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*Under the conditions of the rapid evolution of technical progress, when the renewal of products and the moral depreciation of equipment, respectively of the work installations are particularly accelerated, the leasing operations prove to be advantageous for obtaining some costly pieces of equipment, goods and installations, necessary to expand and modernize the production.*

*Key words: leasing, financing, location, user, financier.  
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Leasing is an expression of modern contracting techniques in this field and it has proven very effective both in national and international transactions. Leasing is from all points of view a product of the global market economy; it is an economic business that is clinched on a certain period of time and under certain conditions included in the lease contract - which is the legal support of the action.

Thus, leasing can be considered:

- a form of commerce, because it involves a commercial contractual operation to which usually taking part the supplier of goods, in order to be leased, the owner of the goods bought that are to be the subject of the lease and their beneficiary, the person who uses the assets and who pays for them under special conditions;
- a form of financing on medium and long term by specialized financial companies, financial institutions or direct producers that offer goods under rental conditions to customers, who do not have sufficient resources to purchase them and who prefer the right to use them for a specified period of time;
- an accessible privatization form that enables some people who do not have sufficient capital to settle companies to use a leased material base within some leasing transactions.

Leasing presents some distinct characteristics, compared with other economic affairs, especially compared to the purchase-sales transaction:

- the dissociation of the ownership right from that of possession, through leasing only the right of use (possession) is remised and the right to property is preserved;
  - the main risk is not one of production, but one of ownership of goods;
  - the leasing company that preserves its right to ownership supports the user's activity (maintenance, repairs, service);
  - leasing gives its potential users the choice of goods and suppliers;
  - the triple option that the user can express at the expiration of the lease contract;
  - the leasing companies exert a significant influence on the market, especially when they are specialized in certain types of goods or on a particular market segment;
- Leasing appears in economic business as a relatively new, promising formula of economic business, in which the partners are: the manufacturer, financier and the user.

**The analysis of the leasing market in Romania during 2006-2008**

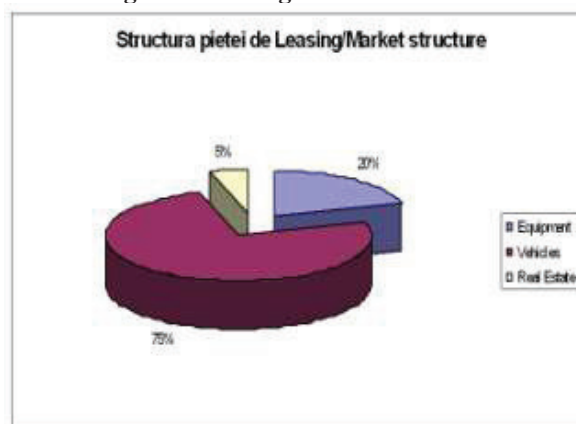
Due to the development of the market economy in Romania, leasing enjoyed a progress and an unprecedented development.

***The leasing market in 2006***

The economic growth in 2006, of over 7% was also advertised on the leasing market, which has developed significantly, confirming the status of the lease of financial product complementary to other banking products and accessible to a large number of economic agents, representing over 3% of the GDP, as shown in a press release of the Association of Leasing Companies and Financial Non-banking Services - ALB and of the Association of Leasing Companies from Romania – ASLR (ALCR).

In this sense, it can be argued that leasing has become a source of financing for medium-term investments able to support the development of various sectors of the national economy at competitive financing costs.

**Figure 1 Leasing market structure**



Source: Association of Leasing Companies and Financial Non-banking Services - ALB Romania, [www.alb-leasing.ro](http://www.alb-leasing.ro)

In 2006, financial leasing has continued to represent the main direction of development of leasing contracts, reaching a rate of 98% of the total of financed assets, the remaining of 2% being represented by the operational leasing.

The largest market share is registered by the sector of the banks' subsidiary companies with 75% of the total, followed by the sector of independent companies with 17.5% and by the sector of captive companies with 7.5%. In the dynamic the pace of growth between the total of the market from 31 December 2005 and that from the same period of 2006 is 57%.<sup>183</sup>

The operations of external financial leasing represented externally in 2006, a 3.6% share of the total of goods contracted by members of ASLR (ALCR), registering an increase of approximately 72% compared to 2005. The value of assets for the lease of legal entities represented 70.9% of the total market, 7.86% being represented by the public sector and NGOs, the difference of 21.24% being represented by individuals or natural persons and PFA (ANP-Authorized Natural Person). Of the total of 47,965 contracts signed in 2006 and in operation at the end of the year, approximately 56.5% are contracts with foreign suppliers and 43% represent leasing with domestic suppliers.

**The leasing market in 2007**

The value of goods financed on the Romanian leasing market has advanced by 51.59% to 4.94 billion euros in 2007, mainly owing to the entry of new companies, thus exceeding the initial estimates by almost 650 million euros, said the secretary general of ALB, Adriana Ahciarliu.

The initial estimates of the Association of Leasing and Financial Non-banking Services (ALB) on the local leasing market were worth 4.3 billion euros in 2007, going up by 32% compared to 2006, when there were goods financed worth the value of over 3,26 billion euros.

**Figure 2 The leasing market in Romania during 2003-2007**

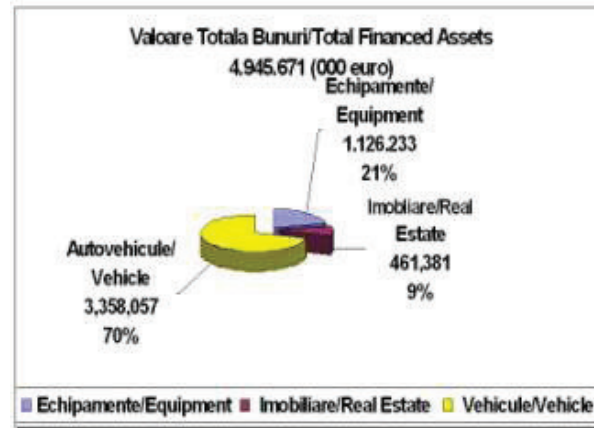


Source: Association of Leasing Companies and Financial Non-banking Services - ALB Romania, [www.alb-leasing.ro](http://www.alb-leasing.ro)

<sup>183</sup>[www.ghiseulbancar.ro](http://www.ghiseulbancar.ro).

In the rankings of the volume lease financing at European level, Romania was ranked fourth. According to the European Association of Leasing, the greatest increase in the financed volume has been registered in Russia (102%), followed by Bosnia and Herzegovina (80%), Serbia and Montenegro (70%), Romania and Bulgaria, with 60%. On the opposite side there were the mature markets from Western Europe with a tradition for decades in financing through leasing. Thus, in Germany, the advance was of 6.35%, in the UK of 3.5%, and in Italy of 1.5%.<sup>2</sup>

**Figure 3 The Total Value of Assets in 2007**



Source: Association of Leasing Companies and Financial Non-banking Services - ALB Romania, [www.alb-leasing.ro](http://www.alb-leasing.ro)

In 2007, the segment of real estate has almost doubled its share, from 5% to almost 9%, the share of equipment has increased from 20 to 21%, while the auto share remained at 70%.<sup>3</sup>

In terms of duration of the lease contract, the most common period is that of 4-5 years (31%), followed by the 3-4 years (26%), over 5 years (13%), 2-3 years (22%), 1-2 years (6%) and 1 year (2%).

The first year in which Romania was a member of the European Union appears to have been one favourable for the leasing companies, if we consider only the figures caught in the budget executions on 31 December 2007.

#### ***The leasing market in 2008***

The Romanian leasing market fell in 2008 by 2.6%, until 4,817 billion euros, as a consequence of the negative impact of the introduction of the pollution tax on motor vehicles and of the difficult economic context of the last part of the year, shows the data published by ALB. The auto leasing segment, the main business of the companies on the market, advanced only by 1% in 2008 up to 3,384 billion euros, compared to 3,36 billion euros in 2007.

ALB states that the real estate leasing market has been affected significantly since July 2008. "A factor added to the international one is represented by the local one, through the high degree of taxation and notarial taxing, as well as through the non-acceptance of an accelerated depreciation during the lease contract."<sup>4</sup>

#### ***Estimates for 2009***

Still fewer companies will use this year firms specialized in leasing to equip themselves with cars or with various equipment because of economic evolution, but also because of the difficult situation on international markets. The leasing companies are not optimistic and it is expected to have a decrease in the market, on the whole, with 20-30% up to 3,37-3,85 billion euros in 2009 compared to last year, according to the Association of Financial Companies - ALB Romania. This, in the situation in which cars represent 71% of the total of assets financed through leasing. The forecast for reduction comes after the fact that last year the market registered a decrease of 2.6% compared to 2007, to 4,817 billion euros.

The representatives of ALB blame the auto pollution tax, but also the financial crisis, which have made their effects become obvious particularly in the last quarter of 2008 through a decrease by 60% of financing.

For 2009, ALB estimates that **car or auto leasing** will have a share of 75% of the total market, while funding for equipment will be 21%, and real estate leasing will have a rate of 4% of the total market.

<sup>2</sup> Amembal S.P. – Winning with leasing, Amembal&Associates, SUA, 2006.

<sup>3</sup> [www.wall-street.ro](http://www.wall-street.ro).

<sup>4</sup> [www.standard.ro](http://www.standard.ro).

The leasing market from Romania is a very active one and, concerning the financing of certain market segments, it is comparable to major markets across Europe. But, in some areas, such as financing vehicles, the market is somewhat more limited, innovation and sophistication being lower than in other European countries which have more experience.

### **Conclusion**

Given the current economic and financial context from Romania, the use of leasing as a financial instrument, has become a rapid and efficient alternative of financing for the development of the companies from the private sector. The judicious use of resources, of fees management, reducing the financial effort on imports, the flexibility of the payment system, the speed and affordability make the balance tilt in favour of using leasing in the detriment of using other financing systems.

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