THE REPUBLIC OF TURKEY

BAHÇEŞEHİR UNIVERSITY

# SUSTAINABLE COMPETITIVE ADVANTAGE IN TURKISH LEASING INDUSTRY: A STRATEGIC ANALYSIS

**Master's Thesis**

**İSMAİL CANER CANSEVER**

**İSTANBUL, 2018**

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# ABSTRACT

SUSTAINABLE COMPETITIVE ADVANTAGE IN TURKISH LEASING INDUSTRY: A STRATEGIC ANALYSIS

İsmail Caner Cansever

Thesis Supervisor: Prof. Dr. Rıfat Kamaşak

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Currently, the significance of accessing the source of funds has been rising for enterprises with the time passing by. In the consideration of this situation, leasing confronts us as an alternative track to be followed in order to attain to the fund. Leasing is a financing device which ensures the solicited asset to the investor via initially the purchase then the letting of it for a specific time period with a specific quantity of letting value. The asset size of the sector grew further than twice at the end of the 5 years with an increase of 20 percent per year in average between the years of 2012 and 2017 while the leasing sector has become more critical every year and holds an increasing competition. This research targets to submit a competition analysis of the Turkish leasing industry, identify the main elements of competition as a result of the analysis. In addition, it further targets to create a source on determining strategies for achieving sustainable competitive advantage. Qualitative investigation method's phenomenological design is used during this research. A sample from the employees of leasing companies is formed by utilizing wherefrom the method of convenience sampling in conjunction with snowball sampling. Semi-structured in-depth interview method was chosen as the data collection method. The interviews that were held with the participants were in the scope of 10 open-ended questions. While the descriptive analysis method has been used throughout the analysis of the collected data, quotations from the interviews of fellow participants were frequently quoted. In the acquired results, it is demonstrated that the service quality, brand reputation, the right targeting of sector and customers, effective use of technology, vendor networking and canalizing also play an active role regardless of the main competitive factor which is price by means of differentiation. According to the findings obtained from interviews and the information during the literature review, PESTEL and SWOT analyses were performed. As a result of the analyses, recommendations were given to companies operating in the leasing sector in relation to determining their competitive strategies. The expected result from the study is that it could enlighten the way of leasing companies and give influential clues to designate their competitive strategies.

**Keywords:** Leasing, Competitive Advantage, Strategic Analysis, Strategic Management

# ÖZET

TÜRK LEASING SEKTÖRÜNDE SÜRDÜRÜLEBİLİR REKABET AVANTAJI: BİR STRATEJİK ANALİZ

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Aralık 2018, 82 sayfa

Günümüzde fon kaynağına ulaşmak işletmeler için her geçen gün daha da önemli bir hale gelmektedir. Leasing de fon kaynağına ulaşma konusunda alternatif bir enstrüman olarak karşımıza çıkmaktadır. Leasing, yatırımcının talep etmiş olduğu malı bir leasing şirketinin satın alarak belirli bir sure için belirli bir kira bedeli karşılığında yatırımcıya kiraladığı bir finansman aracıdır. Sektörün aktif büyüklüğü 2012'den 2017'ye kadar yılda ortalama yüzde 20 artarak 5 yıl sonunda iki katından daha fazla bir büyüklüğe ulaşmış ve leasing, öneminin giderek arttığı, rekabet düzeyinin oldukça yüksek olduğu bir sektör haline gelmiştir. Bu araştırma, Türk leasing sektörünün rekabet analizini yapmayı, analiz sonucunda temel rekabet unsurlarını belirlemeyi ve sürdürülebilir rekabet avantajı elde etmeye yönelik stratejilerin belirlenmesi konusunda kaynak oluşturmaktayı amaçlamaktadır. Araştırma yöntemi olarak nitel araştırma yönteminin olgubilim deseni kullanılmıştır. Kolayda ve kartopu örneklem yöntemlerinin bir arada kullanılmasıyla leasing sektöründeki şirketlerin çalışanlardan bir örneklem oluşturulmuştur. Veri toplama yöntemi olarak yarı yapılandırılmış derinlemesine görüşme yöntemi seçilmiştir. Katılımcılarla yapılan görüşmelerde 10 adet açık uçlu soru sorulmuştur. Toplanan verilerin analizinde betimsel analiz yöntemi kullanılmış ve sık sık alıntılara yer verilmiştir. Elde edilen bulgularda temel rekabet unsurunun fiyat olmasının yanında, hizmet ve çalışan kalitesi, marka itibarı, doğru sektör ve müşterileri hedeflemek, teknolojinin efektif kullanımı, satıcı ağı ve gelecek vaadeden sektörlere yönelmenin farklılaşma anlamında önemli rol oynadığı tespit edilmiştir. Görüşmelerden elde edilen bulgular ve literatür taramaları sırasında edinilen bilgiler doğrultusunda PESTEL ve SWOT analizleri yapılmıştır. Analizler neticesinde leasing sektöründe faaliyet gösteren şirketlere rekabet stratejilerini belirleme konusunda tavsiyelerde bulunulmuştur. Araştırma sonuçlarının leasing şirketlerine rekabet stratejilerini belirleme konusunda ipuçları vermesi umut edilmektedir.



**Anahtar Kelimeler:** Leasing, Rekabet Avantajı, Stratejik Analiz, Stratejik Yönetim

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| | | |
|---|---|---|
| AFI | : | Association of Financial Institutions |
| BRSA | : | Banking Regulation and Supervision Agency |
| Bn | : | Billion |
| ELA | : | Equipment Leasing Association |
| ELFA | : | Equipment Leasing and Finance Association |
| EUR | : | Euro |
| FİDER | : | Financial Leasing Association |
| GDP | : | Gross Domestic Product |
| IFC | : | International Finance Cooperation |
| n/a | : | Not available |
| NZ | : | New Zealand |
| SFAS | : | Statement of Financial Accounting Standards |
| SMEs | : | Small and medium-sized enterprises |
| TL | : | Turkish Lira |
| UK | : | United Kingdom |
| US | : | United States |
| USD | : | United States Dollar |
| VAT | : | Value Added Tax |

# 1. INTRODUCTION

The capital needs of the enterprises which operate in the countries with high inflation rate are increasing every day. It is difficult and not economical to meet all of the needed funds with shareholders' equity for sustaining the activities. Tying scarce capital to assets pushes enterprises into financing and liquidity difficulties. Therefore, financing of business assets with medium-term resources will not bring enterprises into a liquidity shortage. In this case, operating activities can be maintained through the leasing of fixed assets. The acquisition of fixed assets with financial leasing, which is a medium-term financing technique, is an alternative method (Tuğlu and Atila, 2007, p. 20).

Leasing is an agreement that has two parties, one of the parties is lessor and the other one is the lessee. The lessor is the owner of the asset and the lessee is the user. The lessee pays lease payments in exchange for the usage right of the asset. The most important security for the owner is asset’s itself. The lessor banks on that the asset generates income for lease payments (International Finance Cooperation, 1996, p. 8).

Leasing is a financing agreement that the asset which the lessee chooses and demands is purchased from a third party or acquired in various ways by the lessor, and it is leased to the lessee. At the end of the lease period, the asset is returned to the leasing company or transferred to the lessee for a certain fee (Koç, 2004, p. 1). However, the leasing company may also be the manufacturer of the goods in question (Tuğlu and Atila, 2007, p. 21).

Leasing is one of the foremost effective businesses worldwide. It is a financial instrument that provides finance for equipment and real estate. It has the characteristics of triggering economic growth, reducing unemployment and providing tax savings. Financial leasing can be used in almost every sector where the investment is concerned (Amembal, 2000, p. 5).

Although leasing has a very long history, leasing in the modern sense has emerged in America and England after 1850s. In the 1950s, the first leasing company was established in the United States and after this time, leasing has grown rapidly (Amembal, 2000, pp. 5-6). Leasing entered into law in 1985 in Turkey with support from the World Bank (Özcan, 2011, p. 1). Today, leasing is a mature industry in developed countries and it is continuing to grow in many developing countries (International Finance Cooperation, 1996, p. 8).

The subject of the study is the strategic analysis of the Turkish leasing industry. The aim of this study is to conduct competition analysis in the Turkish leasing industry, to determine the main competitive factors according to analysis and to identify strategies to increase the competitive advantage. In order to perform this analysis, the general outlook and problems of the Turkish leasing industry, the main competition elements in the industry, and the expectations for the future of the industry were researched.

The importance of this research is that there are few scientific studies in the field of competition analysis of the leasing industry, which has an important position in the world and Turkey. The majority of the studies related to the Turkish leasing sector are related to the leasing process, legal and accounting aspects, the scope of the leasing contract, and tax practices. This study has been done due to this deficiency in the literature.

The leasing industry is integrated into the banking and finance industry in Turkey. That top 10 companies as the size of assets are bank subsidiaries and 85 percent of the whole companies are bank subsidiaries in Turkish leasing industry, causes to that banking and leasing transactions are more parallel in Turkey compared to other countries, and leads to oligopolistic market structure (Deloitte, 2015, p. 1). However, it would not be correct to explain the competition within the leasing sector through the banking sector. Although there are many intersections of the leasing sector with the banking sector, there are different laws and dynamics of the leasing industry. For this reason, in order to understand the competition in the leasing sector, it is necessary to analyze by considering these different dynamics. This situation emphasizes the importance of research once again. From an academic point of view, it is aimed that the research is to create a resource related to the strategic competition analysis of the Turkish leasing sector in the literature. It is hoped that the results of the study are to give clues to the companies operating in the Turkish leasing industry in terms of creating strategies for competition.

Qualitative research method has been chosen as the research method. The purpose of this is to collect in-depth and detailed information on the subject. Phenomenology has been selected as a qualitative research design. The reason for choosing this method is that it aims to understand people's thoughts and perspectives. Semi-structured in-depth interview technique has been used as a data collection method. The aim of preferring this technique is to ask for additional sub-questions in order to gather more detailed information by showing flexibility when necessary while conducting the interviews under the guidance of pre-prepared open-ended questions. For this purpose, 10 open-ended interview questions have been prepared and asked the participants. Additional questions have been asked where the subject is needed to be detailed. The population of the research consists of individuals working in the management position in the leasing sector. Convenient and snowball methods have been used together to determine the sample of the study. The reason for choosing the convenient sampling method is that it is not possible to reach every manager in the sector and it is not possible that each manager accepts to participate in the study even if every manager is reached. For this reason, interviews have been conducted with reference to convenient sampling method, but in order to expand sample, participants were asked about whom else can be interviewed with and thus the size of the sample was increased. As a result of using convenient sampling method together with snowball sampling method, 10 people from 5 leasing companies have been interviewed. Descriptive analysis method has been used to analyze the collected data. The collected data has been grouped and summarized according to the created themes. Quotations have been frequently included in the research.

The findings that obtained from the interviews revealed that the importance of service and employee quality, brand reputation, sector and market analysis, targeting the right sectors and customers, using technology more effectively, seller network and canalizing to promising businesses.

The first part of the study consists of introduction. In this part, leasing was introduced briefly and its importance was explained. Then, the subject, aim and importance of the research were emphasized. The methods used in the research methodology are explained.

In the second part of the study, literature review is included. In this section, the concept and parties of leasing are explained in detail, the equipment which may be subject to leasing are specified, the historical development of leasing, the operation of the leasing process and the types of leasing are explained. In addition, the comparison of leasing with rental is given and the advantages and disadvantages of leasing are emphasized.

In the third part of the study, the development of leasing in the world is explained and a variety of statistical information is given. In addition, information on leasing practices in some developed countries is given.

In the fourth part of the study, the development of leasing in Turkey is explained, a variety of statistical data is given and the current situation of the industry in Turkey is described.

In the fifth part of the research, the research methodology section is included. This part contains information about the research method, the population and the sample group. At the same time, in this part, the information about the company representatives that makes up the sample of the research is presented. Data collection tool, data acquisition, data analysis and validity and reliability of the measurement tool are given.

In the sixth part of the study, the answers to the interview questions are analyzed by using descriptive analysis method, quotations and findings are included.

The seventh part of the study consists of the discussion section. In this part, PESTEL and SWOT analyses were performed by using the data obtained in the literature together with the findings that obtained from data collected during the research and suggestions were made to help companies determine their competitive strategies.

In the eighth part of the study, the limitations of this research are specified and recommendations are made for further research.

# 2. CONCEPT OF LEASING

## 2.1 DEFINITION OF LEASING

Financial leasing is an alternative finance instrument. Before the concept of financial leasing, it is necessary to understand the concept of leasing. According to the Turkish Language Association, leasing is giving the right to use a movable or immovable property to the lessee for a certain period of time and for a certain amount of rent.[1] Oxford dictionary defines leasing as "A contract by which one party conveys land, property, services, etc. to another for a specified time, usually in return for a periodic payment."[2] As it is understood from the definitions, there must be a lessor, a lessee, a certain time of period, a certain amount of rent and a leasable property in the leasing process. In Turkey, leasing word is used instead of financial leasing, although it does not completely meet that concept.

Financial leasing is a financial instrument that a leasing company purchases the properties which are requested by the investor and leases the properties to the investor for a certain time of period and in return for a certain amount of rent (Oy, Ünal, and Tahan, 2008, p. 3). Whereas there are two parties, lessor and lessee in the leasing process, there are three parties, lessor, lessee and supplier, in the financial leasing process. In financial leasing process, first of all, investor and supplier make a deal than investor applies a leasing company. If the leasing company approves the application of the investor, a contract is signed between the investor and the leasing company. After signing the contract, the leasing company purchases the property that investor required from the supplier and leases to the investor.

According to European Leasing Association, financial leasing is a deal that the lessor transmits to the lessee the right of usage of an asset for a certain period of time and for a certain amount of rent.[3] As it is understood from this definition, there are three parties in financial leasing, while there are two parties in the leasing.

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[1] http://www.tdk.gov.tr/index.php?option=com_gts&arama=gts&kelime=kiralama&guid=TDK.GTS.5aad6086e6e114.49096016 visited on 17/03/2018

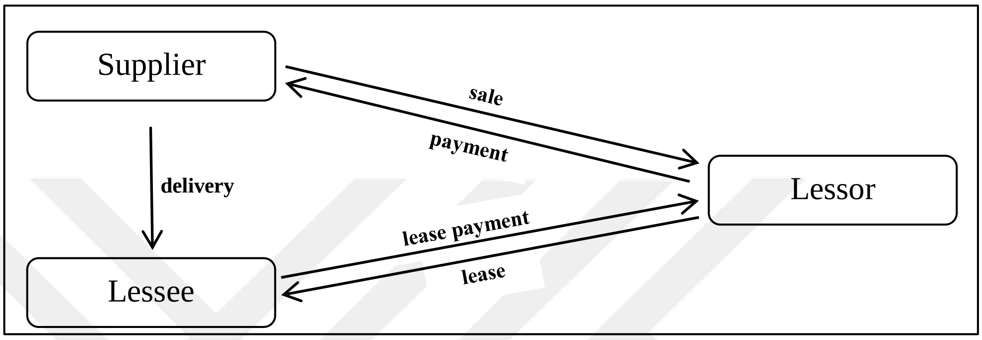
[2] https://en.oxforddictionaries.com/definition/lease visited on 17/03/2018

[3] http://www.leaseurope.org/index.php?page=rental-leasing-introduction visited on18/03/2018

## 2.2 FINANCIAL LEASING PARTIES

While there are two parties in the ordinary rent, there are three parties in the financial leasing and these are lessee, lessor and supplier. The relationship between parties is shown in Figure 2.1.

**Figure 2.1: Leasing parties**




*Source*: Deelen, L., Dupleich, M., Othieno, L., and Wakelin, O. (2003). Leasing for Small and Micro Enterprises. April 2018.

### 2.2.1 Lessor

The lessor is a leasing company which has property right of an asset at issue and gives the right of usage of it to the lessee in return for a rent which is determined in the contract (Oy, Ünal, and Tahan, 2008, p. 5). Financial institutions that provide leasing services are usually the subsidiaries of banks. However, there are financial leasing companies that operate independently from banks (Berk, 2003, p. 257). In Turkey, financial leasing companies are obliged to be a joint-stock company. In order for a leasing company to be established, it is necessary that it is a joint-stock company, it has sufficient capital, to have the knowledge and experience to carry out leasing transactions. The establishment of a financial leasing company is subject to the permission of the Banking Regulation and Supervision Agency (BRSA), provided that the necessary conditions are met.[4]

[4] Financial Leasing, Factoring And Financing Companies Law (the law no 6361). Official Gazette, 28496; 21 November 2012.

### 2.2.2 Lessee

Lessee is a part of financial leasing that who has the right of usage leased asset. In spite of the fact that the lessee is mainly composed of middle and large enterprises in the developing countries, every type of company can be a lessee (Deelen, Dupleich, Othieno, and Wakelin, 2003, p. 4). In Turkey, all natural and legal persons authorized to make legal transactions can be lessees. In practice, it is required to have commercial activities of investors (Ergül and Dumanoğlu, 2003, p. 5)

### 2.2.3 Supplier

The supplier is the party that sells the property subject to the financial leasing to the leasing company. Suppliers may be the producers of goods or they may be doing business only (Ergül and Dumanoğlu, 2003, p. 6).

## 2.3 EQUIPMENT CAN BE LEASED

According to the laws of Turkey, the movable and immovable property could be the subject of the financial leasing contract. Intellectual and industrial rights such as patents cannot be subject to this contract.[5] According to European Federation of Leasing Company Associations and Equipment Leasing Association, agricultural machinery, medical equipment, construction equipment, aircraft, software, computer and printer equipment, manufacturing plants, buildings are some of the basic asset groups could be leased.[6] Generally, it is necessary that the assets obtained through financial leasing are to produce or serve singly. Items such as spare parts, accessories cannot be subject to financial leasing yet necessary parts for the operation of the goods are excluded. It is not necessary that assets are new and unused. It is also possible that used assets may be leased through financial leasing. In Turkey, assets which may be leased through

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5 Financial Leasing, Factoring And Financing Companies Law (the law no 6361). Official Gazette, 28496; 21 November 2012.

6 http://www.elaonline.com/Leasing4USA/ visited on 24.03.2018
http://www.leaseurope.org/index.php?page=rental-leasing-introduction visited on 24.03.2018

financial leasing are land, air and marine transportation vehicles, heavy and construction machinery, manufacturing machinery, packaging machinery, metal processing machinery, medical devices, textile machinery, sound and display equipment, office equipment, agricultural machinery, technologic devices and real estate such as buildings hospitals, offices, factories and plants (Şit and Şit, 2013, pp. 40 - 41).

## 2.4 EVOLUTION OF FINANCIAL LEASING

According to some historians, the emergence of leasing extends back to the 2000s before Christ. In Sumerian Empire, although landowners had agricultural land and equipment for agricultural production, they did not use all of them and on the other hand, villagers needed both agricultural land and equipment. Landowners did not want to sell land and equipment as well as villagers did not want to buy them. So landowners and villagers have begun to use another method which met the needs of both sides. According to this agreement, villagers would produce using the idle agricultural land and equipment which belonged landowners, and would share the crop with the landowners (Berke, 1994, p. 8).
Before Christ in 350, the famous Greek philosopher Aristotle stated that the wealth was stemmed from using the property right rather than having a property right. During the Romans, renting of ships was an important commercial activity since the early ages. In the Roman Empire period, the leasing of ships was an important commercial activity (Doğan, 2007, p. 10). It is known that in the book of Roman Emperor Justinian, Institutions, the regulations concerning the leasing were made, and the distinction between the operating right and financial leasing took place (Tuğlu and Atila, 2007, p. 21).

The idea that Adam Smith was probably influenced by Aristotle's thought and asserted in the late 18th century that the accumulation of capital is stemmed from the usage of or operating of the means of production rather than the ownership, has formed on the basis of the financial leasing (Genç, 1994, p. 11). Though the leasing dates back thousands of years, today's leasing has emerged in the late 19th century in the United States and United Kingdom (Amembal, 2000, p. 5). The first leasing company was founded in the United Kingdom in 1855, and the train wagons were leased. In 1877 in the United

States, the Bell Telephone Company did not sell devices to customers but leased them (Vural, 2006, s. 5).

In the United States, leasing was used to meet the financial difficulties caused by the economic crisis in the 1930s. In these years, companies that were in financial trouble have preferred to lease investment goods rather than acquiring the ownership of them. Leasing which is preferred due to financial difficulties has not lost its importance after overcoming the crisis, but rather it has been adopted much more. Technological developments after World War II, and correspondingly the renewal and modernization movements of the enterprises have been influential on the spread of leasing (Koç, 2004, p. 3).

United States Leasing International which was founded in 1952 in the United States was the first financial leasing company (Oy, Ünal, and Tahan, 2008, p. 22). The leasing that has become widespread in the United States has begun to spread in Europe in the 1960s and in the developing countries in the 1970s (Tuğlu and Atila, 2007, p. 22). The rapid development in European countries has led to the need for solving the common problems encountered in the international arena. As a consequence of that, Leaseurope, the European Federation of Leasing Company Associations, was established in Brussels in 1972 with the participation of the leasing associations of fifteen countries (Dolu, 2006, p. 7).

The use and spread of financial leasing in developing countries have been by means of International Finance Corporation (IFC), a member of the World Bank Group. In 1976, IFC began contributing to financial leasing practices in ninety-six developing countries (Kotei, 2012, p. 29)

Financial leasing, while in the 1980s, has gained an international dimension (Tuğlu and Atila, 2007, p. 22).

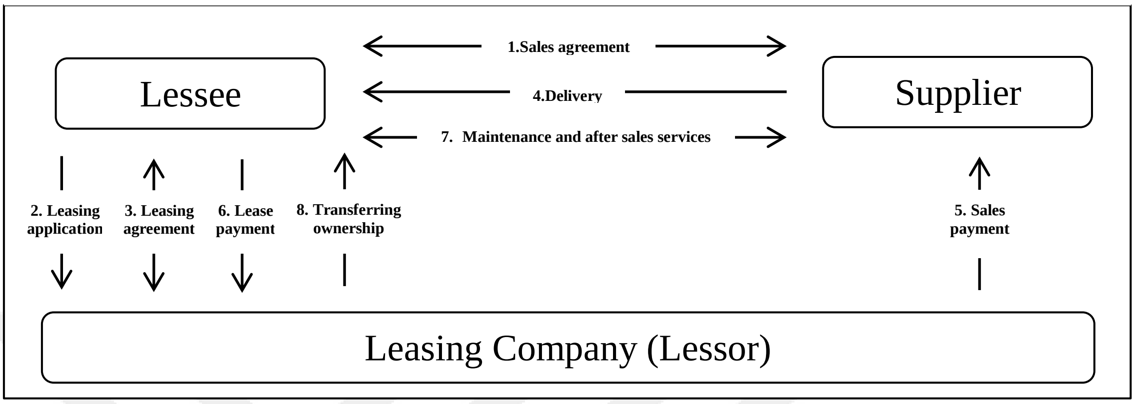
Legal studies which started in 1983 in Turkey were finalized in 1985 and Financial Leasing Law was promulgated. Following the law entered into force, the first financial leasing company in Turkey, İktisat Leasing, was founded in 1986 (Özcan, 2011, p. 11).

## 2.5 FINANCIAL LEASING PROCESS

Financial leasing process begins with that the investor, who is regarded as the lessee, takes an investment decision and determines the investment goods and the seller. The lessee negotiates the specifications of the goods, the terms of delivery, price and the terms of payment, and makes an agreement with the seller (Tuğlu and Atila, 2007, p. 24). Thereafter, the investor starts pre-negotiations with the leasing companies and describes the investment, the firm, payment terms, and requests a proposal. The leasing company submits a proposal for an investment project that it finds reasonable. The investor can receive proposals from more than one leasing company. If the investor accepts the proposal which is submitted to it, the investor submits its financial reports to the leasing company for credit evaluation (Oy, Ünal, and Tahan, 2008, p. 6). Although it is a process of purchasing an asset and leasing it out, leasing is ultimately a loan business. Just as in the same bank credits, the past and present financial condition of the client is investigated and the possible financial performance within the lease period is deduced (Ceylan and Korkmaz, 2014, p. 44). In addition, the investment goods are also considered as a collateral because it is owned by the leasing company. Therefore second-hand value and salability of investment goods are taken into account. The leasing company may claim additional collateral if it deems necessary. These collaterals can be guarantee, promissory notes, cash blockage, hypothec as they are in the bank loans (Tuğlu and Atila, 2007, p. 24) A contract is signed with the client whose credit is approved. The contract includes a proforma invoice that the seller issues in the name of the leasing company on the basis of an agreement that the lessee has done with the seller. Description of goods, cost of goods, delivery terms and payment terms are specified in the proforma invoice. Goods can be supplied from domestic or abroad. If it is a domestic transaction, the seller delivers the goods to the lessee and the leasing company makes payment to the seller. If it is an import transaction, after the goods have been delivered to the customs in accordance with the terms of the agreement, the leasing company clears the goods from the customs and delivers them to the lessee. With the delivery of the goods, the leasing company fulfils its obligations.

The lessee pays the rents specified in the financial leasing contract. Maintenance, repair and insurance costs are the responsibility of the lessee during the leasing period. At the end of the leasing period, ownership of the goods is transferred to the lessee in return for a symbolic price that is identified in the contract. The leasing process is shown in Figure 2.2.

**Figure 2.2: Leasing process**




*Source:* http://www.ziraatleasing.com.tr visited on 08/04/2018

## 2.6 TYPES OF LEASING

Leasing has different types of applications. The most used types of leasing will be examined in this section.

### 2.6.1 Operational Leasing

It is a type of leasing that gives the right to use the subject asset for the lease for the time period specified in the contract. So that while the lessee has the right of usage, the lessor owns the asset and takes the risks (Dyckman, Dukes, and Davis, 1998, p. 823). Maintenance and service are the responsibility of the lessor. Maintenance and service are included in lease payments. Operational leasing allows the lessee to use the contract asset in a manner that does not cover its economic life. It is a leasing contract for a shorter period of time than the economic life of the asset. Lease payments in leasing contracts are insufficient to cover all costs of the asset of the lessor. However, the leasing contracts are drawn up for shorter periods of time than the economic life of the asset and the lessor expects to cover its costs by leasing again or selling the asset. Also, the lessee has the right to cancel the contract (Brigham and Gapenski, Financial management, 1997, pp. 18-2).

Operational leasing is usually made directly between the producer or the seller of the goods and the lessee. For this reason, in addition to being a method of financing, operational leasing is also a marketing method in terms of the seller. Because leasing companies are able to increase their sales in this way. Assets which are subject to operational leasing are generally sensitive to technological development and require maintenance and repair. Goods such as computers, office equipment, telephones, and automobiles can be shown as examples. Thus, enterprises lease the goods they demand and charge the risk of technological obsolescence into the lessor company. As a result, it is possible to closely monitor the developing technology and increase the competition power. On the other hand, leasing organizations try to be less affected by this negative situation by keeping their rental fees high. Also, the lessor can lease the goods several times in order to increase its profits. (Ceylan and Korkmaz, 2014, p. 107)

Operational leasing is implemented in certain sectors or commodities for reasons such as the existence of the secondary market of the leased equipment, the creation of the necessary spare parts and service network, the necessity of periodical maintenance of the machines. Operational leasing is an appropriate method for financing in particular heavy duty and construction machinery, commercial vehicles, computers and rapidly changing technology goods. In Turkey, leasing is generally for the purpose of providing financing. However, operational leasing requires a well-functioning infrastructure in terms of specialization, organization and legislation. (Ceylan and Korkmaz, 2014, pp. 107-108)

### 2.6.2 Financial Leasing

Financial leasing is the most effective and most common type of leasing (Ceylan and Korkmaz, 2014, p. 108). Previous sections provided information on the concept and process of financial leasing.

Financial leasing is also called capital leasing. In financial leasing transactions, the maintenance and repair service is the responsibility of the lessee and the leasing company has no responsibility in this regard. Also, financial leasing agreements are not cancellable (Brigham and Ehrhardt, Financial management: Theory and practise, 2008, pp. 715 - 716).

According to Statement of Financial Accounting Standards (SFAS), a leasing transaction must provide any of the following statements in order to be sorted as a capital leasing (White, Sondhi, and Fried, 2003, p. 367).

i) Ownership of property is transferred from the lessor to the lessee at the end of the lease period

ii) The lease contains a bargain purchase option.

iii) The leasing period is equal to 75 percent or more of the economic life of the asset subject to leasing.

iv) The present value of the lease payments equals to at least 90 percent of the value of the leased asset.

### 2.6.3 Sale and Leaseback

Sale and leaseback is often used during periods of cash shortage. In the method of sale and leaseback, when the company has a cash shortage, it sells its precious assets to the leasing company and thereafter leases back the assets that it sells to the leasing company. The company sells its assets to the leasing company approximately at the market value. The cost of the asset is paid in cash to the lessee. The firm that is the seller and the lessee as well, of the asset continues to use the asset that it owned before. The company that receives significant funding in this way can use this fund to finance its other activities, which can greatly reduce cash shortage or increase the liquidity power. However, it should not be forgotten that the company is deprived of the property of the asset which is subject to leasing and has to pay regular leasing payments throughout the lease term (Ceylan and Korkmaz, 2014, pp. 114-115).

While there is a decrease in the non-current assets of the entity’s balance sheet, there is an increase in the current assets. In Western countries, the sale and leaseback of tangible assets in this way is an intensively used method. In recent years, the highest proportion among the commodity groups in Turkey belongs to this type of leasing (Uzun, 2016, p. 21).

The sale and leaseback method is also used to benefit from the advantage of tax. Businesses can find a way to avoid taxation by selling assets which expired depreciation time, on condition that lease them back. Lease payments are recorded as expenses and deducted from the tax and thus less tax paid (Ceylan and Korkmaz, 2014, p. 115).

### 2.6.4 Other Forms of Leasing

Although the types of leases were examined in general terms, there are some differences according to their practices. Under this heading, the most common types of practices of leases will be examined.

#### 2.6.4.1 Domestic leasing

In domestic leasing, financial leasing company and the lessee is located in the country. Domestic leasing is divided into domestic leasing without importing and domestic leasing with importing according to whether the leased goods are imported or not. The most important difference between imported domestic leasing and non-imported domestic leasing is whether the manufacturer or seller providing the goods is abroad. In the case of an import financial leasing, the contractual asset is imported by a local leasing company from a foreign dealer or a manufacturer and leased to a domestic lessee. In the case of a non-importing financial leasing, the contractual asset is supplied from a domestic dealer or a manufacturer and leased to a domestic lessee (Özcan, 2011, pp. 24-25)

In the non-importing leasing transaction, the freight shipment is made according to the agreement between the seller and the lessee, and the leasing company is not responsible for the shipment. However, in the leasing transaction with importing, it is the responsibility of the leasing company to deliver the goods to the lessee by clearing the goods from the customs (Özcan, 2011, p. 25)

### 2.6.4.2 International leasing

In international leases, lessees and leasing companies are located in different countries (Koç, 2004, p. 10).

International leasing has become an important tool for financing large projects, especially since the early 1970s. It is also a type of application that investors in developing countries frequently resort to because of the way it has been carrying some kind of instalment import feature. International financial leases are generally made on aircraft, ferry, car and similar expensive equity instruments (Özcan, 2011, p. 26).

Depending on the agreement of the two parties, certain advantages in the country where the leasing company operates may be used by the leasing company and the gains which are obtained may be reflected in the lease payments. This would make it easier to obtain some goods that are not subjected to the incentive in the country where the lessee is located. Because, if an investment that is not subject to incentive in the country where the lessee is located and is subject to incentive in the country where the leasing company is located, leasing company can take advantage of these incentives and reflect these advantages to the lease payments in favor of the lessee (Uzun, 2016, p. 20)

### 2.6.4.3 Gross and net leasing

It is a distinction made in terms of meeting the leasing expenses. In gross financial leases, the leasing company is responsible for meeting the expenses of repair, maintenance, insurance etc. of the assets which are subject to leasing and fulfilling the financial obligations such as taxes, duties. In net leasing, meeting these expenses and financial liabilities are the responsibility of the lessee.

### 2.6.4.4 First hand and second-hand leasing

If the asset which is subject to leasing is new and unused, it is a first-hand leasing, if it is used, it is a second-hand leasing. Practices may vary according to country laws or company. Some countries may not allow certain second-hand goods to be purchased, or some leasing companies may not want to do second-hand leasing due to the low value of the equipment (Koç, 2004, p. 11)

#### 2.6.4.5 Subleasing

In subleasing transactions, the lessor transfers the right to use the leased asset to the lessee and the lessee may transfer the same asset to a third party on the same terms (Aydoğdu, 2017, p. 35).

#### 2.6.4.6 Full payout leasing and non-payout leasing

A full payout leasing is a type of leasing in which the total amount of lease payments received under financial leasing agreements meets the acquisition cost of the leased asset, management and other expenses and provides a profit in a reasonable amount to the lessor (Agar, 2005, p. 316).

According to the financial leasing agreement, the type of leasing where the total amount of lease payments collected within the time period, cannot meet the cost of the leased asset to the leasing company is named as non-payout leasing (Gopalakrishnan and Haleem, 2015, p. 647).

#### 2.6.4.7 Leveraged leasing

In the case where the value of the leased asset is too high, a leveraged leasing is a type of leasing that the cost of the purchasing the asset is provided by the banks and financial institutions through credit. In other types of leasing, the leasing company has to provide 100 percent of the cost of goods which is to be leased from its own financing sources. In such transactions, the financial support amount of the leasing company varies between 20 percent and 40 percent of the investment amount. With this practice, a small amount of capital is risked and ownership of the asset, which has a high financial value, is obtained. It is important to remember that the ownership of the property is owned by the financial leasing company. In a leveraged leasing, the lessor gets a fee to provide financing in addition to interest income (Reed and Gill, 1989, pp. 304-305)

#### 2.6.4.8 Closed-end and open-end leasing

At the end of the financial leasing period, the leasing type that the leased asset is transferred to the financial leasing company and the investor company does not have the property right of the asset is denominated as closed-end leasing. If the investor company complies with the terms of the contract, the leasing type which includes the transferring property right of the leased asset to the investor company is called as open-end leasing (Ergül and Dumanoğlu, 2003, p. 31)

#### 2.6.4.9 Swap leasing

In swap leasing, it is possible to replace the goods subject to the contract in order to protect the lessee from maintenance and repair costs and loss of time. Due to some legal obstacles and difficulties in implementation, this type of leasing is rarely applied (Özcan, 2011, p. 29).

## 2.7 DIFFERENCES BETWEEN LEASING AND RENTAL AGREEMENTS

The foremost distinction between leasing and rental is that leasing is substantially a financial instrument whereas rental often functions as the provision of a service. In some cases, operational leasing can be considered a service transaction (Karabulut, 1995, p. 64). Furthermore, other fundamental differences between the two concepts can be declared as follows (FİDER Finansal Kiralama Derneği, 2004, pp. 13-14).
In leasing transactions, the lessee chooses the asset which is to be leased, while in rental transactions the asset is selected by the lessor.

The leasing period is generally close to the amortization period (economic life) of the property, whereas the rental period is generally shorter than the depreciation period and this period is extended to a maximum of one year in many equipment groups.

In leasing transactions, the total of lease payments is close to the cost of goods and in general even more due to the financing cost associated with the purchase of goods. In rental transactions, rental prices are determined according to the demand and supply in the market and they have no connection with the value of the goods. It is generally equal to a value far below the cost of the good.

In leasing, the lessee is responsible for maintenance except operational leasing. Yet, in a rental transaction, the lessor is responsible for maintenance.

## 2.8 ADVANTAGES AND DISADVANTAGES OF LEASING

Leasing transactions have many advantages for investors. Positive and negative aspects of leasing will be evaluated by considering the applications in Turkey.

### 2.8.1 Advantages of Leasing

While investment banks could finance up to 50 percent of the investment, leasing might finance the entire investment (Koç, 2004, p. 16). Enterprises might meet approximately 100 percent of their fund requirements through leasing. Providing the required assets through leasing means that the funds to be used in the purchase situation might be used in other areas. Because of this, the liquidity and profitability of enterprises increase (Bierman, Jr., 2003, p. 198).

Leasing only includes transaction costs and possibly a down payment as an initial capital charge in order to ensure continuity of production and cash flow. Therefore, the lessee does not invest capital to equipment that lose in value and has the advantage that the future lease payments can be made from the income generated by the equipment itself. Since the equipment will pay its own lease payments, it is widespread among enterprises growing rapidly with limited capital assets (Terry, 1977, p. 9)

In the leasing agreement, the lessee might plan payment periods according to its own cash flow. This enables the investor to find a more appropriate source for its own financing structure. If the lessee is assumed to be a farmer in the leasing transaction, the appropriate payment periods for the lessee will be one or two payments per year according to the harvest times. This flexibility might not be provided in bank loans (Uzun, 2016, p. 10).

Since financial leasing companies are smaller than banks, the approval process of the loan is shorter than the approval process of a bank (Ceylan and Korkmaz, 2014, p. 118).

Since financial leasing is an off-balance sheet transaction, it does not appear as a fixed asset in the assets and a debt in the liabilities of the balance sheet of the company and therefore does not affect the debt/equity ratio and restrict the credit facilities in banks (İlyas, 1994, p. 22).

At the end of the lease agreement, the property subject to the contract may be owned by the lessee in return of a symbolic price which is specified in the contract (Koç, 2004, p. 17)

Since the leased goods are the property of the leasing company during the leasing contract, the collaterals that required are less than the bank loans. The leasing company has the right to recover the investment assets in that case the tenant has difficulty in repayment, due to having the ownership of the leased asset. This is more reliable than collaterals for the leasing company (Oy, Ünal, and Tahan, 2008, pp. 33-34).

In case of bankruptcy of the lessee, the goods subject to leasing are excluded from the bankrupt's estate. These goods cannot be sequestrated because they are the property of the leasing company. The lessee may continue the production with these goods and pay leasing payments or the leasing company may recover the goods (Tuğlu and Atila, 2007, p. 28).

Some investment goods can be supplied only through leasing. The restrictions imposed by countries on imports and exports prevent the purchasing of certain patent rights. In such cases, it is permitted to lease if certain conditions are met (Koç, 2004, p. 18).

If it is desired to supply the investment goods from abroad through leasing, the leasing company carries out the import transactions on behalf of the lessee. Even if the lessee does not have any expertise in import and customs operations, import transactions can be made through the leasing company.

In sale and leaseback transactions, the leasing company purchases the fixed assets in the assets of the companies whose financial balance is disrupted and leases back to the same company. Hence, the lessee continues to use the same fixed asset, has an access to cash and obtains tax advantage by that payments are deducted from tax. In addition, the leasing company which purchases the asset and leases it is able to amortize (Ceylan and Korkmaz, 2014, p. 119)

It is frequently expressed that leasing is profitable to lessees since lease payments are completely tax deductible as an operating cost, and the lessee in this way pays for the utilization of the goods out of current, untaxed salary (Reed and Gill, 1989, p. 305). VAT is one of the most important advantages of financial leasing transactions. 18 percent VAT will be paid if the investor purchases the goods through bank credit or owner's equity. For many investment goods subject to financial leasing, the VAT rate is 1 percent (Uzun, 2016, p. 12).

Investments to be made through financial leasing can be benefited from incentives. In other words, the leasing company benefits from the lessee's incentive. Therefore, there is no difference between the lessor and the purchaser in terms of incentive. In the case of financial leasing transactions with incentive certificate, the lessor will benefit from the investment allowance. Investment allowances utilized by the lessor are reflected in the lessee's lease payments (Ceylan and Korkmaz, 2014, pp. 118-119).

Leasing is a type of financing which is appropriate to the Islamic economy, in which it is forbidden to give and get interest (Oy, Ünal, and Tahan, 2008, p. 34). The leasing company, instead of giving cash directly to the customer as in banking, purchases the investment goods which are required and leases to the customer, so it may appeal to different segments in this respect.

Leasing is also an advantageous tool for vendor companies which sell capital goods. Vendor companies strive to increase the number of customers and sales. As the prices of the investment goods are generally high, the seller wants to sell for cash, while the customer demands to buy on the deferred payment system. Leasing is a finance tool that solves this problem and makes an instalment plan for customer's debt while paying the seller in advance. Since the vendors often refer their customers to leasing companies, various collaborations can be established between them. In this way, the business processes are accelerated and the three parties of the leasing process benefit.

The fact that the enterprises which want to invest but who do not have sufficient resources provide the investment goods through financial leasing leads to an increase in demand. For this reason, financial leasing has an expanding effect on the economy of the country. In addition, the increase in investments leads to a decrease in unemployment. The financial leasing system is seen as a more confident option for foreign capital that is hesitant to come to the country due to its risk factor (Aydoğdu, 2017, pp. 41-42).

### 2.8.2 Disadvantages of Leasing

In countries where inflation is high, scrap values of goods may reach large amounts. However, the lessee is deprived of the scrap value of the goods, especially in cases which the goods are returned to the financial leasing company after usage of the goods during the contract term. Therefore, it might be said that the purchase of fixed assets with high scrap values is more advantageous than leasing in the form of operational leasing. However, it is not easy to say that the purchase is more advantageous than the leasing if the leasing transaction is financial leasing and the contract has been specified that the lessee can purchase the goods at the end of the contract period.

While an entity has the right to use the goods it buys as it wishes, it does not have such freedom on the goods acquired through financial leasing. The lessee's movements are limited both for the reasons specified in the law and the provisions of the contract. As an example of issues that restrict the lessee's freedom of movement, in the case of changing the location of the goods, maintenance and repair, obtaining permission from leasing company, may be cited (Koç, 2004, pp. 19-20).

Financial leasing constitutes a certain obligation on the enterprise' future cash-flow which, if not correctly managed, will enhance the possibility of cash deficiency or even bankruptcy (Terry, 1977, p. 25).

Since the enterprises do not have the ownership of the leased assets they use through leasing, they are not able to give leased assets as security against credit and therefore collateral problems may be encountered when borrowing.

Since leasing allows to exceed the budget limits and to invest with a little capital, the companies that frequently apply to this option may be faced with the difficulty of payment in the future.

Leasing may have some drawbacks to the country. That the assumption of the exchange rate risk and inflation risk by the lessee constitutes a significant risk. Therefore, in the long term, foreign exchange risk in the leasing transactions made from foreign countries may lead to significant cost increase and uncertainty.

Large enterprises consider leasing together with alternative financing opportunities and select the lowest cost option. For this reason, leasing is frequently preferred by businesses which exceed credit limits such as SMEs. As a result, leasing companies increase lease costs in line with increasing risk. Businesses should consider the benefits and disadvantages of leasing in consideration of their own specific circumstances. Assuredly, there are positive and negative aspects of purchasing, leasing and other options. However, the general trend in the world is long-term rental (Ceylan and Korkmaz, 2014, pp. 120-121).

# 3. LEASING IN THE WORLD

In this section, some developed countries and developing countries' leasing sectors will be examined. However, it would be useful to examine the global leasing sector outlook before analyzing the countries. The modern sense of leasing that has emerged in the United States in the 1950s has begun to spread in Europe in the 1960s. In the 1970s, it began to be used in developing countries by the support of international institutions and became a global financial instrument. In 1994, leasing was used in more than 80 countries, of which more than 50 were developing countries (International Finance Cooperation, 1996, p. 8). As shown in Table3.1, according to 1994 data, leasing is a mature industry in developed countries while it continues its development in middle and low-income countries. These figures based on 50 countries, which 24 were high, 20 were middle, 6 were low-income countries.

**Table 3.1: Leasing markets (1988-1994)**

| **Years** | **1988** | **1990** | **1992** | **1994** |
|---|---|---|---|---|
| **Leasing Volume (US$bn)** | 259 | 310 | 292 | 313 |
| High income countries | 12 | 17 | 27 | 39 |
| Middle income countries | 3 | 5 | 5 | 5 |
| Low income countries | 274 | 332 | 324 | 357 |
| **Total** | | | | |
| | | | | |
| **Market share (%)** | | | | |
| High income countries | 15 | 15 | 15 | 15 |
| Middle income countries | 4 | 5 | 9 | 11 |
| Low income countries | 3 | 4 | 4 | 7 |
| **Average** | **9** | **10** | **11** | **13** |

*Source:* International Finance Cooperation (1996), Leasing in Emerging Markets

According to a study of London Financial Group, which demonstrates the growth between 1978 and 1998, the leasing industry achieved 12.5 percent compound growth rate globally. As is seen in Table 3.2, volume reached from 40.8 US billion dollars in 1978 to 432.5 US billion dollars in 1998. According to Equipment Leasing Association (ELA) in the United States of America, each expansion of 1 billion dollars provides employment for 30,000 capita. According to 1998 figures, United States leasing industry provided more than five million employments (Amembal, 2000, p. 6).

**Table 3.2: Global volume (1978-1998)**

| **Year** | 1978 | 1982 | 1986 | 1990 | 1994 | 1998 |
|---|---|---|---|---|---|---|
| **Volume (US$bn)** | 40.8 | 84.9 | 173.4 | 331.6 | 356.4 | 432.5 |

*Source:* Amembal, S. P. (2000). *The International Leasing: The Complete Guide.*

Table3.3 is important for better comprehension of the data until 1998. As seen in the table, volume growth is dominant in Asia, Europe and North America, while Africa and South America precede in terms of percentage growth. For example, between 1990 and 1998, South America reached a growth rate of almost 31 percent, while North America grew by 6 percent.

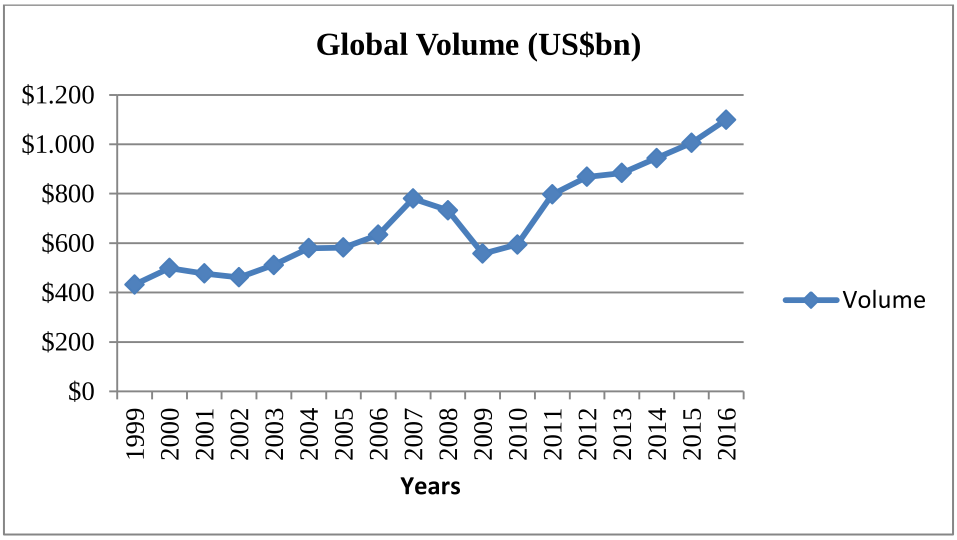
**Table 3.3: Leasing volume by region (1978-1998, US$ bn)**

| | **1978** | **1982** | **1986** | **1990** | **1994** | **1998** |
|---|---|---|---|---|---|---|
| **North America** | 24,0 | 50,0 | 87,0 | 125,4 | 148,0 | 195,0 |
| **Europe** | 7,9 | 16,7 | 41,2 | 117,9 | 87,5 | 133,6 |
| **Asia** | 4,8 | 10,5 | 36,5 | 77,5 | 99,2 | 74,7 |
| **South America** | 0,3 | 1,8 | 1,5 | 1,9 | 11,1 | 16,4 |
| **Australia/New Zealand** | 3,6 | 4,9 | 5,4 | 5,1 | 5,9 | 7,9 |
| **Africa** | 0,2 | 1,0 | 1,8 | 3,8 | 4,7 | 4,9 |

*Source:* Amembal, S. P. (2000). *The International Leasing: The Complete Guide.*

When the data until 1998 analyzed, it can be said that the figures are generally in an upward trend. However, when the data after 1998 which is given in Figure3.1 is analyzed, the periods of decreasing and increasing are seen.

**Figure 3.1: Global volume (1996-2016)**




*Source:* White Clark Group (2018), Global Leasing Report

With the impact of the 2008 crisis, there is a sharp decline in the figures in 2008 and 2009. Nevertheless, the leasing industry managed to rebound in the fourth quarter of 2010 and achieved a year-on-year growth (White E. , 2012, p. 1).

Regional figures which are given in Table3.4, show that Europe, North America and Asia have rebounded after crisis whereas the figures for other regions fluctuates. In 2016 Europe, North America and Asia dominate by over 95 percent of global volume. Moreover, the growth of over 30 percent of the Asian region is quite remarkable.

**Table 3.4: Leasing volume by region (1999–2016, US$bn)**

| | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** |
|---|---|---|---|---|---|---|---|---|---|
| **Europe** | 133,6 | 131,0 | 140,0 | 164,1 | 196,1 | 236,5 | 239,6 | 272,0 | 401,2 |
| **North America** | 195,0 | 272,4 | 254,1 | 216,0 | 223,9 | 240,7 | 236,7 | 241,1 | 237,9 |
| **Asia** | 74,7 | 78,3 | 67,7 | 68,7 | 74,1 | 78,2 | 74,0 | 81,7 | 84,6 |
| **South America** | 16,4 | 8,1 | 5,6 | 3,3 | 4,0 | 7,5 | 13,9 | 19,2 | 41,4 |
| **Australia/NZ** | 7,4 | 5,3 | 5,5 | 5,8 | 7,6 | 8,1 | 8,2 | 8,6 | 4,1 |
| **Africa** | 4,9 | 3,9 | 3,8 | 3,7 | 5,6 | 8,1 | 9,6 | 11,1 | 11,2 |
| **Annual totals** | 432,5 | 499,0 | 476,7 | 461,6 | 511,3 | 579,1 | 582,0 | 633,7 | 780,4 |
| | | | | | | | | | |
| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Europe** | 336,7 | 220,4 | 233,0 | 302,7 | 314,0 | 333,6 | 327,8 | 322,8 | 346,3 |
| **North America** | 226,1 | 190,8 | 213,3 | 292,5 | 336,4 | 335,1 | 368,4 | 407,8 | 416,8 |
| **Asia** | 99,2 | 103,8 | 105,6 | 153,4 | 180,2 | 177,3 | 195,0 | 223,0 | 289,9 |
| **South America** | 54,2 | 30,2 | 25,4 | 27,5 | 13,2 | 18,0 | 10,7 | 13,8 | 12,9 |
| **Australia/NZ** | 6,9 | 5,7 | 10,8 | 12,0 | 16,1 | 12,5 | 35,6 | 31,2 | 28,4 |
| **Africa** | 9,6 | 6,5 | 6,4 | 8,6 | 8,2 | 7,5 | 6,8 | 6,7 | 5,4 |
| **Annual totals** | 732,8 | 557,3 | 594,5 | 796,7 | 868,0 | 884,0 | 944,3 | 1,005.3 | 1,099.8 |

*Source:* White Clark Group (2018), Global Leasing Report

It would be also beneficial to examine ranking by countries. That top 50 countries by volume in 2016 are given in Table3.5. It is obvious that the first and second-ranked two countries, the United States and China, have obtained over half of the global volume.

## Table 3.5: Leasing volume by country (2016, US$bn)

| | Country | Annual Volume (US$bn) | % Growth 2015–2016 | % Market Penetration |
|---|---|---|---|---|
| 1 | United States | 383,87 | 2,54 | 21,5 |
| 2 | China | 206,7 | 61,96 | 6 |
| 3 | United Kingdom | 81,77 | 8,98 | 33,7 |
| 4 | Germany | 64,26 | 3,42 | 17 |
| 5 | Japan | 59,42 | –1.30 | 8,4 |
| 6 | France | 38,94 | 11,23 | 15,3 |
| 7 | Australia | 28,44 | 0,8 | 40 |
| 8 | Canada | 25,86 | –8.47 | 32 |
| 9 | Italy | 25,28 | 17,02 | 14,1 |
| 10 | Sweden | 20,09 | 15,23 | 26 |
| 11 | Poland | 14 | 16,61 | 21,6 |
| 12 | Switzerland | 12,12 | 2,27 | 11,9 |
| 13 | Korea | 10,77 | –9.29 | 8,7 |
| 14 | Russia | 10,52 | 34,42 | n/a |
| 15 | Denmark | 10,43 | 16,8 | 30,5 |
| 16 | Taiwan | 10,03 | 0,9 | 9,1 |
| 17 | Spain | 8,63 | 5,88 | 6,1 |
| 18 | Turkey | 7,27 | 4,12 | n/a |
| 19 | Austria | 7,16 | 6,96 | 13,2 |
| 20 | Mexico | 7,1 | –2.60 | n/a |
| 21 | Belgium | 7,02 | 25,19 | 11,2 |
| 22 | Norway | 6,78 | 18,57 | 11,5 |
| 23 | Colombia | 6,21 | –3.10 | n/a |
| 24 | Netherlands | 6,15 | 6,65 | 7,3 |
| 25 | Finland | 5,42 | 8,96 | 17,3 |
| 26 | Czech Republic | 4,51 | 9,29 | 13,8 |
| 27 | Portugal | 3,38 | 9,01 | 17 |
| 28 | South Africa | 3,2 | 0,3 | n/a |
| 29 | Romania | 2,45 | 16,6 | 0,8 |
| 30 | Peru | 2,3 | –8.32 | n/a |
| 31 | Hungary | 2,05 | 0,84 | 10,9 |
| 32 | Chile | 2,01 | 11 | n/a |
| 33 | Brazil | 1,75 | –27.98 | n/a |
| 34 | Lithuania | 1,59 | 39,32 | 28,1 |
| 35 | Slovenia | 1,38 | 7,87 | 22,5 |
| 36 | Slovakia | 1,38 | 6,34 | 18,6 |
| 37 | Morocco | 1,35 | 0,63 | n/a |
| 38 | Iran | 1,26 | –38.70 | 4 |
| 39 | Estonia | 1,16 | 17,15 | 35,5 |
| 40 | Malaysia | 1,06 | –4.63 | n/a |
| 41 | Bulgaria | 0,94 | 9,13 | 10,4 |
| 42 | Latvia | 0,76 | 2,56 | 18,5 |
| 43 | Argentina | 0,6 | –8.57 | n/a |
| 44 | Nigeria | 0,51 | –42.00 | n/a |
| 45 | Hong Kong | 0,39 | –28.57 | n/a |
| 46 | Egypt | 0,34 | –75.18 | n/a |
| 47 | Greece | 0,33 | 69,39 | 2 |
| 48 | Serbia-Montenegro | 0,32 | 15,25 | n/a |
| 49 | Uzbekistan | 0,3 | 14,3 | 0,5 |
| 50 | Ukraine | 0,21 | 66,24 | n/a |
| | **TOTAL** | **1,099.77** | | |

*Source:* White Clark Group (2018), Global Leasing Report

## 3.1 LEASING IN DEVELOPED COUNTRIES

### 3.1.1 Leasing in the United States

Statement of Financial Accounting Standards divides leasing into two main groups. According to SFAS, if a leasing transaction meets any of the following statements, it is sorted as a financial leasing. If a leasing transaction does not meet any of the statements, it is classified as operational leasing.

i) Ownership of property is transferred from the lessor to the lessee at the end of the lease period

ii) The lease contains a bargain purchase option.

iii) The leasing period is equal to 75 percent or more of the economic life of the asset subject to leasing.

iv) The present value of the lease payments equals to at least 90 percent of the value of the leased asset.

The Tax Reform Act, in 1986, affected the United States' finance sector. After The Tax Reform Act, service, being customer oriented became much vital than the tax. The industry has evolved into a sector that considers marketing and develops a strategy accordingly, concentrates on customers' need and satisfaction. Customer-driven approached has shaped today's industry (Amembal, 2000, pp. 505-506)

Equipment investment increased 4.7 percent in the last month of 2017 and 5.3 percent in August 2018 compared to last year according to Equipment Leasing and Finance Association (ELFA) monthly index. Additionally, the cumulative new business volume is 5 percent over than 2017.[7] It is foreseen that the United States industry is in a good condition and will keep on growing even though not at a high rate.

[7] ELFA, Monthly Leasing and Finance Index: August 2018 and Monthly Leasing and Finance Index: December 2017 https://www.elfaonline.org/data/mlfi-25-monthly-leasing-and-finance-index (accessed on 13 October 2018)

### 3.1.2 Leasing in the UK

In the United Kingdom, leasing operations started in the 1840s when the railroad cars were leased. Birmingham Wagon Company, which was established in 1855, leased wagons by fixed-term payments. After the establishment of the first independent leasing company in the USA in 1952, leasing spread to the UK with the establishment of The Mercantile Leasing Company in 1960 (Buzkıran, 2010, p. 36).

Leasing operations, which emerged as an alternative financing technique in the British economy since the 1960s, entered into a development trend especially in 1970s and gained a great acceleration in 1980. As in the United States, there is a legal regulation to provide tax savings to the lessor and the lessee. The Finance Act, which entered into force in 1971, allowed the lessee to deduct lease payments from income, and to benefit from incentives when in the contracts which give a right to the lessee to purchase the equipment at the end of the contract. In addition, the lessee was allowed to sell or transfer the rights of the goods to third parties (Aydoğdu, 2017, p. 53).

There are three forms of leasing in the United Kingdom, operational leasing, financial leasing and hire-purchase leasing. While operational leasing is applied as in other countries, financial leasing and hire-purchase leasing are slightly different. In financial leasing, the lessor cannot get the ownership of the leased asset at the end of the contract. If the lessee wants to use the asset, a new contract must be signed up. In hire-purchase leasing, the lessee is named as hirer. The hire-purchase transaction is a nontax and full-payout instrument. Because of this, at the end of the period the purchase price must be at a nominal level due to tax regulations (Amembal, 2000, pp. 489-490)

As is shown in the Table3.5, the United Kingdom has the greatest volume in 2016 across the Europe region. The EU referendum in the UK was influential on the economy and led to import and price increases. Nevertheless, the UK finance industry has not lost its power. In the third quarter of 2017, new business volume increased by 6 percent compared to 2016. In 2018 the United Kingdom industry is foreseen to grow 1.5 percent.

### 3.1.3 Leasing in China

The economy of China has grown incrementally in recent years. Annual Gross Domestic Product rate has reached 13 percent in 2007, and it became 6.7 percent in 2016[8].

China permitted banks to establish subsidiary leasing companies in 2017. Financial leasing industry has grown rapidly since 2017. The lessors are classified in China as banks, captives and independents. Captive strategy not only supports sales of producers but also helps to gain customer loyalty. Many manufacturers invest in subsidiary leasing companies. As a result, the number of captive lessors has increased more than the other types. In 2010, there were 21 banks, 44 captive and 133 independent lessors in the industry. Despite the fact that there were many lessors, financial leasing and sale and leaseback transactions are the primary forms in the industry (Shi, 2012, pp. 145 - 149).

It is obvious that there is a great growth with 61.96 percent compared to the previous year in China leasing industry as is seen in the Table3.5. There are over 6.200 lessors in the leasing sector, nevertheless, market penetration is 6 percent. This figure is considerably lower than other countries such as the USA and the UK where the sector is mature. This may be an indicator that the sector can grow even more.[9]

### 3.1.4 Leasing in Germany

The first leasing company in Germany to carry out movable and immovable property leasing was established in 1962 under the name of Deutsche Leasing GMBH as an American-German partnership (Aydoğdu, 2017, p. 55).

The leasing volume, reached to EUR 55.30 billion from EUR 52.40 billion in 2016 and in 2017 it reached EUR 58.50 billion with 6 percent growth rate, and the investment amount of EUR 57.30 billion of EUR 58.50 billion is equipment leasing. Passenger cars and commercial cars dominate the industry. They have 77 percent of the total industry,

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[8] Gleeson, Brendan., 2018, 2018 Global Leasing Report, *State Of The Global Leasıng Industry Contınued Strength And Growth*. White Clarke Group

[9] Gleeson, Brendan., 2018, 2018 Global Leasing Report, *State Of The Global Leasıng Industry Contınued Strength And Growth*. White Clarke Group

and the second one is production machinery with 8 percent in 2017. When leasing types compared, financial leasing is 48 percent, operational leasing is 39 percent and hire-purchase is 13 percent. In 2017 while financial leasing has a penetration rate of 24.1 percent, leasing in total has a penetration rate of 16.1 percent.[10]

In 2010, 55 percent of the volume gained through cooperation with producers and sellers, 28 percent of the volume gained by direct selling, 11 percent of the volume gained by banks. Less than 1 percent of the volume gained through e-commerce (Muderbach, 2012, pp. 211 - 212).

### 3.1.5 Leasing in Japan

Leasing activities in Japan began in 1961 and developed rapidly with the establishment of the Japanese Leasing Association in 1971. It has become one of the cornerstones of the Japanese economy because of that the collaboration with leasing companies, banks and commercial companies (Aydoğdu, 2017, p. 54).

In Japan, leasing transactions are not cancellable, and while the lessee benefits from the leased asset, pays costs such as maintenance. Leasing transactions are classified into two groups. One is that the lessee gets ownership of the asset and the second one is that the lessee does not get the ownership of the asset. A leasing term must be longer than 70 percent of the economic life of the property which is subject to leasing agreement (Japan Leasing Association, 2012, pp. 265-266).

According to 2016 data, which is shown in the Table3.5, Japan is the fifth biggest country by leasing volume. Nevertheless, it has a decrease of 1.3 percent compared to the previous year.

[10] Bundesverband Deutscher Leasing-Unternehmen. 2017. *Year-On-Year Data And Structural Data.* *https://bdl.leasingverband.de/en/facts-figures/leasing-in-germany/year-on-year-data-and-structural-data/* *(accessed on 14 October 2018)*

# 4. LEASING IN TURKEY

Leasing in Turkey grew rapidly, although it doesn't have an old history. Financial leasing, which became a new form of funding, was applied in Turkey through open economy policies after the 1980s. The economic policy, which had applied since 1980, had two pillars: positive interest policy on funding and allocation of resources and financing of investments with real resources. Despite the measures taken, inflation could not be decreased to a certain level and the positive interest policy increased the financing costs and the short-term fund demands of the enterprises. Despite the implementation of a positive interest policy, internal savings could not have been brought to the required level for development. High fund costs and lack of resources combined with expectations for a decline in investment profitability have resulted in a stagnation environment. Leasing in Turkey has emerged in such an environment (Doğan, 2007, pp. 80-81).

The first regulations on financial leasing in Turkey were made by decree of the council of ministers with dated 12 December 1983 and numbered 83/7506. In this decision, it was mentioned that the establishment of private financial institutions, and procurement of equipment related to investments and sale on instalment or rental of this equipment to enterprises. Thus, leasing is mentioned for the first time even if it is not clear in the legislation. In the real terms, the legal infrastructure of the leasing was established with the Financial Leasing Law No. 3226, which was enacted on June 28, 1985, and the first leasing company was founded in 1986 (Aydoğdu, 2017, p. 60).

In the early 1980s, the Turkish government requested to IFC, to improve the technical qualification of the financial industry. Turkey's first leasing company İktisat Finansal Kiralama A.Ş. was established in 1986 with the support of IFC. In this financial leasing company, Societe Generale was a foreign technical partner and İşbank was a local partner (Doğan, 2007, p. 82).

In 1987, while 129 projects were financed with leasing, $ 9.2 million total turnover was obtained. In 1988, the number of firms in the leasing sector increased to 8 while this number reached 11 in 1989. On the one hand, with the introduction of the value-added-tax incentive in 1990, it was observed that the purchase of automobiles and computers boosted the sector and the number of companies in the sector increased to 22. The industry entered into a recession period in 1991 due to domestic and international political factors such as the Gulf Crisis or the election period.

The sector suffered a heavy blow during the economic crises in 1994, 1999 and 2001 and entered a stable growth process in the following periods. The sector, which grew by 63% in 2003 and 35% in 2004, showed a rapid growth due to the falling interest rates as of the first quarter of 2005. This growth continued until 2008. With the abolition of value-added-tax incentive in leasing transactions in 2008, the sector entered into a serious constriction. The transaction volume, which was $ 8.2 billion in 2007, decreased to $ 5.3 billion in 2008 and $ 2.2 billion in 2009. However, with the decision of the Council of Ministers in 2011, the VAT incentive was re-enacted. In addition, with the acceptance of The Financial Leasing, Factoring and Financing Companies Law in parliament in 2012, the sale and leaseback and operational leasing transactions became legal (Gökbulut, 2017, pp. 22-24). Along with this law, AFI (Association of Financial Institutions) was founded as an association, which contains leasing, factoring and finance institutions, instead of FİDER (Financial Leasing Association).

According to AFI's first quarter data of 2018, there are 25 companies and 1,435 employees. As is seen in Table4.1, the economy grew by 5 percent in USD while 10 percent in TL. 5 percent, difference between two rates, demonstrates the currency impact.[11]

**Table 4.1: Comparison of first quarters of 2018 and 2017**

| | 2018 1st quarter | 2017 1st quarter | Change |
|---|---|---|---|
| TL (billion) | 5,64 | 5,1 | 10% |
| USD (billion) | 1,47 | 1,39 | 5% |
| Number of contracts | 6,132 | 4,575 | 34% |

*Source:* AFI

[11] AFI, Summary Report,2018 https://www.fkb.org.tr/raporlar-ve-yayinlar/raporlar/finansal-kiralama-sektor-raporlari/ accessed on 17/10/2018

**Table 4.2: Data of contracts (2015-2017, TL bn)**

| Year | Number of Contracts | Volume of Contracts |
|---|---|---|
| 2015 | 21.426 | 17,4 |
| 2016 | 24.880 | 21,4 |
| 2017 | 25.377 | 25,6 |

*Source:* AFI, 2017 Annual Report

As is seen in Table4.2, there is an increase of 16 percent in 2016 and 2 percent in 2017 by the number of contracts. The total volume of the contracts has increased by 23 percent in 2016 and 20 percent in 2017. It should not be forgotten that exchange rates have a large impact on volume. For a better understanding, it would be beneficial to look at the volume on USD which is given in Table4.3. Volume in TL has increased approximately 62 percent while volume in USD has decreased approximately 11 percent in five years.

**Table 4.3: Leasing volume in Turkey (2013 – 2017, USD-TL thousands)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **TL (thousand)** | 13.888.060 | 17.058.387 | 17.312.466 | 18.619.606 | 22.567.625 |
| **USD (thousand)** | 6.989.544 | 7.637.137 | 6.364.877 | 6.129.771 | 6.193.833 |

*Source:* AFI

Additionally, market share is crucial, may be even more than volume. In Turkey, leasing market penetration is almost 5 percent. Nevertheless, this figure reaches 30 percent in mature markets.

**Table 4.4: Market penetration (2013-2017)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Market penetration (excluding real estate)** | 6,17% | 5,85% | 4,71% | 4,97% | 5,47% |

*Source:* AFI

Bank subsidiaries dominate the market. Only a few of the AFI member companies are independent and captive. Also, participation banks are allowed to lease but they are not a member of the AFI. As the third quarter of 2018, there are five participation banks in Turkey.

Banks dominate the industry and main competitive element is pricing (Akpınar, 2012, p. 77).

Table4.3 demonstrates the allocation of the asset types in 2017. Heavy equipment and construction machinery, real estate and other machines and equipment have the biggest share in the market with over 65 percent. Heavy equipment and construction machinery, real estate and other machines and equipment have the biggest share by over 65 percent. It is obvious that sale and leaseback is mainly used on real estates. Operational leasing is preferred rarely, and it is mainly used on road vehicles.

**Table 4.5: Leasing volume by type of asset (2017, USD thousands)**

| **Assets Subject Of Financial Leasing** | **Total** | **Sale and Leaseback** | **Operational Leasing** |
|---|---|---|---|
| Road Vehicles | 143.935 | 1.669 | 62.942 |
| Air Transport Conveyance | 65.140 | 12.727 | - |
| Shıps And Other Sea-Going Vessels | 92.413 | 21.027 | 1.440 |
| Railroad Transport Vehıcles | 2.743 | 561 | - |
| Heavy Equipment And Construction Machinery | 1.671.399 | 49.977 | 5.991 |
| Health Industry | 173.387 | 3.725 | - |
| Metal Processing Machinery | 458.871 | 27.466 | - |
| Textile Machines | 450.148 | 11.621 | - |
| Electronic And Optical Devices | 69.122 | 199 | 311 |
| Information Technologies And Office Systems | 109.988 | 3.749 | 430 |
| Real Estate | 1.279.812 | 950.945 | - |
| Plastic Processing Machines | 137.325 | 528 | - |
| Tourism Equipment | 62.664 | 309 | - |
| Printing and Paper Processing Machines | 78.302 | 9.907 | - |
| Agricultural And Livestock Farming Machines | 155.009 | 1.973 | - |
| Other Machines And Equipment | 1.243.576 | 35.957 | - |
| **Total** | **6.193.833** | **1.132.342** | **71.114** |

*Source:* AFI, 2017, Leasing volume by type of asset

# 5. RESEARCH AND METHODOLOGY

## 5.1 AIM AND SIGNIFICANCE OF RESEARCH

Leasing is a frequently used source of financing in developed countries. Leasing, which is a medium and long-term alternative financing source, is especially important for SMEs (Small and medium-sized enterprises). Leasing is a source of financing for investments. Therefore, it can be said that it progresses in parallel with the country's economy. Leasing has shown continuous growth except for certain periods of crisis since began to be implemented in Turkey. However, it is not possible to state that it has achieved the desired growth. When examining developed countries, about 30 percent of the total investment in machinery and equipment is made through leasing, this figure is around 5-6 percent in Turkey.

The subject of the research is making a sector analysis oriented towards increasing the market share and sustainable competitiveness of companies in the Turkish leasing industry. In the research, the weaknesses which figured out with the analysis of the sector will be emphasized and various solution suggestions are to be proposed.

In line with the purpose of the research, answers were sought for the following 3 main thematic questions.

i. How is the situation of the Turkish leasing industry in general and what are the main problems in the industry?
ii. What are the main competitive elements in the industry?
iii. How will the future positions of the leasing companies be and how will the competition be shaped?

10 open-ended questions, which are thought to would clarify these 3 questions, were prepared and asked the industry representatives. Detailed information about the questions is given in the research design section.

The finance industry in the world and Turkey has always an important position. Due to developing technology, many business lines have declined and new ones have emerged, but the importance of the finance sector has been increasing each passing day. In particular, in recent years, the costs of reaching funding sources have increased and become more difficult due to the decrease in liquidity worldwide. Reaching funding sources become more difficult in Turkey also as worldwide. Therefore, companies are turning to alternative sources of funding. One of these alternative funding sources is leasing.

The leasing industry has been operating in Turkey since 1986. The sector has achieved a very significant growth in the last 20 years. It has both financed investments and directly contributed to the development and growth rates of the country.

As a result of literature surveys, it is seen that there is not much research on financial leasing, but also existing resources are generally related to the processes, legal aspects and accounting of financial leasing. There is almost no study on the strategic management of the Turkish leasing industry, which is such an important industry. The subject of the study is gaining importance in terms of creating a resource based on this deficiency in the literature. This research is aimed to provide a strategic overview of the financial leasing industry, clarify the competition and to form a resource.

## 5.2 RESEARCH DESIGN

In this study, the qualitative research technique was implemented. Qualitative research is a research method which is based on theory establishing and evaluates social phenomena in its own environment. Qualitative research is a type of research which aims to gather in-depth information with its exploratory aspect and try to comprehend and study the facts in their natural environment, or in other words in the environment in which they exist. The main characteristics of this method are the sensitivity to the natural environment, the role of the researcher in a participatory role, forming a holistic approach, playing a role in the emergence of perceptions, forming a flexible research design and obtaining an inductive analysis (Yıldırım and Şimşek, 2013, pp. 45-47). The qualitative research method was preferred because it requires explanatory, in-depth and detailed information in the conduct of the research.

The advantages and disadvantages of qualitative research can be stated as follows (Daymon and Holloway, 2002, pp. 5-7).

Advantages;

i. The researcher makes a direct contribution to the research
ii. It helps to understand phenomena through the perspective of participants
iii. Instead of focusing on a single case, with a holistic approach, it helps to identify the beliefs, thoughts and experiences of the participants
iv. Due to its flexibility, it is possible to discover new data in addition to the planned acquisitions.
v. It helps to understand the process rather than the result
vi. It is aimed to collect more reliable data by conducting the research in the participants' own environment.
vii. Due to the fact that this method is inductive, it aims to create a theory from the data that is collected and analyzed

Disadvantages;

i. The subjectivity of the research
ii. Difficulty of repeatability
iii. Generalization of data collected from a limited number of participants
iv. Transparency problem

In order to avoid these disadvantages, the research process was elaborated, the sample size was kept as high as possible and the opinions of the participants were referred directly with citations.

The phenomenological design is used as a qualitative research design in this study. Phenomenology is a method that helps to understand people's thoughts. This method of research enables to understand and interpret experiences of individuals as well as to understand their perspectives (Daymon and Holloway, 2002, p. 146). In a phenomenology research, the data source is composed of individuals who generally have experience on the focused phenomenon and can express it. The main data collection tool in phenomenological research is interviewing (Yıldırım and Şimşek, 2013, p. 80).

In-depth interview technique was used as the data collection method. Open-ended questions are posed to the interviewees in in-depth interviews. Here, it is aimed to understand the point of view and the thoughts of the interviewees in detail (Patton, 1987, p. 108). There are three types of in-depth interview techniques. These are unstructured, semi-structured and structured interviews. While in unstructured interviews, there is no pre-prepared question, and interviews proceed according to responses, in structured interviews, there is a pre-prepared question list and researcher asks the questions to each participant in a certain sequence. In the interviews, semi-structured interview approach was used. This technique is neither completely flexible as the unstructured interview technique nor completely strict as the structured interview technique. The interviewer asks the questions which have already been prepared. The questions do not have to be asked in a certain order. Furthermore, additional questions may be asked during the interview. The main aim here is to conduct the interview in accordance with a certain system via guide questions, but also to get to the detail of the subject when necessary (Daymon and Holloway, 2002, p. 171).

The aim of that the semi-structured interview technique is preferred is to get as much detailed information as possible from the participants. For this reason, 10 open-ended questions were prepared within the scope of the research and the interview was guided by these questions. The questions asked to the participants are included in the appendices. Where more detailed information was required during the interview, additional questions were asked about the subject and a better understanding of the point of view of the participants and collection of more data on the subject were aimed.

## 5.3 SAMPLING

The population of the research consists of the employees in managerial positions of the companies operating in the Turkish leasing industry. However, it is not possible to study with every individual who is in the population because of the limited time, the problem of accessing each manager and other reasons. For this reason, it is appropriate to study with a certain group in the population to collect the required data. The important thing here is that the identified sample group must provide the required data (Daymon and Holloway, 2002, p. 157). It is a practical solution to the study with the limited number of individuals, events and phenomena that represents the population rather than to study the entire population. The population is reduced to sampling by certain methods. The results which were obtained from the sample are generalized to the population with a reverse process (Yıldırım and Şimşek, 2013, p. 129).

In order to determine the research sample, purposive sampling method was used. According to Patton (1987), while probability sampling provides significant benefits to make generalizations to the population by representing the population, purposive sampling enables in-depth analysis of situations that thought to include rich information. In this sense, purposive sampling methods are useful in the exploration and explanation of facts and cases.

Convenience sampling was selected as the sampling method of this research. In this sampling method, it is easier to integrate individuals or groups, the researcher desires to study, to the research process or it is easier to access them (Ekiz, 2015, p. 106). This sampling method provides speed and practicality to research. Generally, easily accessible samples are relatively less costly (Yıldırım and Şimşek, 2013, p. 141). The reason for choosing this sampling method is that it is not possible to access each manager in the sector and it is not possible to have each manager approve the interview. However, in order to increase the sampling, interviewed executives were asked about who else could be interviewed and a few more managers were added to sampling with their reference with a method similar to snowball, and the sampling was completed. This approach is effective in particular in identifying individuals or situations that may be an important source of information on the researcher's problem. The process starts with the question of "Who has the information about this topic?", and this question is asked to each interviewee. As the process continues the number of individuals and cases grow like a snowball and after a while, certain names come into prominence (Yıldırım and Şimşek, 2013, p. 139).

The advantage of sampling is that it is possible to reach the required individuals quickly. On the other hand, since it is not possible to interview everyone in the population, the people who might be useful for the research might have not been included in the sampling. The results which are obtained from the present sample will be generalized to the whole population. This might be a disadvantage for the research. However, in order to avoid this situation, it was endeavoured to expand the sample by using the convenience sampling method together with the snowball sampling method. In the end, the convenience sampling method and the snowball sampling method were used together and, a total of 10 people from 5 leasing companies were interviewed.

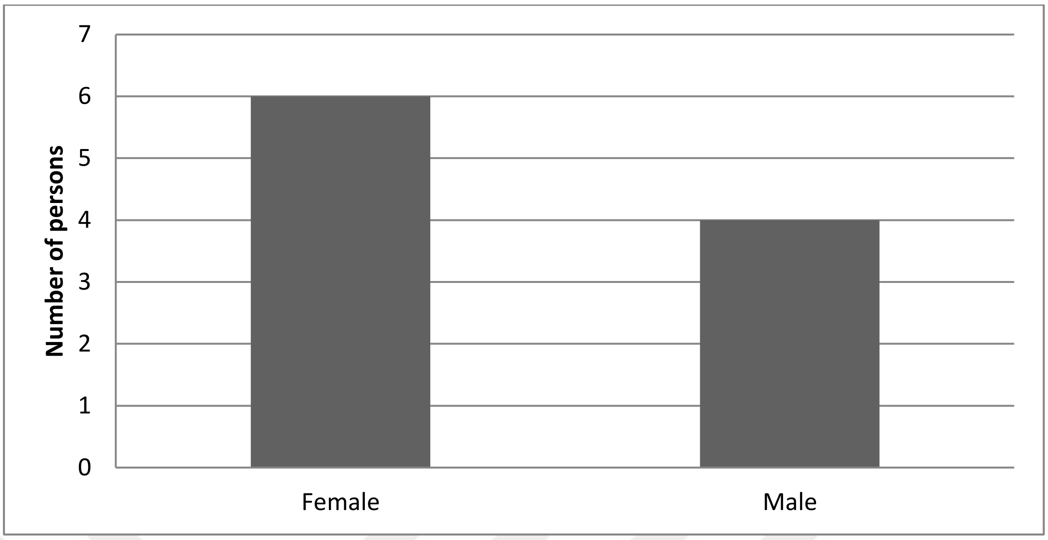
The Table5.1 below includes the department, title and experience information of the participants. The names of the leasing companies are coded as A, B, C, D, E and are added to the table below.

**Table 5.1: Characteristics of the participants**

| Company | Department | Title | Experience (Year) |
|---|---|---|---|
| A | Marketing | Manager | 10+ |
| A | Operation | Manager | 15+ |
| B | Marketing | Manager | 10+ |
| B | Treasury | Manager | 15+ |
| C | Marketing | Manager | 15+ |
| C | Operation | Manager | 15+ |
| D | Marketing | Executive Vice President | 20+ |
| D | Operation | Manager | 25+ |
| E | Marketing | Executive Vice President | 25+ |
| E | Operation | Manager | 15+ |

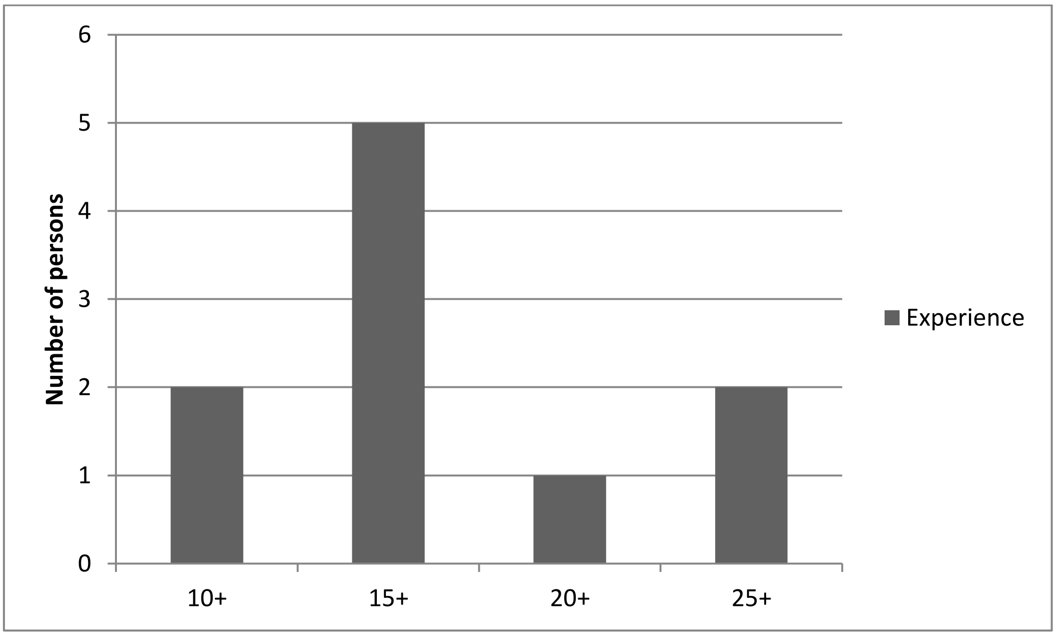
The Figure5.1 showing the gender distribution of the participants is given below. 6 of the participants are female and 4 are male.

**Figure 5.1: Distribution of participants by gender**




The distributions of 10 participants by experience are as in Figure5.2. 2 of the participants have more than 10 years of experience, 5 of them have more than 15 years of experience, 1 of them has more than 20 years of experience and 2 of them have more than 25 years of experience. The experience in the leasing industry was taken into account when calculating the experience of participants.

**Figure 5.2: Distribution of participants by experience**



There is no participant whose experience is less than 10 years. Also, two of the participants’ positions are executive vice president and the rest of the participants are department managers.

## 5.4 INTERVIEWS

The interviews were conducted in the meeting rooms of the companies where the interviewees are working or in the interviewees' own room if the interviewee has a separated room in the company. All of the questions are open-ended questions and it is aimed to understand the participants' own perspective by not leading them during the interviews. Interviews were recorded with a voice recorder when the participants allowed. 8 interviews were recorded during this study. The average duration of the interviews is approximately 45 minutes.

## 5.5 DATA ANALYSIS

In this study, the descriptive analysis method, one of the qualitative analysis methods, was used. Descriptive analysis is a type of qualitative data analysis which includes summarizing and interpreting data, obtained with various data collection techniques, according to predetermined themes. In this type of analysis, direct quotations are frequently included to reflect the perspectives of the participants. The main purpose of this type of analysis is to present the outputs to the reader in a summarized and interpreted form (Yıldırım and Şimşek, 2013, p. 256).

At the beginning of the data analysis process, a framework was established for the analysis based on questions and interviews. With this framework, it is determined how to present the data with a theme. Within the scope of the research, an answer was sought for 3 questions. Then the data were grouped according to this template and the data were used with direct quotations. In the end, the findings are explained and interpreted.

## 5.6 VALIDITY AND RELIABILITY

Reliability and validity are important since qualitative research is generally ambiguous, diffuse, and not observable. Reliability and validity assist to establish the veracity, trustworthiness, or believability, of findings (Neuman, 2011, p. 208). These two factors are a significant issue in research. Validity helps to assess the method of measurement while reliability discusses the consistency of responses (Mutchnick and Berg, 1996, p. 80).

Participant confirmation method was used to ensure internal validity. In this method, the data collected in the study and the results and interpretations obtained in relation to them are confirmed by the participants. Qualitative research has strong data collection methods and enables to achieve rich results. However, in this process, it is possible for the researcher to reach different results from the collected data. Therefore, participant confirmation has an important role (Yıldırım and Şimşek, 2013, p. 302). In this context, the results of the study were shared with 3 of the participants and the participant confirmation was gained. With this method, internal validity is provided.

One of the methods of providing external validity is a detailed description. The transferability of qualitative research results depends on a sufficient description of the data. The detailed description is, presenting the raw data to the reader in a re-edited version based on concepts and themes, without comments and as original as possible (Yıldırım and Şimşek, 2013, p. 304). Detailed description method has been adopted as a data analysis method in the research methodology and the quotations have been included frequently in the findings section. In this way, external validity is provided.

Guba and Lincoln (1985) suggest the concept of consistency in qualitative research instead of the concept of repeatability which is used in quantitative research. The aim of the concept of consistency is to look at the research with an objective perspective and to determine whether the researcher has been consistent throughout the research (Yıldırım and Şimşek, 2013, p. 306). In order to provide consistency, questions were asked to the participants with the same approach. Interviews were recorded with a voice recorder if the participants permitted. 8 interviews were recorded during this study.

External reliability is provided with internal validity. The participants, who are the experts about this topic, evaluated and confirmed results and data.

In order to increase the accuracy of the answers given, volunteer participants were interviewed. Each participant has been informed about the purpose of the study and it has been committed to each participant to keeping private of personal and company information. Forms have been taken from participants in regard to that they have participated in the study voluntarily. Since the leasing sector is integrated with the finance and banking sector, information security is crucial. For this reason, 4 people refused the interview request for information security reasons. The forms collected from the participants and the sound recordings which were recorded during the interviews are kept by me for information security and any personal or institutional information is not to be given in the research.

# 6. FINDINGS

During the interviews which are conducted in the scope of the research, the general situation of the leasing industry, its problems, and the aspects that can be improved were endeavoured to understand. In this part, the answers of the participants to the questions and findings are explained in detail. The findings are grouped under three main headings, and there are sub-themes under these headings. The opinions of the relevant participant were quoted in relation to each finding. Service and employee quality, brand reputation, offering competitive price by finding cheap funds, analyzing the sector and market properly, targeting the right sectors and customers, seller network, canalizing to promising businesses are some of the most important among findings related to competitive advantage.

## 6.1 HOW IS THE SITUATION OF THE TURKISH LEASING INDUSTRY IN GENERAL AND WHAT ARE THE MAIN PROBLEMS IN THE INDUSTRY?

### 6.1.1 Overall View of the Industry

The sector shows significant growth in recent years. However, with the decrease in investments during the crisis periods, the volume of leasing transactions is decreasing. The comments of the marketing manager of company C are as follows:

> *"In the last five years, the sector has doubled itself and reached a transaction volume of approximately USD 6 billion. The number of leasing contracts reached approximately 23.000. The crisis experienced in 2008 and the changes in the regulations had a serious impact on the sector and the transaction volume decreased. The sector started to grow again in 2012 as a result of the post-crisis recovery and regulations. The sector aims to achieve the transaction volume of 2008, USD 8 billion, in the upcoming years. Due to the economic contraction that started in mid-2018, the number and volume of transactions of the leasing sector decreased significantly as in other sectors. The leasing sector, which has reached up to 40% in developed countries for the financing of investment goods, has yet to reach 5% in our country. Due to the economic contraction, postponement of investments will have a negative impact on the leasing sector."*

The sector has known in our country for the last 10 years. Leasing is an important tool to meet the financing needs of SMEs. The future of the leasing sector is open for improvement due to the high number of SMEs in our country. The opinions of marketing executive vice president of company E are as follows:

> *"Compared to international sector data, the leasing sector has become known in our country for the last 10 years. Although the number of SMEs in Turkey is quite high, the fact that they do not have corporate governance principles prevents them from using financing models. When management becomes more professional, the leasing sector is becoming an alternative financing model in terms of recognition and usability. In this respect, the Leasing sector in our country is very open to development and the sector has a very rapid growth potential in parallel with the developing industrial structure."*

The operation manager of company D looks at this topic from a different perspective and states that the development of the leasing sector in Turkey is behind the developed countries and there is much progress to be made. Also, she indicates that operational leasing which is commonly used in developed countries is not common in Turkey.

> *"When we compare the development of the leasing sector with other countries, we see that there is still much progress to be made. Especially the fact that operational leasing is legalized too late in our country and is not used in all investment goods has affected the development negatively. Operational leasing is only used in car rentals. Actually, transactions that are known as rent a car are operational leasing."*

In addition to all of these, the operation manager of company E mentioned how the sector contributes to the development of the country and how it eases to find financing for the investors.

> *"To reach a wider business volume on the leasing sector in Turkey will have a positive impact on the SMEs with growth potential and on highly competitive sectors. Both the liquidity problem in the global markets and the monetary tightening with the economic bottleneck in Turkey make it difficult for the companies, which have problems in equity, to finding loans. At this stage, the leasing sector shows its effectiveness by supporting investors in all sectors regardless of their scales. It is observed that the increase in leasing activities also increased the total machinery and equipment investments and this growth is matched with economic growth analyzes."*

Sector growth is always positive, except for the economic crisis and sharp regulative changes. Most important factors for this growth trend are the VAT advantage and the leaseback transactions that became legalized recently. The opinions of the marketing manager of company B are as follows:

> *"When we look at the trend for the leasing sector in Turkey, it remains generally positive. The business volume and number of contracts are usually positive despite the economic fluctuations. However, it is easy to say that the main reason for this increase is the VAT advantage. Since the leasing sector was positioned as a financial resource to get VAT advantage by the investors/companies, the necessary infrastructure for the development of the sector was not fully formed. The sudden end of tax advantage provided in previous years and the global crisis resulted with a sharp downturn in the growth of the sector. Reviewing the decision after the negative effects in this process, providing tax advantages again, enabling new applications, like sale and leaseback with operational leasing, to increase diversity in the sector has made a positive contribution to the growth of the sector."*

The operation manager of company C states that the best growth period based on TL is between 2014 and 2018, the years after sale and leaseback.

> *"There is a significant increase between 2014 and 2018. Because the VAT advantage that was removed in 2008 came back in 2012 and arrangements for the sale and leaseback were done. Therefore, years between 2014 and 2018 seems to be one of the brightest periods for growth based on TL."*

The marketing manager of company C also stated that there is a significant TL growth, but this is still behind the developed countries.

> *"Leasing sector has grown by 20% each year based on TL, however, it is still far behind the sector figures in other developed countries. New regulations need to be made to enable the sector to grow faster. Especially, activities to promote leasing should be increased. A huge part of the investor group still does not know the sector and communicates directly with banks and vendors."*

The executive vice president of marketing of company D says that the growth is quite good in Turkish lira, but there is not a very significant growth in foreign currency.

> *"If you look at the growth of the leasing sector based on TL, it looks very good. But 85% balance receivable of the leasing sector will be in foreign currency. Why? Because all of the machines come from abroad. Foreign currency loans are more affordable and preferable for exporters; therefore, 85% of receivables are in foreign currency. If we look at growth based on foreign exchange, when we calculate total figure in dollars there is not much growth every year. But if we look based on TL, there is a convincing growth rate with the exchange rate effect. The sector was growing before 2007. At that time, the growth of Turkey's economy was very high. However, due to the facts in 2008, the sector started to shrink and the effects of this were observed in 2009 figures. In 2012, the foreign exchange trading volume in 2007 was recovered and reached 9 billion USD. By the end of 2017, there are currently 13.8 USD billion trading volumes."*

The operation manager of company A stated that although the sector has been growing at a certain rate every year, due to the economic crisis and decrees in 2018, the sector has shrunk considerably, but it has started to recover again after the decrease in exchange rates.

*"When we look through years, it is seen that the sector has grown by the volume and number of transactions. But the sector has started to decline since April due to the economic contraction in Turkey and legal decisions to protect TL. Now there are some restrictions for long-term loans and advantages of borrowing foreign currency. However, the sector is observed to be normalized with the regulations on open points in the decrees, acclimatization to the applications that come with the decree and a little bit of loosening in the exchange rates."*

### 6.1.2 Problems of the Industry

Operation manager of company D emphasizes that the biggest problem in the sector is the legislation problem:

*"I think the biggest problem of the sector is the constant change of legislation; however, the legal changes that will contribute to the development of the sector have not been made yet. When we look at the developed countries, we see a mature system. However, this is not the same in our country, constant legal regulations are made and there is a process of adaptation to regulations. This affects the development of the sector adversely."*

Referring to the regulation problem in the sector, executive vice president of marketing of company D says the most important issue that affects the development of the sector in Turkey is the removal of VAT advantage in 2008:

*"The biggest problem of the sector was the fact that the VAT advantage was taken overnight in 2008. The sector still did not reach the penetration rate in 2007 and the trading volume calculated from the currencies of that day. Because the country was growing and the sector was well-known. But the advantage of 1 percent VAT has been abolished. With the effects of the 2008 crisis, the sector experienced a serious contraction. Then the VAT advantage came back and the recovery process for the leasing sector was started."*

In addition to this, the same participant states that the leasing sector is having problems because it is integrated with the banking sector:

*"Although the leasing sector is a part of the financial sector, banking-related laws do not be applied to leasing because there is a separate law for leasing. A new regulation on foreign currency loans was made recently. There are a lot of ambiguous points in the regulation, it is not clear who is subject to this regulation. In this process, many leasing companies and lessees can be aggrieved."*

Except for regulative problems, executive vice president of marketing of company E draws attention to the awareness of the sector and expresses the problems:

*"There are problems related to regulation. On the other hand, there is not enough awareness of the sector. Leasing should be promoted with written and visual ways. Corporate companies know the leasing but SMEs don't have the same awareness."*

The operation manager of company A emphasizes that leasing is not sufficiently known, and she explains that customers only know VAT advantage:

> *"For smaller businesses, SME'S or smaller, the first thing that comes to mind is VAT advantage, when it comes to leasing. Leasing may not be preferred because other advantages are not known."*

The operation manager of company C also emphasizes the sector's awareness problem in terms of public enterprises in addition to customers:

> *"The most important problems in the leasing sector are, the fact that it is not known in the market, the frequent changes in regulations, the lack of knowledge of the public institutions dealing with leasing. Ministries and customs officers do not have enough information about leasing; we work hard to explain our concern about incentives. At the slightest change about incentives, it is difficult to explain this to the authorities in the ministry. Leasing has a different procedure. We have to account for the leasing process."*

Treasury manager states that the most important problem is finding the source of funds for leasing companies:

> *"First of all, funding problem. Macro imbalances create a lack of long-term funding for the sector. On the other hand, there is a hard price competition, although it is now declining."*

The executive vice president of marketing of company E also emphasizes the problem of finding the funding source in the sector and states that it is a serious problem for leasing companies:

> *"The biggest problem in the sector is the source of funding and the uncertainty of the legal basis. In the case of leasing transactions for the investment, the term option demanded by the lessee is 48-60 months, but the maturity that the leasing sector can find in financing is much shorter. Debt-Credit valuation difference causes significant losses in terms of cost to leasing companies within the system and companies in the industry are obliged to have an open position risk in their balance sheet. Regulation on accessing to medium and long-term financing is required."*

The operation manager of company E states that the leasing sector is highly related to the national economy:

> *"It is a sector that highly parallels with Turkey's economic situation. As the investments in the growth periods increased, the sector is also growing, but in the case of economic contraction, this is the opposite. The construction sector has an important position in Turkey's economy. For this reason, transactions that are rapidly affected by economic conjunctures such as construction, construction machinery and real estate transactions constitute the largest share in leasing activities. Due to the economic contraction, the construction sector is in a difficult situation and investments in this area came to a halt. It is observed that there are problems with many lease receivables. Therefore, the share of sectors such as*

*electronics, computing and energy, which have a strategic importance, should be increased."*

Apart from these, the marketing manager of company C draws attention to the problem of qualified staff:

> *"One of the most important problems is the lack of qualified personnel specialized in the sector. It's not a well-known sector. Sector employees are generally transferred from banks and it takes time for them to learn the leasing process. Of course, there are also employees who retire or leave from the sector. Therefore, finding qualified employees is not always possible."*

In addition, marketing manager of company A expressed that lessees, especially small businesses, have negative perceptions of property ownership in leasing:

> *"Approaches of companies in Turkey to property ownership and the unsatisfactory level of financial literacy can be considered as a major problem. Especially in family businesses and small businesses, it creates a negative perception that the leasing company has the ownership of the asset. In addition, companies do not know enough about the other advantages of leasing."*

## 6.2 WHAT ARE THE MAIN COMPETITIVE ELEMENTS IN THE INDUSTRY?

### 6.2.1 Factors of Competition

The marketing manager of company C states that the most important competitive element in the sector is the price:

> *"The most important issue for the investing companies is the cost issue and this is an important competitive element for this sector. Leasing sector, which finances long-term investments with short-term funds, may be cheaper than banks in some periods depending on the competition in terms of price-interest rates. This causes leasing companies with limited market share to use the low-interest rates in order not to lose the customer by not knowing the price quotations received from the competitors."*

The executive vice president of marketing of company E emphasizes that the key fact for the competition is the price and also term and collateral issues are important:

> *"The sector is particularly competitive in pricing. When it comes to a high amount of investment financing, almost all the leasing companies give price offer because the sector is operated in a narrow scope in terms of product and market. When customer preference is taken into consideration, competition criteria are price, term options and collateral flexibility."*

The Treasury manager of company B emphasizes price competition and draws attention to the importance of service quality:

> *"Surely it's based on price. The customer gets perfect substitute goods, in other words, financing, and the first priority is the price. In this context, the company, who cheaply funds itself, goes one step further. On the other hand, the quality of services is particularly important for financing complex projects. Speed, smooth workflow and the understanding the customer are the other important elements of choice."*

Executive vice president of marketing of company D states that the main competitiveness is the price and the second important point is the credibility of leasing companies:

> *"The main competitive element in the industry is pricing. After that, credibility comes. The customer applies to many different leasing companies at the same time and collects offers from all of them. Some demand a high advance payment and offer a low-interest rate; some demand a low advance payment and a high-interest rate; some offer longer maturity options. These are all about the fund costs and credibility. While a high-segment customer chooses a low interest with high advance payment; the customer with a smaller amount of money chooses the less advance payment option, of course, this option charges a relatively higher interest rate."*

Operation manager of company C also stated that the main competition is on the price, but also it is a very competitive approach to give a quick response to customers' demands:

> *"The price is quite important but submitting a quote within a day is also important for us. If the customer accepts the offer, the credit is approved on the same day. The customer may need the money to grow its business, or perhaps they may have urgent orders; customer needs the property as immediate as possible, so speed is very important for competition. You submit a quote on the first day, you confirm the credit on the second day, but the competitor company has not given an offer yet."*

Marketing manager of company A expresses the strength of the branch network of the bank which is parent company as follows:

> *"Almost all of the leasing companies are subsidiary of a bank. Banks are also referring customers to their own company for leasing transactions. The number, or more precisely the effectiveness, of bank branches, is very important. Many customers tend to trade with their own bank's leasing company."*

In addition to this, executive vice president of marketing of company D emphasizes the importance of the brand reputation of the parent bank:

> *"However, keep in mind that brand reputation is also very important. The name of the parent bank that you are subsidiary of it often helps you get the job. Of course, the brand reputation of the leasing company is also important. Even if you are a bit*

*behind in price competition, the customer may choose you just for brand reputation."*

Marketing manager of company B emphasized the importance of vendor companies by highlighting another aspect of competition:

> *"You can provide that customers are referred to you by making a deal with the sellers. The seller wants to sell its merchandise. The buyer needs a source of fund. Thanks to your communication with the vendor, you can provide that seller refers the customer to you."*

Operation manager of company A emphasizes that the leasing sector is directly affected by the national economy and the funding during the contraction periods is an important advantage for competition:

> *"Fluctuations in economy and currency, uncertainty in the market and the country risk directly affect the economy and the sector. In these periods, the sector shrinks. Long-term cheap funding becomes hard to find, so it is reflected in the prices offered to the customer. Companies which can adjust their position accordingly and offer more affordable prices can take the opportunity in these periods."*

Executive vice president of marketing of company D states that crisis periods can be overcome without any problems if companies act presciently:

> *"Sector analysis should be done correctly. If you give the right customers the right loans at the right time, you can reduce the effect of crisis periods. It is called "cut one's coat according to one's cloth". But it doesn't mean not giving loans to anyone. For example, if you gave the foreign currency loan only to the one who has foreign exchange income, you would not have any problem with the currency rates at the moment and the customer would not be in a difficult situation. It is important to analyze both the customer and your company."*

Executive vice president of marketing of company E states that these periods can be turned into an opportunity to increase profitability:

> *"I think crisis periods can be turned into an opportunity. If everything is going well, investors generally continue to work with the companies they are satisfied. Due to the lack of funds in times of crisis, there may be opportunities for other leasing companies. However, it is vital to make firms' analysis right. Leasing companies are more likely to make high-profit margins due to the difficulty of finding funds in the market in these periods."*

### 6.2.2 Customer Profile

When the sector is analyzed in terms of customer profile, different segments of customers stand out. Operation manager of company D states that the majority of customers are SMEs:

> *"The leasing sector is generally financing SMEs, but large-scale investments are also financed in recent years. SMEs are more inexperienced and need to be informed, in purchasing transactions. The customer profile in large-scale investments is more experienced and they can express their demands clearly."*

Marketing manager of company B indicates that entrepreneurs with higher education level prefer leasing more:

> *"When we examine the profiles of the entrepreneurs who prefer leasing in the world, it is seen that highly educated young entrepreneurs use the leasing channel more, and the traditional and older entrepreneurs do not prefer leasing so much. It is observed that women entrepreneurs use leasing more. Family companies other than those whose debt-equity ratio is high, whose has growth opportunities or those who do not want cash out, do not prefer leasing."*

Executive vice president of marketing of company E defines the sector as a profile that expects confidence for a long-term investment:

> *"The general customer profile consists of manufacturers. Every big or small manufacturer is using machinery and equipment, and leasing is a role model for financing manufacturing machines. First of all, the customer wants to trust to the leasing company. Confidence is a must in both parties in a long-term cooperation. The customer wants an affordable pricing, flexible maturity and making a transaction with minimum collateral as much as possible. The customer expects speed and service quality from the leasing company."*

Marketing manager of company C mentioned the customer diversity and emphasized the price and cost sensitivity of customers:

> *"In addition to a corporate firm, an SME is one of the customers of the leasing sector. In general, there is a customer profile which is price sensitive and waiting for quick response to their credit demand. The most important issue that customers expect from leasing companies is turnkey price offer. The customer wants to know all the payment details. They don't want to face an unexpected cost at the end of the process."*

Executive vice president of marketing of company D has similar opinions for customer diversity, and also highlights the customer's expectation of service quality in terms of operation:

*"Every customer profile from A to Z exists in leasing. Customer segmentation is really broad as in banking. Customer expectation from a leasing company is that. All of the leasing transactions, large or small, are based on an investment. The customer can construct a factory or just buy one forklift; both are an investment for the customer. The customer expects a smooth and quick operation is. In my opinion, the most important issue is this. This requires a team with knowledge. Sometimes the interest rates can stay in the background. For example, we lost the next transaction of a customer that we traded before, to another company because of the price. They stopped the project there and returned to us, while some part of the operation had been completed. They were not satisfied with the operation and service quality there. They said, "They didn't understand us". The customer cares about the simplicity of operation and wants to have the right information. The customer wants to collaborate with the right company during emergency cases and solve the problem."*

Operation manager of company A states that customers are becoming more and more aware of leasing:

*"Customer diversity is quite high. As sector awareness and usage increases, customers are becoming more aware of leasing transactions. The customer profile is aware of the positive and negative aspects of leasing in recent years. They get price quotes from more than one leasing company; they are able to select a suitable company for themselves."*

### 6.2.3 Service Quality

Marketing manager of company C states that the important factors for the service quality are to be in constant communication with the customer and to support all the problems related to the process.

*"The most important way to ensure customer loyalty is to provide quality service and quick response. It is also important to be in the mind of the customer by performing customer visits at regular intervals to ensure the continuity of the customer. It is also important to closely concern with the customer's process and leading the customer correctly."*

Executive vice president of marketing of company E emphasized the significance of that a customer knows that being considered important:

*"I think continuing the same quality, from the first contact until the completion of the work, is the most important rule for customer loyalty. The customer always wants to feel important and stay connected with the companies that make them feel cared."*

From another point of view, treasury manager of company B points out to the importance of employee continuity for service quality and customer continuity:

*"To ensure customer loyalty, it is necessary to ensure the employee continuity. When they have a problem, they call a specific person. A trust relationship is*

*established between the customer and the personnel, and this is a really important point. Employee commitment can only be established by making the employee happy. You must value your employee. The rest comes automatically."*

Operation manager of company D emphasizes continuous communication with the customers and visiting them, also draws attention to the importance of creating a solution that is suitable for the needs of the customers:

*"The important factors to increase service quality are: to prepare flexible payment plans according to the customer profile, a clear explanation, to provide all current and possible information about the service to the customer during the first briefing, visiting the customer after the transaction, informing the customer about the changes and developments in the related sector."*

Executive vice president of marketing of company E also provides feedback about understanding customer needs and producing solutions, additionally, emphasizes the importance of having a well-developed institution that has comprehensive knowledge of regulations:

*"First, it is necessary to understand the customer, determine their needs and provide alternatives according to their current structure. Personnel working in the company should have a high level of knowledge about leasing regulations and practices because the client cares which company they are working with, they don't care about the personnel they are communicating with. The customer loyalty of the companies with corporate culture is strong."*

Marketing manager of company C states that it is very important to have high quality employees to improve service quality:

*"Service quality in the sector is possible with well-trained, knowledgeable and experienced personnel and an infrastructure system that has proven its quality. As there is a need of qualified personnel trained in the sector, leasing companies that have qualified employees have increased service quality and differentiate from other companies."*

Operation manager of company C emphasizes the issue of qualified staff, but she thinks that the main factor to meet customer satisfaction is to complete the operation smoothly:

*"The two most important elements of improving service quality are qualified personnel and speed. I think the most important part of the leasing sector is the operation. You sell the product but the satisfaction is provided by the operation department. A qualified and customer-oriented personnel creates the difference. Because after the sale, the customer is always in contact with the operation department and the questions are answered by them. The customer expects a smooth operation and the leasing company should make the best of it."*

Executive vice president of marketing of company D says that it is the most important factor to give confidence to the customer by bringing a different perspective to the subject:

> *"I think gaining the trust of the customer is the most important. You operate as good as possible but if the customer thinks that you are doing wrong, you can't satisfy the customer. If they trust you, they can understand that something that looks like a mistake is actually the necessity of the process. In order to get customer trust, you have to work with a good team which has the knowledge or is ready to learn. This results with a proper work. Actually, the most important thing is to do a proper work. But unless the client trusts you, the client will claim that what you're doing isn't right."*

Marketing manager of company A points out that the quality of the outsource consultant firms and following and applying the changing regulations is very important:

> *"Changes in the sector due to legal regulations are observed every day. It is very difficult to follow these processes both for individuals and companies. For this reason, in terms of customer satisfaction and service quality, it is important for leasing companies to follow these processes, to implement them fully in practice, to choose the best companies for outsourcing service and to perform the operations in a coordinated way."*

Executive vice president of marketing of company D also emphasizes the importance of technology for increasing service quality:

> *"I think the most important way to improve the service quality is technology. If you have a document management system, the paperwork will be removed and you can get to what you want quickly. You accelerate the operation and give the customer a quick feedback. This technology is not applied throughout the sector. Website usage can be improved. The customer can check debt status online and can provide the necessary documents. There are one or two companies that implement this. I think a similar system like banks would be really useful. Now, they have to get information about such as payment and invoice only by talking to someone on the phone."*

### 6.2.4 Target Market

Marketing manager of company A indicates that the first target group is bank customers:

> *"Most of the companies operating in the leasing sector are bank subsidiaries. Therefore, the primary objective is to be aware of all the leasing transactions of the bank customers and to execute these transactions. Since these customers' credit ratings were already created by banks and they have been working for many years, it has been possible for leasing companies to manage the process quickly. For these reasons, the main target is bank customers."*

Marketing manager of company C stated that due to the relationships established with the sellers the market here is important:

> *"In our sector, vendor-based processes constitute the other big market. When it comes to creating a target market, first of all, the secondary market value of the machine subject to leasing and the recognition of the vendor are important. It is very important for leasing companies to make the right partnership with the right seller and the right machine."*

Operation manager of company C states that the vendor channel is one of the most powerful aspects:

> *"Customers are coming to the bank branches. This is valid for almost all major leasing companies. Apart from this, we are quite aggressive in the vendor channel. Large firms are clear; the important point is to reach small companies. These firms come through the seller. We make certain agreements with sellers to lead sales and to reach more customers."*

Executive vice president of marketing of company D stated that they set their targets following the identification of the customer segment:

> *"In terms of the customer segment, the number of businesses comes from SMEs, then from medium-sized enterprises, and then from corporate companies. Corporate customer transaction volume is more. You can balance this by doing small but high amount of work with SMEs. You have to build this structure first. If you are not a newly-established company, the business you are going to do from the corporate is predictable. The medium-sized part is also easy. It is important to manage the SMEs part. Because this is the profit mechanism of companies. The segment which the least money is earned is medium-sized enterprises. We want to focus on SMEs and to do a high number and low volumes of work. Thus, we aim to distribute risk and increase profitability."*

Executive vice president of marketing of company E states that targets are determined through sectors that are expected to grow in line with market and sector analysis:

> *"With global market and sector analysis, we focus on to determine which sectors will grow within the process and the investments that can be made for the growth of these sectors. For example, if a growth in textile is expected, more active marketing is done in the regions that are a pioneer in textile production. We contact manufacturers and become a part of their consumer campaigns. A common synergy is established with big dealers and distributors throughout the country and it is tried to contact with the consumer at the first sales stage. In this way, we will be able to take part in developing sectors in the scope of the target strategy."*

Marketing manager of company B states that they have canalized to certain sectors with a similar expression as above:

> *"Investments such as solar energy and wind energy, which are energy efficiency investments in the recent period, have gained importance and these sectors are*

*promising sectors, companies which are predicting these sectors like us, are getting a high amount of profits."*

Executive vice president of marketing of company D stated that they have determined the targets in this direction by making sector surveys on a provincial basis:

> *"Of course, the main factor in determining the target market is Turkey. When setting targets, there are a few dynamic in fact. The largest dynamic is the sector's growth rate. Let's say you have a specific target. You have to allocate this goal to the right region with the right amount. Of course for this point, there are city analyses. In these analyses, it is examined which cities form the country's leasing portfolio, how big or small these cities are. The sector and our company situation in these cities are examined and targets are determined according to the expectations of the country and the sector."*

## 6.3 HOW WILL THE FUTURE POSITIONS OF LEASING COMPANIES BE AND HOW WILL THE COMPETITION BE SHAPED?

### 6.3.1 Expectations and Competition Strategies

Executive vice president of marketing of company D stated that the sector is behind the developed countries but has a growth potential:

> *"It is a sector that is used much more in the world and has a very high penetration rate in investment. So there is a long way to go. The leasing sector will grow as long as it does business with the right dynamics. There is serious growth potential. In other countries, individuals can also do leasing. Similar regulations may be enacted in the future in our country."*

Marketing manager of company C states that the sector will recover in 2019 and they aim to expand the market share by using the power of parent bank on SMEs:

> *"When we look at the numbers, the leasing sector has been growing based on TL every year since 2012. The effects of the exchange rate increases by the second half of 2018 and the sector impact of the economic crisis have been very big. In parallel with the decline in exchange rates in the coming period, I think that the sector will catch up with its past figures again. First of all, we will continue to support local machinery manufacturers. We will continue to support SMEs by using the power of our parent bank which is effective on SMEs. In this way, we will continue to increase our company's market share, and we are aiming to make our company a leasing brand with the highest level of awareness."*

Executive vice president of marketing of company E stated that they aim to increase their market share with the contacts they with industrialists:

*"Our company aims to increase its market share by 5% in the forthcoming period. In order to achieve this, the most important competitive element is to be in the market and to cooperate with the organized industrial sites and industrial estate that support industrialization. In 2018, our company aims to contact with more than 300 organized industrial sites in our country and to sign goodwill protocols and to be in contact with every target customers. Within the scope of the goodwill protocols signed in 4 months, 22.000 companies were contacted and kept informed about promotions."*

Marketing manager of company A emphasizes that the most basic competitive strategy is customer satisfaction and emphasizes that with this perspective they have gained a significant amount of customers:

*"It is a must for us to position customer satisfaction as the main goal for competitive advantage. Satisfied customer promotes your company voluntarily. There are a lot of small and medium-sized companies in the market that we couldn't reach. If your customers are satisfied with your service, they tell this to other companies and then these companies are calling you to receive an offer. Corporate and large-scale companies are more professional, but for small businesses, these positive references are an important factor for your business."*

Operation manager of company E also mentions customer satisfaction as a competitive strategy:

*"The most important factor is our service quality. The service quality provided both by you and your consultants must be good. Otherwise, it is almost impossible to gain the customer again. It is quite difficult to gain customers, but it is easy to lose them. You have to increase your service quality. Following the regulations and managing the operation are the most important elements."*

Marketing manager of company B attends to the impact of service quality on customer satisfaction but states that the most important competition strategy for them is the expertise of the line of business.

*"Service quality is important but if you go to the best companies in the industry, their service quality is already above a certain standard. For us, the most important issue is specialization. As a leasing company, you don't give cash money like a bank, you give goods. If you specialize in certain groups of goods, such as ships or aircraft, etc., then customers come to your company for this processes. The procurement process of buying a construction machine is standard but it requires a specific knowledge to buy a ship or a plane. For this kind of goods, you do both prestigious businesses and your bargaining power is high. Our most basic strategy will continue to be gain expertise and develop ourselves in such areas."*

Operation manager of company C stated that they aim to spread the risk and increase profitability by focusing on SMEs in the current conditions of economic contraction:

*"In the short term, I do not expect growth in the sector. With the recovery of the economy in a few years, the sector will revive again. Companies are now expecting to get over this period with the least damage. Our current strategy is based on*

> *small-scale customers. Vendor channel works in this direction. The market reached the saturating point on the basis of big customers in terms of Turkey's economic conditions. We want to spend this transition period by doing business with many small companies. Our main goal is to spread the risk and increase profitability with small businesses."*

Executive vice president of marketing of company D states that they target the energy sector and the companies that make foreign exchange income by exporting in terms of competition:

> *"We are moving towards renewable energy for competition. We are working on leasing packages according to this. We are in contact with foreign companies to gain a competitive advantage. We take advantage of our parent bank's power behind us for our agreements. We are trying to support local manufacturers and exporters. We do this for our country, as well as these companies are competitive in export because they are producing cheaper than imported products. These Firms have foreign exchange income. Companies with foreign exchange income are the least risk group for us.*

### 6.3.2 Operational Leasing

The comment of executive vice president of marketing of company E is as follows regarding operational leasing and he states that this method is hardly used in Turkey:

> *"As a result of the infrastructure of leasing companies in Turkey, usage of operational leasing is scarcely any. I believe that operational leasing will not be actively used by leasing companies in the upcoming period."*

Operation manager of company A also has a similar opinion, and stated that operational leasing could not be developed due to lack of specialization and infrastructure:

> *"For operational leasing, companies need to strengthen their infrastructure and systems. At the same time, you need a professional staff related to this line of work. None of these is available on the market now. Therefore, I do not think there will be any progress in the near future."*

Operation manager of company C states that operational leasing did not develop because leasing companies are not specialized in the equipment of leasing companies, the second-hand price of the machines are low:

> *"Operational leasing businesses are so limited. Because a specialist staff is needed to provide maintenance and repair services. You have to carry out maintenance of the machines and take it back at the end of its period. You will lease the goods you take back to another customer or sell them as second hand. Because the second-hand market of the machines is undersized in our country, it may be a problem to find customers."*

Treasury manager of company B stated that operational leasing could not be developed due to the uncertainty in the second-hand market:

> *"The structure actually is good for the country's economy. Many problems, especially the uncertainties in the second hand, prevent the development of this area. However, there are efforts to establish rent a car companies within leasing companies. It could be an important step for operational leasing."*

Executive vice president of marketing of company D stated that the reason for the lack of growth in operational leasing is un-stability in the economy:

> *"Operational leasing is widely used in Europe and America. There are a few reasons why it is not the same in our country. Most importantly, the economy, price, exchange rates and interest are not stable. For example, this month your rent is 1,000TL but next month due to the exchange rate and economy it can be 3.000TL. It's not like that in leasing; there are some risks, but after doing the agreement, you can fix the price, exchange rate and payment. The growth of operational leasing is difficult unless these metrics are stable."*

Marketing manager of company C stated that the problem of the current status of operational leasing is that the vendor firms and leasing companies could not meet on common ground:

> *"As the residual value and sales capability is high, the car was the first investment for operational leasing in Turkey as well as abroad. Several companies in the sector have started to provide operational leasing services by establishing a car rental company. To do this, they employed specialist personnel and invested to build a system. In addition, the efforts for establishing a joint operational leasing company with the construction machinery dealers, which are the main items of the sector, did not give any result. The main reason for this is the inability to agree on win-win negotiation."*

Marketing manager of company B states that if the operational leasing develops, the oligopolistic structure of the sector will be broken:

> *"The share of operational leasing in Turkey is lower than in the lease because it is a new regulation. If the operational leasing can grow, companies other than the bank subsidiaries will also want to enter the sector. This will break the oligopolistic structure."*

# 7. DISCUSSION

This study is a research that planned and conducted in a qualitative design that aims to analyze the strategic competitiveness of organizations and sector through the perceptions of the employees who are in managerial positions in the Turkish leasing sector and as a result of analysis to create a resource that organizations and sector can utilize when setting a competitive strategy.

Findings on the development and current situation of the sector show that the sector has a recent history in Turkey and has achieved a significant growth rate by 2008. Changes in the legal legislation during this period and the economic crisis adversely affected the sector were made clear by the participants. However, as a result of the economic recovery and the improvements in the legislation within a few years, it has been determined that the sector has regained and progressed towards growth.

As regards the current situation of the sector, it is observed that the investments are decreasing due to the economic contraction in the country and the fluctuations in the exchange rates, and leasing sector is also affected by this situation. Sector representatives, based on previous experience, predict that growth and investments will increase again with the recovery of the economy in a year or two, and thus the leasing sector will catch a good growth rate again.

Participants stated that the current legal order is not at the desired level, there is a frequent change in legislation, there is confusion in legislation due to uncertain points, the lack of awareness of the sector, economic instability, exchange rates and fluctuations in interest rates are the biggest problems of the sector.

Considering the departments in which the participants work, one person is employed in the treasury department and other employees are employed in the marketing and operations departments. The operation department can be called the main department of the leasing process. Employees of the operations department manage the process from supply to lease, and therefore they are highly experienced in this process. Regarding this process, they are able to comprehend the legal regulations, legislative amendments, encountered problems, expectations and demands of customers quite well and express the current problems in this process much better. The marketing department employees do not have comprehensive knowledge about this process as the operation department employees but they are constantly in the field and in contact with the customer, and therefore they analyze the industry, market and economy much better. In this respect, the differences in the perceptions of the participants who work in the operations department and the marketing department are noticed. Although the participants who work in the operation department foresee that the leasing industry will continue to grow, their expectations are not as positive as the marketing staff. The reason for this may be that they have experienced much more legal hurdles. The participants in the marketing department may also be looking optimistically at the future of the leasing optimistically due to the fact that they form strategies in line with company goals, have close contact with the market and some companies have taken new steps in operational leasing. Considering the questions related to the industry analysis and the target market, the participants working in the operation department gave less comprehensive answers than the participants in the marketing department.

During the thesis research, the information obtained through the literature surveys and the data collected as a result of the interviews with industry representatives will be analyzed with PESTEL and SWOT analysis methods. External environment factors will be examined through the PESTEL analysis. The strengths and weaknesses of the sector, opportunities and threats in the sector will be examined through SWOT analysis.

## 7.1 PESTEL ANALYSIS

PESTEL is an acronym for political, economic, social, technological, environmental and legal. PESTEL helps to analyze external environment in terms of political, economic, social, technological, environmental and legal factors.

### 7.1.1 Political

Internal and external uncertainties, which the country has been in recently, cause investments to be deferred. Leasing industry is highly affected by these uncertainties as it is a financial instrument that allows investments to be financed.

The government frequently makes legal arrangements for the finance sector to take measures against both political and economic uncertainties. These regulations are mostly related to the banking and leasing sectors. Some of these regulations have a positive effect and some have a negative effect.

Tax policies of the government are very effective on the sector. One of the most important advantages of leasing is the VAT advantage. The sector was seriously affected by the government's abolition of VAT incentive in 2008. However, in 2012, the government reinstated the VAT advantage.

Leasing contributes directly to GDP, as it supports investments. For this reason, it is a sector that is welcomed by the government because it supports economic growth.

### 7.1.2 Economical

The leasing sector is quite parallel to the state of the country's economy. As the expansion in the country's economy increases investments, the leasing sector also grows. Conversely, a recession in the country's economy has a negative impact on the leasing sector.

Recently, the uncertainties in the country's economy have a negative impact on the sector. Exchange rates and interest rates, which increased with political uncertainties, caused a contraction in the country's economy, and especially in the mid-2018, such as many sectors, the leasing sector was in trouble. However, with the easing of foreign exchange rates and overcome of some political uncertainties towards the end of 2018, the sector started to revive.

The leasing sector provides financial resources to SMEs, especially those who have difficulty in accessing the funding source. In this way, it contributes to the growth of the country and the leasing sector grows further with the growth of the country.

The leasing sector is a specific industry compared to banking. For this reason, the number of qualified employees is less. Therefore, leasing companies who want to get qualified employees offer a relatively higher salary.

### 7.1.3 Social

The population of Turkey is rapidly increasing. The population in Turkey is quite young compared to European countries. Many of the young people in Turkey desire to start their own business.[12] Small enterprises are the main target group of the leasing sector. Social trends affect people's financial preferences as well as in other areas. Lately, people prefer to rent it rather than owning what they want. For this reason, leasing is a very advantageous tool. In line with this social trend, we can imagine that operational leasing can also develop in our country.

In addition, people do most of their daily routines on digital platforms. Shopping, eating, drinking, banking are all included in this routine. Although it is not yet such a service for leasing, it can be predicted that the sector will invest in this matter in the future.

### 7.1.4 Technological

With the development of technology and changes in social trends, consumers tend to do all possible daily routines in more digital ways. Based on this, companies continuously develop their websites, mobile applications in order to meet these expectations of consumers and invest in to offer new services. Considering the banking sector, customers are able to make many transactions via smartphone. However, leasing companies which are subsidiaries of the banks do not have such a technological infrastructure. Leasing is a business-to-business sector which is sales oriented rather than marketing, so it cannot be expected to invest in technology as much as the bank. However, almost all of the leasing companies are backward in terms of technology. Most leasing companies do not have a document management system, a proper website, and any platform where the customer can access online. While the whole world is following technological developments, it is not possible for the leasing sector to stay away from that.

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[12] GoDaddy https://tr.godaddy.com/newsroom/press-releases/2016/tr/turkiye-deki-gencler-kendi-isinin-patronu-olmak-istiyor visited on 20/11/2018

That leasing companies benefit from the technological infrastructure of the parent banks will reduce bureaucracy and increase customer satisfaction.

### 7.1.5 Environmental

The fact that technology is not used too much in leasing companies increases the bureaucracy and this leads to more paper consumption.

All banks have sustainability reports. These reports include social responsibility projects, sponsorships and environmentally friendly practices. Leasing companies, which are the subsidiaries of these banks, use environmentally friendly products in accordance with the bank rules, although not on the same scale as the bank.

In addition, although leasing companies do not directly contribute, they are contributing to the environment by financing projects such as solar energy recently.

### 7.1.6 Legal

The finance industry is subject to a strictly regulated legislation and all transactions are recorded and reported to official institutions. This shows that the government has a strict control over the finance industry. Considering the opinions of the employees of the sector, the most problematic area is the legislation part. Leasing gained a legal status in 1985 for the first time in Turkey. The relevant legislation has changed a lot so far. The most remarkable point was the abolition of VAT advantage in 2008. The sector that grew up until 2008 started to shrink both with the global crisis and with this change. However, in 2012, the VAT advantage was reinstated and leasing companies was also authorized for the sale and leaseback transactions. After these arrangements, the sector has regained growth. As is seen, legal regulations may affect the sector negatively or positively.

Another factor is the fact that leasing companies are also affected by the results of the government's arrangements in the field of banking to control the economy. Leasing is affected by these regulations due to its integration into the banking sector, but some points remain ambiguous because leasing has a quite different process. Afterwards, various revisions are made to disambiguate unclear points. This process may cause problems for both leasing companies and customers.

In addition, leasing is also subject to non-banking regulations as it involves the process of procurement and lease of a property. In the importation process, it is acted upon according to customs law and it is obligatory to obey legal changes. If the transaction is subject to investment incentive, it is acted upon in accordance with the law on incentive. It is also same for many laws that concern the sector, such as insurance and highways laws.

New regulations are needed for the development of the leasing sector. Considering mature economies, it is seen that there is a developed legal order.

## 7.2 SWOT ANALYSIS

SWOT is an acronym for strengths, weaknesses, opportunities and threats. SWOT analysis helps to analyze the internal and external environment (Strickland, 1990, p. 90). SWOT analysis is a useful tool for analyzing the overall situation. This approach aims to form a strategy to optimally position the internal strengths and weaknesses of an organization against external opportunities and threats (Certo and Peter, 1991, p. 97). SWOT analysis is a highly beneficial method which is based on the idea of reducing weaknesses and threats while increasing strengths and opportunities. This method, if implemented correctly, has significant inferences for selecting and planning the right strategy (Pearce and Robinson, 1988, p. 292).

### 7.2.1 Strengths

The most powerful aspect of leasing is the tax advantage it provides. In this way, it is separated from other financial methods.

Leasing requires expertise. It does not give cash credit like banks, a leasing company must procure the goods. Leasing companies manage the entire purchasing process, both domestic and import, on behalf of the lessee. Letter of credit transactions, orders and import are conducted by leasing companies. The leasing company provides the delivery of the goods, and the lessee does not have to know these transactions. The smooth completion of the operation here is the customer's biggest expectation.

There is an association which leasing companies are affiliated. In this association, representatives from companies in the sector can take place as members. This association is important to communicate the problems and expectations of the sector to the official institutions and to carry out the necessary lobbying activities.

The leasing sector is welcomed by the government because it supports investments and has a direct impact on GDP. Parent banks, which are very strong, stand behind the major leasing companies in the sector. This provides both financial power and brand reputation.

### 7.2.2 Weaknesses

The biggest problem of the sector is legal regulations. There is no well-developed legislation in the sector, and many new regulations very often are being made. Regulations related to taxes, incentives and business processes may affect the sector at a time. Additionally, the arrangements are mostly made for banking, and then additional arrangements are added for the leasing sector. This causes ambiguous points related to the legislation in the sector.

The application of leasing types in Turkey is far behind developed countries. The sales and leaseback transactions were legalized in 2012. However, still there is not enough legal ground for operational leasing, and the government must take new steps.

Leasing companies focus on sales and operations rather than marketing and promotion. Most of the potential customers in the sector do not know the sector at all, and some of them have little knowledge about leasing, but they do not know the advantages and disadvantages of leasing. For this reason, although there is an option to make an investment through leasing, some investors turn towards bank loan due to the fact that they do not aware of it.

It is observed that some public institutions which are worked with while carrying out leasing transactions do not have enough knowledge for leasing transactions. This leads to the extension of the processes and customer dissatisfaction.

The companies in the leasing sector are bank subsidiaries, participation banks and a few private leasing companies. The vast majority of these companies are bank subsidiaries. In fact, this leads to an oligopolistic market structure and that presentation of leasing as a by-product of the banking business.

Leasing companies offer customers medium and long-term lease plans opportunity while they are able to find medium-term sources of funds. Leasing companies have to carry an open position risk in their balance sheet. In a possible economic trouble, if lessees have difficulty in repayments, leasing companies may also have difficulty in paying their liabilities.

The sector is quite parallel to the country's economy. In an economy where economic fluctuations are frequent, foreign exchange rates and interest rates are influential, investments are also fluctuating. Therefore, it may be seen that a decrease in the number of investments and the number of leasing transactions.

Due to the fact that it is a relatively small sector and not much known, there is a qualified employee problem.

### 7.2.3 Opportunities

The market share of the leasing sector, which is around 5 percent in Turkey, reaches 30 percent in developed countries. If we consider that Turkey is an emerging economy, we can foresee that the leasing sector is open to development in Turkey. In this case, leasing companies are likely to increase their market share and income.

New regulations can increase the advantages and operability of the leasing sector. As a matter of fact, participation banking, sales and leaseback arrangements have made a positive contribution to the sector. AFI must be in close contact with the government in order to apply the systems and incentives which are in developed countries also in our country.

Operational leasing, which became legal in 2012, has not made any progress either due to infrastructure problems and legislation gaps or due to the lack of a second-hand market. For this leasing type, which is very common in developed countries, possible new regulations can make the sector effective in this field, and the companies which are specializing by establishing their infrastructure before then the competitors in these fields can obtain a significant advantage in competition.

With the new regulations, a leasing sector can be formed where private leasing companies, captive companies and leasing-seller joint ventures may strengthen instead of a sector dominated by bank subsidiaries. This means that the sector is progressing towards the structure in developed countries.

Due to the fact that the leasing sector is parallel with the economy, the growth trend in the country's economy will directly affect the sector and increase the investment and business volume.

Corporate and medium-sized companies in the sector are aware of leasing and are price-oriented. They are SMEs that bring the biggest profitability to the sector. However, many SMEs are not aware of leasing. As a result of the efforts of leasing companies to promote themselves, both the awareness and profitability of the sector may increase.

Since new investments are renewable energy, promising and large-amount investments as high-tech facilities, it may be difficult to find funds for these investments. Leasing is an important argument in financing these investments.

It is also an alternative way for the investor to avoid credit and interest due to his compliance with the Islamic banking approach. Therefore, the volume of transactions can be increased by targeting various segments.

Leasing companies are generally far from the technological infrastructure. Interestingly, banks make large investments in technology, and bank subsidiaries hold the majority of the sector but subsidiaries are far behind their banks in terms of technology. Only one or two leasing companies offer online services. Leasing companies can increase their customer satisfaction and market share by investing in this area.

### 7.2.4 Threats

The fact that the basic competition is based on the price, the customer can compare prices by taking a few price offers from different leasing companies, but leasing companies do not know the price that customer get from competitors most of the time, for this reason, the price is a threat to profitability.

As a result of legal arrangements, incentives in the sector may be removed or restrictions on leasing may be imposed. This can lead to a serious fall in leasing businesses.

Due to the fluctuations in the global economy and the instability of the Turkish economy, the negative changes in the markets may affect the sector.

The fact that participation banks have the authority to collect deposits cheaply but leasing companies cannot collect deposit, can create a disadvantage in terms of competition because of the fact that leasing companies find the source of funds at a higher cost.

As substitute sources of funds, existing and alternative methods which may emerge constitute a fundamental threat to the sector.

## 7.3 SUGGESTIONS

The penetration rate of the leasing sector, which is around 5 percent in Turkey, reaches 30 percent in developed countries. Both the literature surveys and the data obtained during the research process show that Turkish leasing sector is open to growth in case the right steps are taken.

Gökbulut (2017) states that there are six phases of leasing and Turkey is currently in the third phase which is transition to operational leasing. For the transition to operational leasing, an advanced second-hand market must be formed. When the necessary conditions are met, the companies that have constituted the infrastructure for operational leasing will have a significant advantage in terms of competition. The next phases are new products and maturity respectively. The maturity phase, in which technology is used and transactions are made online, has not been reached yet.

Nonetheless, the main competitive element of the sector is the price. It is very important for the leasing companies to find cheap funds and to reflect this to the advantage of the customer in terms of competition. In addition, it is seen that although the basic competitive element is the price, factors such as service quality, customer satisfaction and customer experience ensure that customers overlook the small differences between prices. For this reason, in addition to price, increasing the employee quality, ensuring employee continuity, increasing the quality of service, and thus creating brand reputation is a must the price for competition and profitability.

Another important point is not doing every business but doing the right business at the right time. Ultimately, leasing is a credit and the leasing company's income is lease payments. For this reason, leasing companies should know their capabilities well, set their targets accordingly, analyze the sector and region development well, interpret the global and national economy correctly and work with the right customers in line with these analyzes. Thus, the leasing company will not leave itself and the customer in a difficult situation. In this way, it is possible that not being affected by economic fluctuations much.

Another problem determined in leasing companies is that the processes are carried out with more traditional methods. Almost all of the leasing companies are subsidiaries, but they do not have the technological power of the parent banks. With the steps taken by leasing companies on technology, productivity can be increased by improvement in operational processes and also customers can access information that they demand easily by using the online system. It also alleviates some of the operational burdens of the company.

The fact that the technological development in the banks can be applied in leasing companies which are subsidiaries also requires a synergy. Leasing companies do not have most of the opportunities which parent banks have. The banks are experienced especially in education and human resources, and they have bargaining power in terms of cost. With a synergy that can be created between the two companies, leasing companies can also benefit from the strengths of their parent banks. With this synergy, strategies of large banks, training for employees and activities to increase employee loyalty, can also be applied by leasing companies. In this way, the employees of the leasing companies have the opportunity to develop themselves, and the employee commitment may be increased. Contributing to the development of employees, valuing the employees, offering good opportunities and benefits, increasing employee motivation by various activities are the methods that should be applied by almost every business in order to incorporate qualified staff. This would be crucial in increasing the quality of the employees and ensuring employee continuity and therefore improving the quality of service. This becomes more important for the leasing sector, where the number of qualified personnel is limited.

Heavy equipment and construction machinery cover a large area in the distribution of assets in the sector. With the contraction experienced in the country's economy, it is observed that there are difficulties in this area and there are problems in lease receivables. For this reason, it is important that leasing companies pay more attention to promising sectors such as the renewable energy sector in terms of profitability and risk.

It is very important for leasing companies to target SMEs through agreements with sellers in terms of both profitability and spreading the risk to the base. As a result of the agreements to be made with the sellers, special package transactions can be prepared and transactions can be completed with a very fast process. It is a very advantageous method for operational convenience, profitability and customer satisfaction.

Furthermore, as a result of the agreements to be made by the leasing companies with the vendors and with the international companies or distributors, new steps can be taken regarding the operational leasing and joint ventures can be established with the manufacturers. As a matter of fact that the leasing company is a financial institution and does not have enough technical information about the equipment. A similar situation is also valid for producers, while producers have comprehensive knowledge of the machines they sell, they are not knowledgeable about financing. For this reason, joint ventures of the sellers and leasing companies may offer new services to customers so that a significant advantage can be achieved by differentiating in competition within the sector. On the other hand, there are companies that have started operational leasing activities by establishing fleet leasing companies in the sector. When examined the phases of the industry, the next step will be operational leasing for Turkey. Companies involved in this transition process can dominate this market in the future. In addition, since competition will be less at the emerging period of operational leasing, leasing companies can do business with high profitability.

It will not be wrong to state that the problem of legislation as the biggest problem of the sector. The sector is overshadowed by the banking sector and is occasionally ignored when making legal arrangements. Here, there is a very important role for the decision makers of leasing companies and AFI, which is a union of companies. By entering into closer relations with government authorities, the impact of leasing on the country's growth, its direct contribution to the GDP should be accurately explained and should be worked on legal arrangements which support the industry, or regulations that may cause negative consequences should be prevented from beginning. In this way, the problems of the leasing sector, which is on the path of growth, will be reduced and the sector will continue its progress in line with its growth potential.

# 8. LIMITATIONS AND FURTHER STUDIES

In this research, the qualitative research method has been used and in-depth interviews were conducted with a sampling which is created by using a combination of convenience sampling and snowball models. The sampling includes employees who are working in the managerial positions of 5 leasing companies. While creating this sampling, people who may make important contributions to the subject may have been left out of the sampling. Some of the managers, who were scheduled to be interviewed, refused to have an interview. Therefore, it may not have been interviewed with the people who can make a significant contribution.

In future studies, it may be more useful to keep the sampling wider and to increase the number of leasing companies in the sampling.

In addition, within the scope of this research department managers and 2 executive vice presidents have been interviewed with. Having interviews with higher level managers in further studies can help identify different perspectives.

The interviews within the scope of the research were had with the employees of the companies which operate in the leasing sector. In further studies, AFI, which is an association of leasing companies, can be included in the research. In addition, the opinions of lessees and sellers, which are the other elements in the leasing process, can be received. Thus, a broader and more comprehensive perspective can be achieved.

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# APPENDICES

## APPENDIX-1: Interview Form

Name and Surname:

Gender:

Title:

Department:

Experience:

Company:

QUESTIONS

1) How do you assess the development of the leasing industry and its current outlook?
2) What are the general problems in the leasing sector?
3) How do you assess the growth of the leasing sector? Are growth rates at the expected level?
4) How do you evaluate competition in the sector? What are the main competition elements?
5) What are the ways in which you can maintain sustainable competition and profitability in times of economic crisis?
6) How is the customer profile? What are the expectations of the customer from a leasing company?
7) What are the ways to improve service quality and ensure customer continuity?
8) What are your strategies for determining market segmentation and target market?
9) What is the position of the operational leasing method in Turkey? What are the studies that will contribute to the development of the sector and provide a competitive advantage in relation to this method?
10) How do you assess the position of the leasing sector in the future and the position of your company in the market? What are your strategies for achieving a competitive advantage?