

Financial Leasing Approachs Of SME's In Turkey From The Point Of View Of Increasing Competition Power Among The Market

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Abstract:- Administrations acquire balance sheet assets via procurement or leasing. Financial Leasing is one of the most important tools used for this purpose. At our research over financial and economic problems of SMEs, importance of financial leasing has been emphasized. Other dimensions of the research are reasons of negative relation in between ownership perception of SMEs and effective usage of working capital. At our research, face to face questionnaire which is one of the quantitative methods has been preferred. In the direction of this purpose, face to face interviews with 350 industrial administrations which employ less than 250 personnel and have income less than 40.000.000. –TL and which are active throughout whole Turkey and assumed as SMEs have been realized. At the results of the research; data have been obtained about risk perception levels depending on types of sources preferred by SMEs at their activities, financial problems met during crisis periods, financial sources preferred during credit processes and utilization of fund investments and incentives and evaluations have been performed over these data.

Key Words: Financial Leasing, Leasing, SME, Turkey

I. INTRODUCTION

Global economic crisis which has been named as mortgage crisis in United States of America and the effect of which has been felt throughout whole world as of the beginning of 2008 has caused all of financial investment tools to be re-evaluated. As of these years, administrations have comprehended the need of effective usage of financial resources and they have started to think about solutions to minimize macro-economic risks which are possible to emerge anytime by different instrumental tools. In our country, financial leasing has developed a significant progress after 3226 numbered Code of Financial Leasing has been enacted. Despite of the fact that Financial Leasing which has been accepted as an important investment tool since 1985 has reached at international standards as of 2003, it is not possible to say that it is effectively used compared to European SMEs. In this study our aim is to set forth causalities about determination usage level of financial leasing at SME phase.

II. BASIC CONCEPTS RELATED WITH FINANCIAL LEASING

Word meaning of Leasing in our country is “Financial Leasing”. Leasing is procurement of a product by a leasing company and this product to be rented to the investor for a definite period of time instead of this product to be procured directly by the investor (http://www.ziraatleasing.com.tr/leasing_nedir.html). At the same time leasing assumes a significant role in increasing of efficiency and profitability by allowing administrations to use their business capital to meet their other needs by leasing investment goods instead of procuring them (http://www.finansleasing.com.tr/leasing_nedir.asp). Financial Leasing; is a contract which transfers the right of usage of an asset of the lessor to the lessee for a period of time which has been predetermined by both parties against a payment of payment plan (Şengür, 2013:264). In other words, Financial Leasing is described as a leasing which transfers all risks and advantages brought by the ownership mostly to the lessee. Leasing contract is a contract by which a constant usage right is transferred to the other party for a definite period of time after the transfer price of this good is paid. The person / institution which is described as Lessor is the one who / which delivers the goods and receives the payment and the person / institution which is described as Lessee is

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the one who / which makes the payment and decides whether to acquire the ownership of the good at the end of the contract period. (<https://www.reviso.com/accountingsoftware/accounting-words/leasing>). (Köksal and Beller, 2013:150). This contract guarantees the usage of the good for the lessee and also guarantees regular receiving or collection of payments for the lessor. As a result, some legal consequences are faced whenever these guarantees are not satisfied (<http://www.investopedia.com/terms/l/lease.asp>).

2.1- Advantages and Disadvantages of Leasing for SMEs

There are some advantages and disadvantages of leasing for SMEs. Advantages of leasing are summarized below (<http://www.muhasabedersleri.com/dis-ticaret/leasing-2.html>) (Karasioğlu, 2001:5);

- Leasing minimizes the risk for foreign investors who wish to make investment in Turkey,
- While capital and interest of credits are determined by banks, they are determined by parties at leasing,
- Administrations which are unable to increase their equity capitals may provide 100 % of their fund requirements by using this method,
- Since the administration supplies the required entities by this method, it is possible to use the funds which should have been used in case of procurement of the same entity in other fields,
- Leasing installments can be recorded as expense,
- Leasing provides more flexibility for the entrepreneurs in space selection,
- If ever a leasing contract for activity leasing has been signed by the parties then risk emerged as a result of technological innovations are assumed by lessor,
- Administrations can deduct from tax assessment the leasing prices of entities which cannot be amortized by selling or leasing serially their fixed assets of which legal depreciation periods have been due to a finance institution,
- It becomes possible for exporting administrations to obtain modern machinery and equipment in a momre easy manner.

Disadvantages of leasing are summarized below (<http://www.muhasabedersleri.com/dis-ticaret/leasing-2.html>) (Çonduret.al.,2008:12);

- Lessee is deprived of scrap value of the good at the end of the leasing period,
- Leasing payments are only accepted as expenses,
- It is not possible to establish a lien over the entities and due to this reason, warranty problems may occur while becoming indebted,
- Since Leasing allows exceeding of budget limits and realization of investments with a small equity capital, administrations which frequently use this method face with payback problems,
- Bigger administrations evaluate leasing together with alternative financing options and choose the one with the lowest cost. For this reason, leasing is mostly preferred by SMEs of which credit limits are over. As a result of this preference, risks increase so leasing companies increase the prices.

III. Importance of SMEs at Liberal Economy

Heavy industry of a developed country has a substructure which is founded on SME based sub-industries. When SMEs are compared with bigger administrations, they have significant advantages such as; creating a comprehensive workforce, becoming more dynamic and determined against financial changes and to be more flexible against inflation. Since SMEs perform human based production instead of machine based production, they are able to keep up changes in a short period of time. Since SMEs have a close relationship with their customers and are able to closely monitor the market, they are able to notice changing needs in a short period of time and are able to rapidly respond to these changes and also they are able to produce the new products in accordance to new, changed market requirements. Briefly, SMEs become basic dynamics of the market economy since they are able to perceive the changes and they can be flexible to respond these changes in a short term (dergipark.ulakbim.gov.tr) Despite of the advantages of SMEs at financial flexibility, most important problem for them is to supply financial resources. On the other hand, the most significant market barriers in front of SMEs are ineffective usage of funds, deprivation of cheaper and long term financing sources, inabilities in credit negotiations, higher interest, inabilities in evaluation of alternative financing resources and shortage in demand market (Kartal and Yücel, 2016).

IV. FINDINGS

4.1- Purpose, Scope of the Research, Company Profiles and Evaluations

4.1.1. Purpose of the Research

The purpose of this research is to determine the rate of utilization of SMEs from Financial Leasing.

4.1.2. Scope of the Research

Research has been executed over total 350 industrial administrations at SME status which employ less than 250 personnel and have annual financial balance sheet less than 40.000.000. –TL and which are active throughout whole Turkey. Field study has been completed at the beginning of 2016.

4.1.3. Company Profiles

63 % of the companies under the scope of this research are corporations, 32 % of them are limited companies and 5 % of them are private companies. Regarding period of being active in their fields; 57 % of them have been active in their fields for 11 years and longer, 36 % of them are active in their fields for 6 to 10 years and the others are active less than 5 years in their fields. 72 % of the administrations are doing business in manufacturing sector, 19 % of them are active in procurement and sell and 9 % of them are active in service sector. Whenever turnover ratios are assessed according to data of 2014; the highest turnover ratio is 48 % by 500.000 – 1.000.000. -TL and 39 % by more than 3.000.0001.- TL. 2 % of the participants have not provided information about this matter. Of the participating companies, 17 % are in textile sector, 16 % are in metal and plastic sector, 27 % are in food and chemicals, 140 % are in machinery sector and the rest of them are in construction, transportation, tourism and medical sectors. 49 % of the mentioned companies perform foreign trade.

4.1.4. Evaluation About Risk Perception Levels

The results obtained at the evaluation made regarding financial risk perception levels of the participating companies are as follows;

- Concerns about Turkish Lira to be devaluated - 68 %,
- Companies finding floating exchange rate regime as dangerous – 74 %,
- Companies finding fixed exchange rate regime as safe – 86 %,
- Companies thinking that higher interest expectations shall decrease credit usage – 59 %,
- Companies mentioning that they are working with a bank with a continuous cooperation – 95 %,
- Regarding preferred resource types; 79 % of the companies utilize equity capital and 21 % of them utilize foreign capital,
- Companies preferring installment selling are 84 %. For these companies, installment selling activities form at least 36 % of all selling activities.
- Companies which prefer to have cash in their safe deposit box are 72 %.

These results show that despite of unreliability feeling of companies against TL, they think that credit demand shall drop due to higher interest rate so they feel themselves obliged to work mostly with equity capital.

4.1.5. Credits and Credit Usage

It is seen that significant amount of participating companies fulfill their credit requirements by bank credits. Especially 100 % private companies fulfill their capital requirements by bank credits. As is seen at Table:1, types of financial resource usage change during transition from limited company to corporations. According to the results, it is understood that corporations utilize other financial tools more than bank credits. Nevertheless, whenever evaluations are made in proportional manner, it is seen that there is no significant difference in Financial Leasing utilization among limited companies and corporations.

Table: 1 Financial Resource Usage (According to Company Types)

	Limited	Corporate	Private
<i>Basis</i>	161	183	6
Bank Credits	68	49	5
Leasing	17	21	-
Factoring	5	8	-

Forfeiting	1	-	-
Capital Market	39	52	1
Risk Capital	1	12	-
Personal Debts (to Friends)	16	12	-
Equity Capital	9	8	-
Other	2	9	-
None	3	12	-

Whenever Table 2 is evaluated, the most significant problems with which companies are faced to while getting loan are mentioned as higher credit costs and financial institutions requesting warranties. Credit incentives change depending on dimensions of the administrations. While incentives are sufficient for private companies, they may be insufficient for capital administrations.

Table: 2 Problems Faced While Getting Loans (According to Types of Companies)

	Limited	Corporate	Private
Basis	161	183	6
Credit costs to be higher (Interest expense, commission etc.)	49	57	4
Obligation of providing collateral	54	58	2
Banks limiting the credit amount to be used	26	37	-
Incentives to be insufficient in credit usage	15	23	-
Credit institutions to be withdrawn	4	2	-
Banks demanding non-due installments	1	-	-
Credit terms to be short	12	6	-
No problem is faced	-	-	-

Whenever Table 3 is evaluated, it has been determined that while private companies finding credit costs as high can get loan by utilizing their market reputations, capital administrations also adopt the same manner. Especially downsizing strategy is seen as one of the ways preferred by capital administrations for this period. Other precautions are determined as lowering inventory levels, spending effort to increase equity capital and decreasing the amount of investment projects at crisis periods.

Table: 3 Politics Implemented against Higher Credits (According to Types of Companies)

	Limited	Corporate	Private
Basis	161	183	6
Lowering inventory levels	18	18	-
Increasing equity capital	23	27	-
Decreasing investment projects	25	31	-
Decreasing amount of employees	14	20	-
Utilizing market reputation	42	39	5
Buying the good in a longer term and selling it in a shorter term	39	48	1

Data shown at Table 4 have been obtained for the reasons of not preferring bank credits at fund resource creation. While higher credit interest is an important problem for all company types, no significant differentiation has been determined among limited companies and corporations.

Table: 4Reasons of Companies for Not Preferring Bank Credits (According to Types of Companies)

	Limited	Corporate	Private
Basis	161	183	6
Capital not to be sufficient	94	89	-
Credit interests to be high	63	85	6
Not needed/not wanted to get loan	4	9	-

4.1.6. Financial Resources and Fund Utilization

At Table 5, it is shown the data obtained from 500 administrations which are active in İstanbul Province. Whenever these data are assessed, it has been determined that the most important resources utilized in financing of investments of fixed assets are short term bank credits by 49 % ratio and medium term bank credits by 45 % ratio. 48 of participating companies have mentioned that they have created resources via Financial Leasing. The leading answer for usage of Financial Leasing has been “obtaining tax advantage” (Kartal and Yücel, 2016).

Tablo-5:Financing of Fixed Asset

	%	
Basis	500	48 participants mentioning that source of financing the fixed assets investments is Leasing due to the following reasons; <ul style="list-style-type: none"> ❖ To obtain tax advantage – 46 % ❖ To obtain cost advantage due to more lower expense cost – 44 % ❖ For innovation purposes – 25 % ❖ Provision of nearly 100 % financing – 19 % ❖ For expansion purposes – 15 % ❖ To assume less risk – 10 % ❖ Amount of lease / cost to be fixed – 8% ❖ To allow the company to use their liquidity at more profitable areas – 8 % ❖ To reserve the possibility of finding additional credit – 8 % ❖ To establish a new facility – %
Short term bank credits	49	
Medium term bank credits	45	
Commercial debt	26	
Capital increase	16	
Fund transfer from group company / holding	13	
Via Leasing	10	
Financing bond issue	6	
Loaning / credit at foreign countries	5	
Saving funds left at the company	4	
Selling of real estate or shareholding	4	

It is seen that private companies prefer commercial loaning besides short term and medium term credits in financing of fixed assets. Financial Leasing has been preferred by only 1 administration. No significant differentiation has been determined among limited companies and corporations. However, while medium term

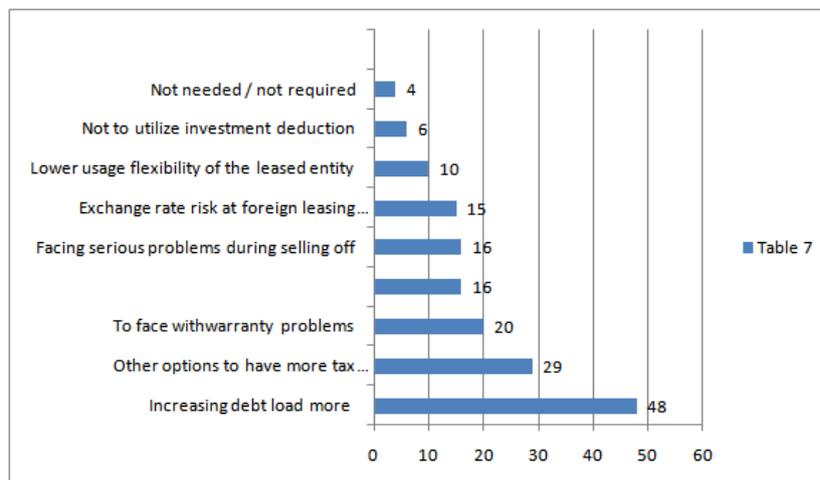
and long term loaning is higher for these companies, it has been seen that for Financial Leasing, results have been left under the expected level.

Table: 6 Financing of Fixed Asset Investments (According to Types of Companies–Multiple Respond)

	Limite d	Corporat e	Private
Basis	161	183	6
Short term bank credits	25	22	6
Medium term bank credits	52	58	6
Fund transfer from group company / holding	9	16	-
Loaning / credit at foreign countries	6	8	-
Commercial debt	35	14	6
Financing bond issue	7	10	-
Capital increase	26	24	-
Saving funds left at the company	9	9	-
Selling of real estate or shareholding	2	10	-
Via Leasing	7	17	1
Long term bank credits	21	45	-

Reasons mentioned by the administrations which do not prefer Financial Leasing are given at the following Table; the most important reason about this preference has been mentioned as increasing debt load more than enough (Kartal and Yücel, 2016)..

Table: 7 Reasons of Financial Leasing not to be Preferred



V. CONCLUSION AND GENERAL ASSESSMENT

The most significant factor which effects competition power of SMEs at market economy appears as financial resource problem. The most important conclusion obtained from our research is that competitive power of SMEs get weaker due to higher costs of financial resources. SMEs are unable to utilize effectively financial investment tools due to their smaller structures and inadequate trading volumes. As a result, rate of utilization from alternative financial methods are quite low for SMEs. For this reason, they are forced to use various domestic resources, mostly bank credits and seller's credits. But due to the current status of Turkey, costs of bank credits have been held at higher levels and seller's credits have relatively decreased. On the other hand, due to lack of experience about using alternative financing resources and due to lack of experience in

assessment of these resources, SMEs face with a financial bottleneck. In our research, it has been determined that SMEs are unable to utilize consultancy services about financing matters and most of these studies are performed by owners of the administrations and even Financial Leasing is accepted as an important and useful tool in acquiring investment goods, Financial Leasing is not preferred by SMEs due to higher costs and Financial Leasing is not preferred by SMEs since intellectual bond in between ownership reality and leasing can not be established and Financial Leasing is mostly preferred for financing of foreign origin entities.

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