at least the price of the purchased item. Financial leasing agreements usually contain a clause which gives the lessee's option to purchase the asset at the end of the contract. But it is not his duty, he has just powers to that. The lessor is instead required to sell the asset in the first place to the lessee, usually at a price lower than the market. Finance leasing due to the given clause is similar to the sale and purchase agreement in instalments.

An operating lease is the opposite of finance lease and assumes that the subject of the lease can be used by many other customers. The duration of the transaction is much shorter than the normative use of the leased items, and fees are generally lower than the value of the object. The lessor under the signing of a contract does not regain the full amount that he invested to purchase the item. What is why, if he want. Therefore, if you want to achieve cost recovery and profit, is forced to conclude another contract with the same or a different client or optionally sell the item. For operating leasing, the lessor usually bears the entire risk that is associated with the maintenance, insurance, repairs, taxes. An important feature of the operating leasing is that it contains a clause for cancellation, which gives the lessee the opportunity to terminate the contract before the expiry of the time. This type of transaction is very beneficial for customers who are looking for valuable investment goods to their short-term use, and at the same time are not willing to purchase the object later. An agreement designed in this form is very similar to the rental agreement or lease.

The basic forms of leasing are indirect and direct leasing [1-12]. In indirect leasing between a lessor and a lessee there is a specialized intermediary company (leasing company), which buys from the supplier's own money leasing object and gives it to the customer for use under the leasing agreement. In indirect leasing

participate usually three or four operators. Here you can see the fundamental difference between leasing and ordinary renting. In the case of direct leasing such a difference can not be seen. Direct leasing occurs when the lessor, who provides the subject to the lessee is also the manufacturer of the subject. It can therefore be concluded that direct leasing consists in the fact that the manufacturer asks directly to the customer's with proposal to conclude a lease agreement instead of a contract of sale of the item. The advantages of direct leasing are often less expensive services compared to the indirect leasing. The disadvantage, however, is that the manufacturer must have a specialized unit serving such as transactions and that the lessor must often wait for his payment for a specified time, which can result in weakening of its financial situation during the set period.

Leasing transaction, which occurs in various types and forms is very flexible and can be adapted to various forms of economic and law. From the beginning of its existence it was shaped in such a way as to meet the expectations of all parties taking participation. For this reason, there is a large number of criteria for the classification, division and structuring of the lease.

The leasing transaction is complex, and to sign an agreement between the two parties – the lessor and lessee must be satisfied with a number of additional conditions. During the signing of the lease agreement, there are additional contracts: purchase and sale with delivery of equipment, insurance of the leased equipment from the bank financing the lessor for the purchase of receivables, etc. [6].

If someone decide on leasing as a form of investment financing, and after selecting the leasing company, hoping to sign a contract should be required to complete a number of documents in which there are most often [1]:

- identity card,
- certificate of REGON,
- certificate of assignment of the Tax Identification Number (NIP),
- company registration documents (copy of the National Court Register (KRS) or a certificate of registration in the register of economic activities, the articles of association),
- a certificate from the tax office about the lack of tax arrears, signature card with disposal on the opening of a bank account,
- declarations PIT or CIT documenting the turnover and the costs for the last year,
- a list of existing capital assets.

After completing the required documents it is need to fill in the application form for the conclusion of the leasing agreement. In such application, besides the data of potential lessee it must be also provided information such as: the type of leasing agreement, subject, provider, duration, amount of initial rent, number and amount of lease instalments.

Comparison of selected leasing offers available on Polish market

Leasing is currently one of the most popular forms of financing and crediting in terms of the purchase of transport. Regardless of the size of the company, leasing is very beneficial and widely used form of transport enterprises. Its procedure is simplified significantly in comparison to other forms of financing.

On Polish market there is a whole number of leasing kinds in number of leasing companies, so everyone can choose a favourable offer for set needs.

In this article will be presented comparison of selected offers of leasing relating to the financing of transport, where the gross value is 100 000 [PLN].

Data were collected as a part of the work [11]. Data are indicative and should not be construed as a binding commercial offer of the tenderer. On this basis there should not also be made any banks ranking. The offer may not be considered as the best offers of the set bank.

Table 1 presents a summary of companies offering different leasing offers.

Tab. 1 List of the leasing offers

Number of leasing offer	Name of tenderer	Number of leasing offer	Name of tenderer
1	akf leasing Polska S.A.	10	Idealease
2	BGŻ Leasing Sp. z o.o.	11	ING Lease Sp. z o.o.
3	BRE Leasing Sp. z o.o.	12	Kredyt Lease S.A.
4	CSI Leasing Polska Sp.z o.o.	13	Masterlease sp. z o.o.
5	DnB NORD Leasing Spółka z o.o.	14	Millennium Leasing sp. z o.o.
6	Europejski Fundusz Leasingowy	15	PKO Leasing S.A.
7	FGA Leasing Polska Sp. z o.o.	16	Raiffeisen-Leasing Polska S.A.
8	Fortis Lease Polska Sp. z o.o.	17	BZ WBK Leasing S.A.
9	Getin Leasing S.A.		

Figure 1 shows a comparison of offers in terms of the amount of the initial fee.

Based on Figure 1, it can be concluded that the best offers in terms of the minimum amount of initial fees are offered by number 2 (BGZ Leasing), 4 (CSI Leasing) and 7 (FGA Leasing). In these cases, the entry fee is only 1 [%] the value of the subject (1000 [PLN]). It is beneficial for new transport companies, because they do not have to invest at the very beginning, a large portion of the equity as an initial rent. The worst offer is offer number 5 (DnB NORD Leasing), for which the entry fee is 30 [%] of the value of the subject (30000 [PLN]). Other offers are in the range 10-25 [%] of the value of the leased asset (10000-25000 [PLN]).

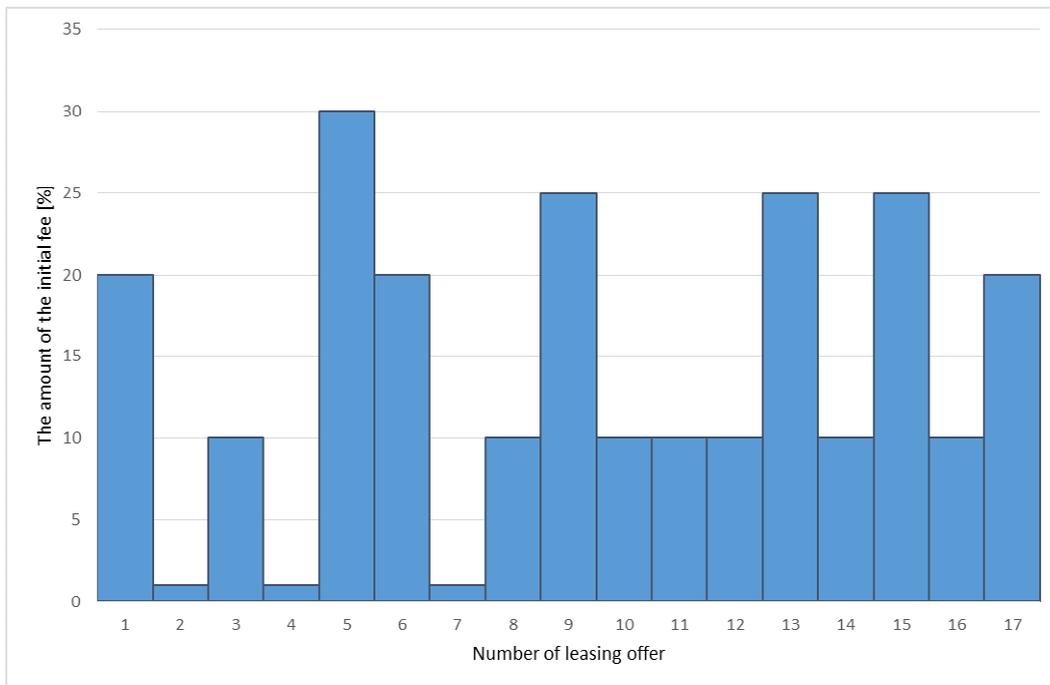


Fig. 1. Comparison of leasing offers taking into account the amount of the initial fee

Figure 2 shows a comparison of offers in respect of amount of the redemption.

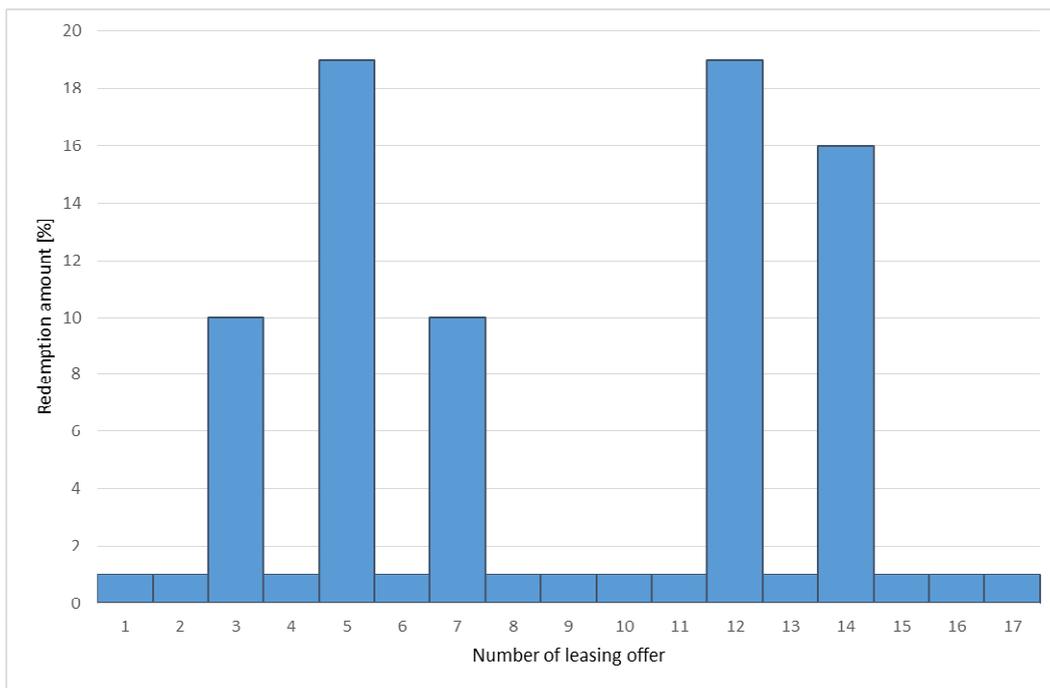


Fig. 2. Comparison of leasing offers taking into account the amount of the redemption

At the Figure 2 it can be seen that most of the leasing offers have a redemption amount 1 [%] of the leasing subject value (1000 [PLN]). The worst offers are number 5 (DnB NORD Leasing) and 12 (Kredyt Lease), for which the redemption amount is 19 [%] value of the subject (19000 [PLN]). Other offers are between 10-19 [%] the value of the subject (1000-19000 [PLN]).

Figure 3 shows a comparison of offers in terms of the amount of compulsory insurance price.

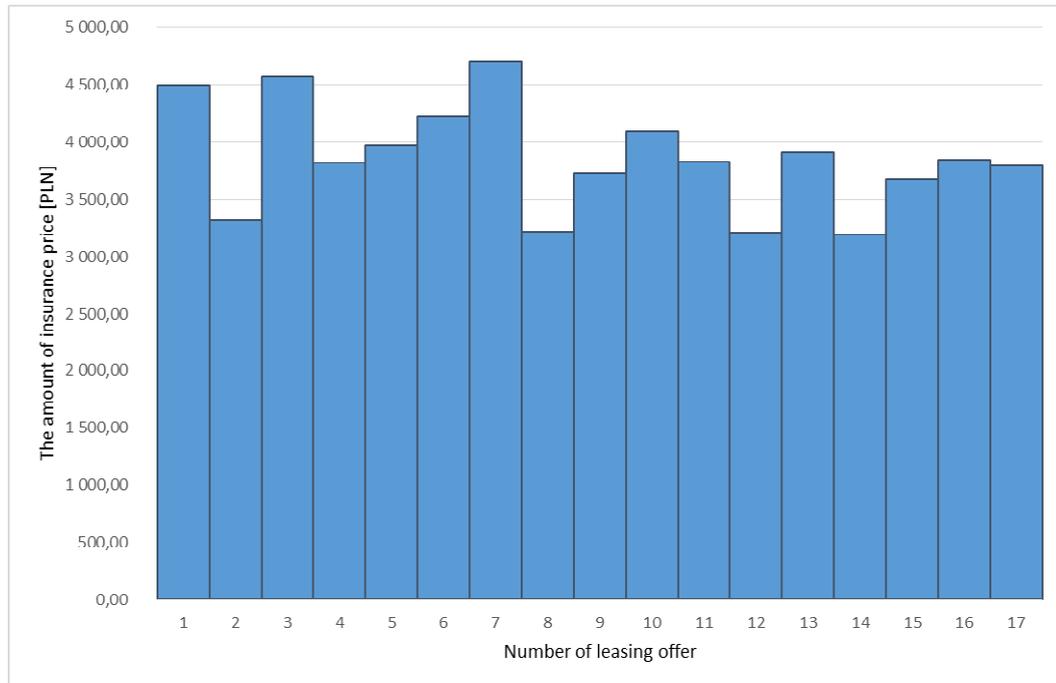


Fig. 3. Comparison of leasing offers taking into account the amount of insurance price

The best offer in terms of the amount of the insurance price is offer number 14 (Millenium Leasing), for which it is 3193 [PLN]. The worst offer is offer number 7 (FGA Leasing) in the amount of 4710 [PLN]. Other offers are between 3209-4572 [PLN].

In terms of the number of instalments and what comes with it the duration of the leasing contract, offers were summarized in Figure 4.

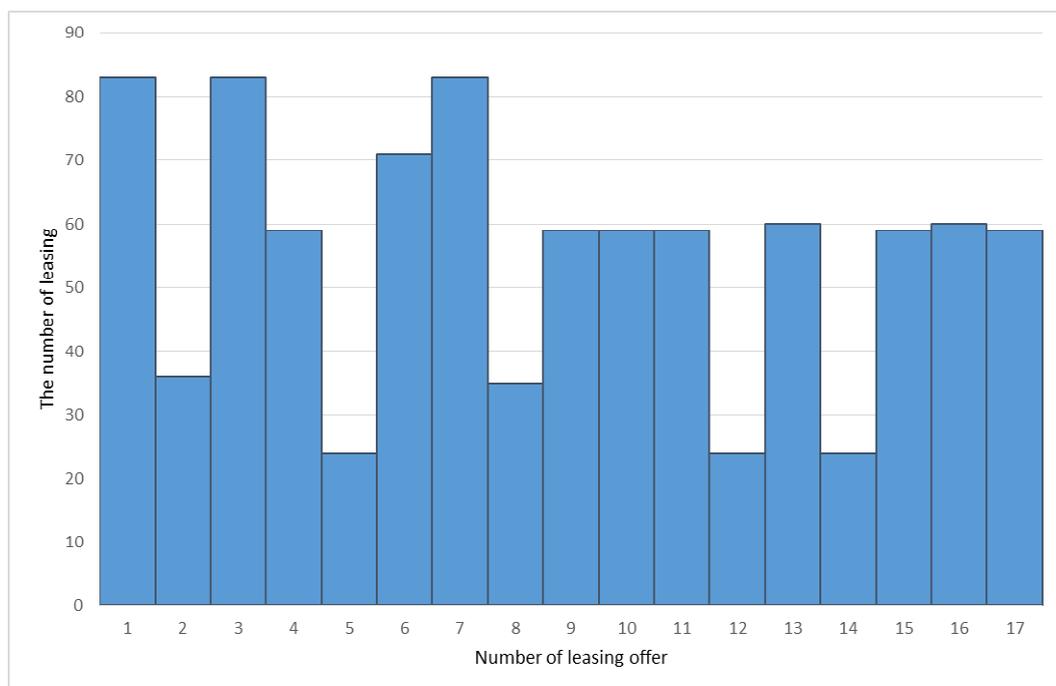


Fig. 4. Comparison of leasing offers taking into account the number of units

Offers No. 5 (DnB NORD Leasing), 12 (Kredyt Lease) and 14 (Millenium Leasing) have the shortest term of the leasing, which is 2 years (24 instalments). The longest period have offer the number 1 (akf leasing), 3 (BRE Leasing) and 7 (FGA Leasing), which is 7 years (83 instalments). Other offers are between 3-6 years (35-71 instalments). The difference in the number of leasing instalments contained in offers for the same period (e.g. 59 and 60 instalments for 5 years), it follows that some leasing companies treat the initial rent as the first instalment.

Figure 5 shows a summary of leasing offers in terms of the amount of monthly instalments.

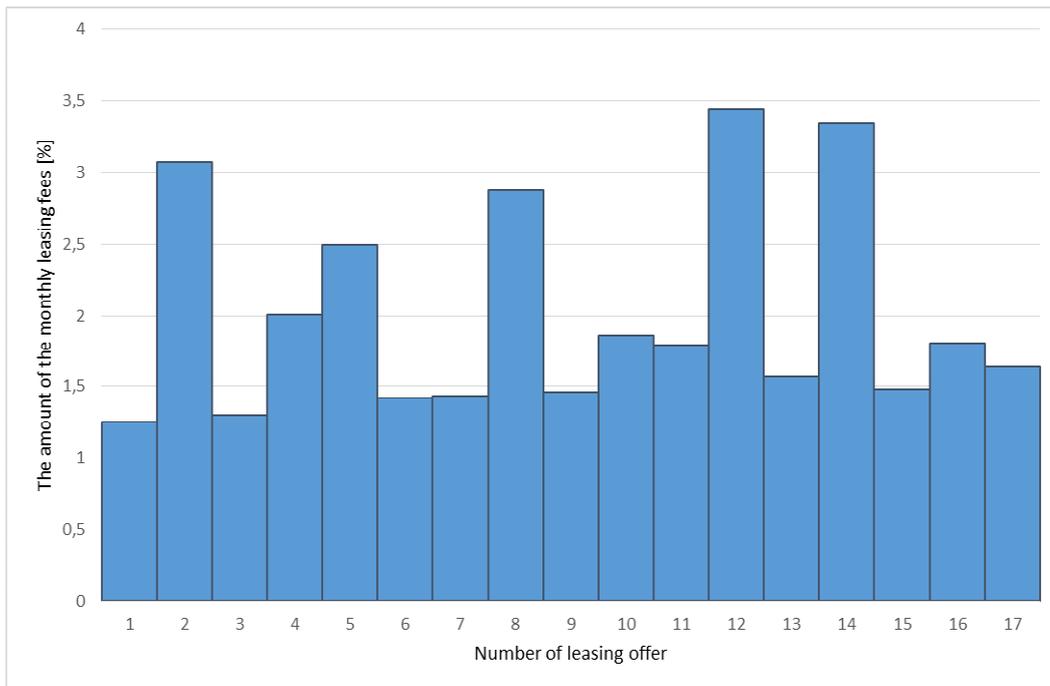


Fig. 5. Comparison of leasing offers taking into account the amount of monthly instalments

In Figure 5 it can be seen that the lowest monthly instalment offers akf leasing (offer number 1), which is 1,25 [%] (1250 [PLN]). The highest instalments are proposed in offer number 12 (Kredyt Lease), for which the monthly fee is 3,44 [%] (3438 [PLN]). For the remaining offers are amounts of 1298-3344 [PLN] (1,30-3,34 [%]).

Summaries of the final amount which have to be paid by the lessee after meeting the conditions of each contract offers, are made in Figure 6. It includes costs related to the initial fee, insurance and leasing instalments.

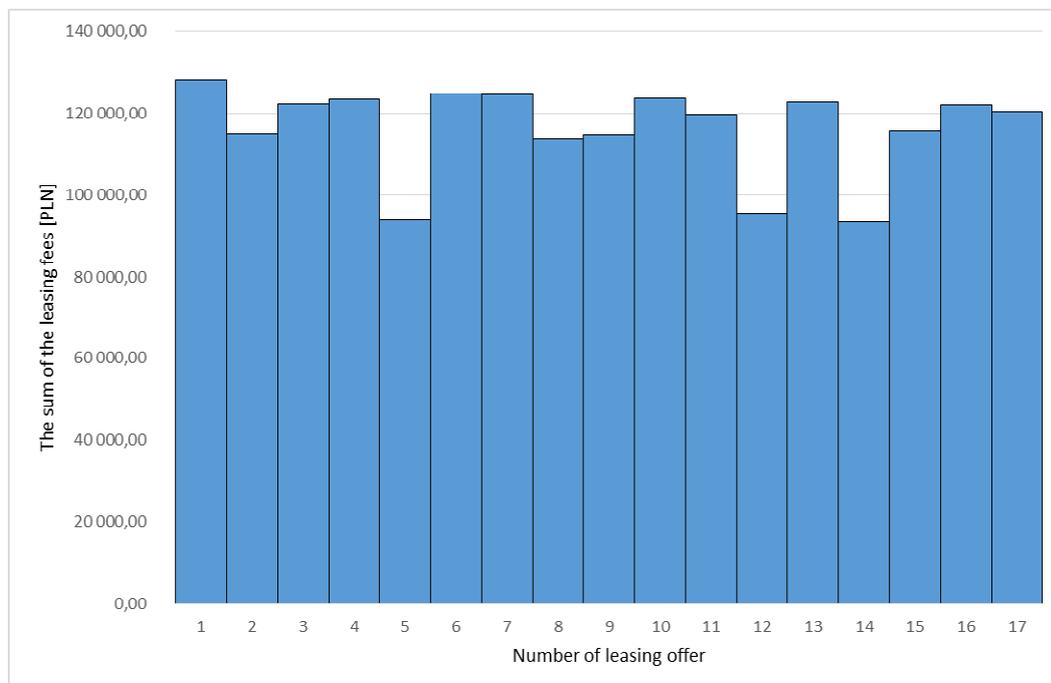


Fig. 6. Comparison of leasing offers taking into account the amount of the leasing cost

The lowest costs will be incurred when selecting the offer number 14 (Millenium leasing) – 93449 [PLN], while the highest for offer number 1 (akf leasing) – 128222 [PLN]. The choice of leasing offer in the case of submitted offers may result a difference in the amount of incurred costs of more than 34 000 [PLN].

Conclusion

Regardless if the company has been in business for some time, or have to begin its operations, signing a leasing contract for the purposes of development is a good idea. For a transport company, it is difficult to purchase a new means of transport with its own previously saved resources. Therefore entrepreneurs are increasingly choosing to use the leasing offer, which does not require a large, one-time investment of own funds.

The most important feature of the leasing is the ability to payable use of leasing asset without its subsequent redemption. That way, if the leasing good will technologically obsolete, the client does not need to buy it at all. Client may then enter into a new leasing agreement with the same or another lessor, who will want to give the leasing object which meets the current requirements of the client.

Process of the leasing agreement is relatively simple compared to other forms of investment.

Because of the large number of types, varieties and forms of leasing everyone can individually choose the most beneficial option for its needs.

Presented data confirm the fact, that leasing offers should be analysed as a whole and for their selection can not suggest only one parameter. For example, the offer representing the lowest monthly instalment, proved to be the least profitable after calculating leasing fees, insurance, and the initial fee for the leasing.

Abstract

Rapid development and high market competition forces companies to make investments relating to their own development. Companies are also searching new and beneficial ways to raise investment funds. The economies of highly developed a common way of financing investment is leasing. It allows for the acquisition of the investment without having to involve a large amount of own funds. The article presents leasing as a form of transport activity financing. It presents a comparison of sample leasing offers available on the Polish market.

Leasing jako forma finansowania działalności transportowej

Streszczenie

Szybki rozwój oraz duża konkurencja na rynku zmusza firmy do dokonywania inwestycji związanych z własnym rozwojem. Poszukuje się przy tym nowych i korzystnych sposobów na pozyskiwanie środków inwestycyjnych. W gospodarkach państw wysoko rozwiniętych powszechnym sposobem finansowania inwestycji jest leasing. Umożliwia on pozyskanie środków inwestycyjnych bez konieczności angażowania dużej ilości własnych środków. W artykule przedstawiono leasing, jako formę finansowania działalności transportowej. Przedstawiono w nim porównanie przykładowych ofert leasingowych dostępnych na polskim rynku.

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