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Leasing – a Catalyst of Innovative Processes

Abstract

The article discusses the extensive, ever richer, and better and better adjusted to firms' needs range of leasing options available for financing innovations. By its very nature, leasing accelerates the transfer of modern high technologies. The article indicates barriers that hinder the full use of leasing, such as „defective" regulations that make inconsistent actions arising from accounting law, civil law and tax law, and highlights leasing advantages and chances for development in the interest of the Lisbon Strategy.

1. Introduction

Milton Friedman believed that the most important value of individuals responsible for their fate and acts was freedom. The shortest way leading to freedom is unrestricted economic activity, in the course of which people lay material foundations for their lives. A free market is almost a perfect place for the freedom to be realised.

Adam Smith, an outstanding philosopher of the Enlightenment Age and the precursor of economic liberalism, wrote "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity, but to their self-love, and never talk to them of our own necessities but of their advantages."

The abolishment of barriers obstructing a free market and stronger integration of the European and world economies can be a beneficial power and potentially it can improve the situation of world's populations, especially of the poor.

In the world of globalizing economy that favours ideas, information, and network linkages that are variable and dynamic, without any permanent points of reference, the entrepreneurs face unprecedented challenges.

Among many economic challenges, the basic ones concern the necessity to create competitive advantages in respect of:

- new areas of activity;
- new products;
- new markets;
- the improvement of organizational structures and management processes;
- the redefinition of missions and strategic goals,
- **technical and technological progress**, which is embodied in innovative investments and necessary to implement all the listed actions.

Such innovations include, for instance, the invention of a universal computing machine, now used in its electronic version, and the development of the theoretical concept of an IT network, followed by its implementation as an electronic solution. The sudden accumulation of huge resources of knowledge has stirred the need among the entrepreneurs to use a great variety of electronic machines, as well as information and IT networks (Wierzbowski 2003). Without the devices, most problems could not be solved. Knowledge held by managers and all staff has the dimension of the crucial strategic resource.

Economic growth, competitiveness, innovations, economic structure and the level of employment are mainly driven in Poland by three million small and medium-sized enterprises that make up 99.8% of all enterprises.

The Lisbon Strategy points to financing of innovative projects because of the assumption that the largest burden is carried by the private sector. The European Union creates basic mechanisms that enables the financing. The main body responsible for financing the Lisbon Strategy goals is the European Investment Bank. The Strategy primarily and essentially intends to create conditions for business competition with a view to the growth of enterprises and entrepreneurship. The SMEs should receive assistance via legal and financial measures. **The main purposes are "cheap" financing of innovative projects and appropriate, innovation-friendly legislation.**

The development of new technologies is connected with growing competition among organizations, also financial, which consequently boosts entrepreneurs' interest in external financing. **One example of the financing is leasing** (Lewandowska 1999, pp. 21–64). Its popularity has been spreading, mostly for its economic attractiveness and the unavailability of alternative options, when an enterprise has no security to offer or no creditworthiness. Being an active form of capital circulation, leasing gives enterprises the opportunity to grow through investments embodying the technical and technological progress that helps enterprises expand. For it must be remembered that the level of firm's economic globalization depends on the organizational, regulatory and production factors.

2. Leasing and its development in the world and in Poland

The leasing facility started to expand in the 1960s of the previous century. It spread to the USA, Canada, Far East, Europe and other parts of the world at the same time. European leasing companies have their organization called the European Federation of Leasing Company Associations (LEASEUROPE). Their business grows on average at the rate of 22% a year .Today LEASEUROPE brings together approximately 30 national leasing associations. Poland is one of the Federation's members. Altogether, the Federation represents around 1,300 companies that account for 90% of the European leasing business (www.leaseurope.com). The proportion of leasing in financing investment projects has been steadily growing, as evidenced by data on successive years: 2000 – 11.66%, 2001 – 12.59%, 2002 – 13.23%, 2003 – 14.56%, 2004 – 14.76% and over 15% in 2005.

The above data are averaged information about all countries covered by statistical research. In that group, the largest increases in the volume of leasing business can be found in the Scandinavian countries and countries in Central, Eastern, and Southern Europe. Poland is ranked in the same position as Greece, Norway, and Portugal. The country's value of new leasing contracts grows at more than 20% a year. In Western Europe, excluding Austria where growth exceeds 20%, the situation is stable. The leasing market for real estate shows higher stability than the entire leasing market. Italy is the largest leasing market in Europe; in 2004, the value of transactions concluded there was estimated at almost 17bn Euro and nearly 22bn Euro in 2005, which accounted for more than 45% of the entire European market of leasing. Germany, France, and Spain occupy further positions. In 2005, very impressive increases in the number of leasing transactions with real estate were noted in Hungary– almost 200%, Finland – 158%, Russia – 100%, Norway – 100% and Slovakia 81%. In Poland, the rate of growth was 43% (Leaseurope). The Polish leasing market regularly expanded in the years 1990-1999, but in the next two years, to 2001, a small dropped occurred (Lewandowska 2003, pp. 292-305). An upward trend has been observed since that time until 2007 (table 1).

Table 1. Values of leasing business in Poland, years 2003–2007 (million PLN)

Specification	Year				
	2003	2004	2005	2006	2007 I quar.
Total	**11.081**	**13.751**	**16.174**	**20.994**	**6.663**
including:					
Movables	10.456	11.822	13.716	18.964	6.189
Immovables	625	1.929	2.458	2.030	474

Source: developed by the author based on ZPL data (www.Leasing.org.pl)

According to table 1, the overall increase in the values of leasing investments has been accompanied by growing values of movable capital assets, but not immovables. Tables 2 through 4 present values of capital assets by type and distinguish 10 largest leasing companies in each of the selected years.

One of the factors that support development of the leasing market in Poland is the dynamic activity of the Polish Association of Leasing Companies (ZPL) that represents Poland in Leaseurope. In 2003, the organization initiated the establishment of a Code of Ethics and professional standards for the leasing business. The Polish association brings together only those leasing companies that comply with the prescribed standards. It also publishes information submitted by its members. In addition, the ZPL co-authored regulations aimed to make the national law "more civilized". The organization is aware that the revival of investments activities in Poland that came with the country's EU membership offers development opportunities to the leasing industry. For the last three years, leasing has been drawing stronger and stronger interest as an economically attractive vehicle that can be used to finance innovative projects in particular. In addition, the engagement in the global race affects leasing companies' strategies and methods of management. Because of the competition in the leasing market, the companies diversify their products and enter into new market segments. Today leasing is used to finance computer fleets, manufacturing equipment necessary for innovative biotechnologies, as well as IT, cosmetology, and specialist machinery; means of transport, technological lines, shopping centres, factories, hotels, warehouses, offices and so forth.

Table 2. Value of capital assets leased in Poland - 2004 (PLN million)

No.	Company	Vehicles	Machinery and equip.	IT	Movables	Immovables	Total
	TOTAL	**8 458.78**	**2 801.79**	**278.87**	**11 821.60**	**1 929.60**	**13 751.20**
	Including:						
1.	BEL Leasing	607.09	157.46	20.79	785.34	0.00	785.34
2.	BPH Leasing	469.86	287.63	21.74	785.05	0.00	785.05
3.	BRE Leasing	598.85	245.56	4.41	867.56	339.59	1 207.15
4.	BZ WBK Finance & Leasing*	565.70	240.50	15.20	821.40	0.00	821.40
5.	Europejski Fundusz Leasingowy	1 579.58	315.86	55.87	1 951.31	0.00	1 951.31
6.	ING Lease (Polska)	128.38	195.48	0.06	385.90	448.63	834.54
7.	LHI Leasing Polska	0.00	0.00	0.00	0.00	733.54	733.54
8.	Pekao Leasing	314.35	71.73	5.11	420.58	24.12	444.70
9.	Raiffeisen Leasing Polska	963.49	143.13	19.15	1 130.97	308.16	1 439.13
10.	SG Equipment Leasing Polska	318.68	235.76	81.14	691.31	0.00	691.31

* results of BZ WBK Finance & Leasing and BZ WBK Leasing

Source: developed by the author based on ZPL data (www.Leasing.org.pl).

Table 3. Value of fixed assets leased in Poland in 2005 (million PLN)

No.	Company	Vehicles	Machinery and equip.	IT	Movables	Immovables	Total
	TOTAL	**8 706.46**	**4 263.58**	**313.42**	**13 715.75**	**2 457.97**	**16 173.72**
	Including:						
1.	BEL Leasing	563.20	301.28	7.46	904.68	15.55	920.23
2.	BPH Leasing	520.03	342.83	25.92	894.70	43.43	938.13
3.	BRE Leasing	686.97	281.38	8.02	1 047.76	427.09	1 474.85
4.	BZ WBK Finance & Leasing	559.10	354.00	13.00	927.40	0.00	927.40
5.	Europejski Fundusz Leasingowy	1 534.38	377.83	48.71	1 960.92	0.00	1 960.92
6.	ING Lease (Polska)	95.18	91.47	1.57	265.63	1 072.29	1 337.92
7.	LHI Leasing Polska	0.00	0.00	0.00	0.00	703.60	703.60
8.	Raiffeisen Leasing Polska	986.56	361.27	37.46	1 387.34	50.10	1 437.44
9.	SG Equipment Leasing Polska	250.78	368.60	74.28	756.65	0.00	756.65
10	VB Leasing Polska	478.56	193.99	15.62	688.78	0.00	688.78

Source: developed by the author based on ZPL data (www.Leasing.org.pl)

Among movables means of transport are in the lead (ca 60%), followed by computer fleets, manufacturing equipment and machinery (ca 20%).

Regarding **immovables**, retail space holds the largest share (above 50%), then come industrial buildings (ca 15%), offices (ca 14%) and hotels (above 12%).

The results confirm the upward trend in the leasing business that has continued for several years now.

Table 4. Value of fixed assets leased in Poland in 2006 (million PLN)

No.	Company	Vehicles	Machinery and equip.	IT	Movables	Immovables	Total
	TOTAL	**11 511.14**	**6 399.07**	**341.77**	**18 963.51**	**2 030.60**	**20 994.11**
	Including:						
1.	BPH Leasing	597.65	304.28	38.48	969.20	63.23	1 032.43
2.	BRE Leasing	1 095.87	405.17	13.34	1 920.15	204.91	2 125.05
3.	BZ WBK Finance & Leasing	718.46	465.17	11.03	1 194.66	0.00	1 194.66
4.	Europejski Fundusz Leasingowy	1 915.15	636.01	53.58	2 606.53	14.01	2 620.55
5.	Fortis Lease Polska	339.64	229.50	30.08	622.64	174.97	797.61
6.	ING Lease (Polska)	172.19	193.93	3.64	379.33	699.61	1 078.93
7.	Millennium Leasing	753.21	403.57	12.12	1 217.70	83.65	1 301.35
8.	Raiffeisen Leasing Polska	1 443.22	592.70	34.31	2 071.22	154.03	2 225.25
9.	SG Equipment Leasing Polska	274.75	646.72	58.65	1 015.09	0.00	1 015.09
10	VB Leasing Polska	707.34	327.24	9.91	1 078.32	0.00	1 078.32

Source: developed by the author based on ZPL data (www.Leasing.org.pl)

Whether a firm decides to choose a loan or a leasing option depends on its situation. Many businesses do not qualify for loans. Consequently, in a growing number of cases leasing becomes an instrument allowing to finance an investment project. Its advantages are especially appreciated by the start-ups or entrepreneurs who wish to modernize their firms. For an entrepreneur who lacks a bank account history and his own capital, leasing is the only practical option for financing new techniques and technologies embodied in capital assets.

Leasing is used by the micro firms, small firms, as well as corporations. For the last five years, the number and value of leasing-backed investments have been growing every year. Also compared with loans, this alternative is exercised more and more frequently.

The most widespread is operating lease that makes up 96% of all contracts. It is treated as a service and the leased asset is booked as lessor's asset; because the full amount of an instalment is added to lessee's tax-deductible expenses, the tax side of the investment can be settled faster.

Only 4% of contracts are concluded under **finance leasing**. It is treated as a delivery of goods, with the necessary up-front payment of VAT due on total leasing payments. The leased object is lessee's property; only the interest and amortization of instalments are recognized as tax-deductible expenses, whereas the principal burdens the net profit.

Therefore, leasing is a multi-dimensional transaction, especially practical regarding firms' financial liquidity, because this type of investment is financed from external resources and does not require the commitment of entrepreneur's own funds. The levels of detail and types of solutions provided in leasing arrangements may vary depending on lessee's situation and the funder's interest in leasing a given item.

The degree of firms' globalization depends on the **production, regulatory and organizational factors**. Firms having good knowledge of their business environment (both funders and lessees) can hope for better economic results. One of the aspects discussed in the paper is the leasing of innovative capital assets and Polish regulations applying to the leasing business. Innovations are believed to be important for entrepreneurs, as they allow to gain competitive advantages in the domestic and international markets.

3. Leasing and the law

As a special method of financing investments, leasing is defined in various ways and it attracts the interest of both theoreticians and practitioners in the fields of accounting law (balance law), balance sheet regulations, and civil law. Their analyses point to relationships, as well as certain inconsistencies within the body of Polish laws applying to leasing contracts.

Leas Europe's investigations examining risk and competition issues involved in leasing contracts have established that the most sensitive aspects can be found in the tax law and the legal framework. In respondents' opinion, changes in the banking law expose leasing transactions to the lowest risk (because they do not apply directly to the parties to transactions). However, both banking law and legal framework belong to the most important factors that affect risk and competition among leasing companies.

Leasing companies finance the purchase of capital assets and make them available for their customers and thus they expose themselves to certain risk. It is so, because the leasing companies (**funders**) take out bank loans that they are unable repay in order to purchase **assets to be leased** to their customers (**users**).

Because banks pursue very restrictive policies, the majority of small leasing companies may not qualify for their funds. The resulting decline in the number of transactions concluded by such companies may have further adverse impacts on their financial standing. Small leasing organizations suffer more than the large ones, because their portfolios usually contain riskier contracts and their operational costs are higher.

The insolvency of leasing companies produces certain negative consequences also for the users. They can be deprived of the capital assets they have leased as a result of debt recovery proceedings instituted by the banks. Generally, assets purchased by a leasing company and then leased to a user by way of a leasing contract secure funds that the bank granted to their purchase. When a leasing company is in default with the consequent termination of the loan contract, the bank may seize the security to ensure loan repayment, thus making it impossible for the user to operate the leased object, regardless of the user's quality of service of the leasing contract. Leasing company's lost creditworthiness may also directly affect its customers, even if they pay the instalments on a regular basis. Another situation that may expose the users to risk is when the funder files for bankruptcy, because the Official Receiver may call a user to repurchase the leased asset at its current market price. Such a price is usually significantly above the price that the funder declared in the leasing contract. However, for many small entrepreneurs a repurchase of the asset is a prerequisite for staying in business, but their resources are too tight and so they cannot afford to pay again a price similar to the market price, which is the only price the Receiver can accept unless he wants to be accused of damaging the creditors. Another source of user's problems can be unpaid taxes of the lessor. When the leased asset is being purchased (i.e. when the repurchase option is exercised) a lessee becomes liable to the Tax Office for the leasing company's back taxes. The Tax Law provides for solidary liability of the buyers of indebted property. In this situation, the risk strategy pursued by leasing companies becomes crucial, as well as identification of risk determinants. Given the context of our discussion, correct formulation of the strategy's assumptions and its skilful application create financial security mechanisms that serve not only the leasing companies, but also banks that finance their activities and their customers (the users) (Adamczyk 2006, www.ipo.pl). The potential user should carefully choose the funder after an in-depth analysis of the company's financial standing and legal condition.

The character of leasing transactions is determined by the accounting standards, the civil law and the tax law. International regulations applying to the leasing business have been incorporated into the Polish civil law and balance sheet regulations. The tax law provisions applicable to the leasing contracts results from the fiscal policy pursued by the State.

The inconsistency of the laws makes it difficult to provide in financial statements the measurement, description and classification of leasing transaction values as they actually are (Jaruga 2002, p. V). For instance, leasing classified as operating under the balance sheet regulations (International Accounting Standard 17 „Leasing") will be generally considered finance leasing, because under the **balance sheet regulations leasing contracts** are classified according to the principle that the economic content dominates over the legal form. It is enough for a leasing contract to satisfy **one of the seven conditions stated below to be recognized as finance leasing**:

- the contract is signed for a period not shorter than 75% of the economic life cycle of the leased asset;
- total leasing payments exceed 90% of the leased asset's market value;
- after the contract comes to an end, the user (the lessee) is entitled to purchase the asset for a price lower than the market price;
- the user receives the ownership right to the asset from the funder (the lessor) after contract expiry;
- the contract contains a clause that the funder commits himself to extend the existing contract or to conclude a new contract with the user for the same asset on more favourable terms;
- the asset being transferred has been customized to suit user's needs;
- the contract allows for its premature termination, but then the user must reimburse funder's expenses and losses caused by such action.

A leasing contract that does not meet **any of the above conditions will be classified as operating leasing**.

Polish regulations that allow the application of different leasing classification criteria for the purpose of balance sheet regulations, tax law, and civil law sometimes contribute to arbitrary interpretation of leasing categories, which naturally affects the reliability of accounts and distribution of profits from leasing transactions between the parties. For example, lessees (users) whose financial statements are exempted from the mandatory examination by expert auditors can abide by classification rules set in the tax law; then neither the lessor nor the lessee will amortize the leased item. A situation is also possible, in which the user – being a subsidiary company – shall be obligated to comply with rules applying to the whole corporation and to give up leasing classification rules pertinent to records made in the account books and in financial statements.

The conversion of an operating leasing contract into a finance leasing contract (with the consequent examination of user's financial statements by an expert auditor in the next accounting periods) results in settling the profits or losses from the previous years against the current equity (Krajewski, Szymański 2001).

Since 1 October 2001 **tax regulations** have been in force that distinguish **three variants of leasing contracts** (Turzyński 2002):

- finance leasing;
- operating leasing;
- leasing facility similar to letting and lease contracts.

A finance leasing contract must meet all of the three conditions:

- it must be concluded for a fixed period of time;
- total leasing payments minus VAT equal at least the initial value of the leased asset;
- a clause is provided that the amortization allowances are deducted in the contractual period by the user.

Operating leasing occurs when:

- a contract is concluded for a period of time equal at least 40% of the normative amortization time, or at least 10 years, when the contract involves real property;
- total leasing payments minus VAT are not less than the initial value of the leased asset;
- the lessor does not take advantage of income tax relieves on transaction day.

The third type of a leasing contract is considered a letting contract or lease contract, unless it meets conditions stipulated for financial or operating leasing.

Leasing contracts are subject to income tax (taxable income (the income tax law… 2002) and VAT (VAT law, article 6) (Korczyn 2005, . 65).

Units of the tax administration try to counteract the adversary effects of situations, when operating leasing is abused to gain unfair tax benefits. To this end, they classify leasing by applying the rule of consistency between contract's name and its contents, taking into account parties' intentions and the transaction purpose. Tax regulations pertaining to leasing as a case of nominated contracts apply also to other types of business contracts that the tax law also treats as leasing contracts. The legislature has intended to sort out the leasing market as regards prices of leased assets, the assignment of amounts receivable in connection with instalments, as well as other leasing charges and deposits accompanying some leasing contracts.

The civil law approach to leasing treated as a nominated contract, in which the lessee is named „the user" and the lessor „the funder" was introduced in the statute of 26 July 2000 that amended the Civil Procedure Code (Dz.U. no. 74, item 857, art. 709) (Lewandowska 2001, pp. 30-31). Leasing was regulated based on international standards (UNIDROIT Convention on International Financial Leasing). Even names given to the parties serve the definition of their functions. The general provisions are dispositive in character. The Civil Procedure Code does not provide specific provisions aimed to protect consumers (Poczobut 2000).

In article 709, the Civil Procedure Code provides the **essential features of leasing**:

- the lessor signs a leasing contract in compliance with the nature of his business (leasing can also be a sideline);
- the lessor purchases the asset to be leased from the vendor (movables and immovables)[1] after the lessee has expressed his consent;
- the lessee receives the leased asset from the lessor (to use it and to derive profits) for a fixed period of time;
- the lessee must pay the lessor an amount being at least equivalent to the asset's value, or its price, divided into instalments (the legislature allows the parties to decide about the number and amounts of instalments);
- the leasing contract must be in writing, otherwise null and void;
- the lessor makes the asset available for the user, but keeps the ownership right to it. Following contract expiry, the lessee is obligated to return the leased asset to the funder, unless the contract stipulates that the lessee will receive a title to the asset from the lessor within a month from contract expiry without additional compensation.

In practice, a contract may contain a clause allowing the user to make a unilateral declaration that the lessor's title to the asset will be taken over for additional compensation (Brol 2002, pp. 160-177).

[1] Under the Civil Procedure Code property rights cannot be leased, as they are not material items. However, property rights can be acquired under the innominated contracts covered by the Civil Procedure Code provisions, including those applying to leasing.

Therefore, civil law that institutionalizes leasing provides a starting point for separate, specific solutions pertaining to leasing transactions in the balance sheet regulations and the tax law. However, this does not eliminate different approaches to expenses (revenues) and taxes.

According to the Polish accounting law, the parties to a leasing contract are permitted to convert operating leasing into finance leasing and – if their financial statements are not subject to the mandatory examination by expert auditors – to apply leasing classification rules provided in the tax law. In this way, the parties can choose whether to disclose only leasing expenses (or revenues), or the leased item on the assets' side (liabilities). Regardless of the legal solutions that might be implemented in the future, the long-term leasing liabilities should be treated as a debt – whether or not they are included in the balance sheet.

For the above reasons, the present legal framework may make incomparable financial statements of businesses being parties to leasing contracts. It also makes room for a variety of leasing interpretations formulated by the tax administration.

Because of the generally high value of modern capital assets, **leased items are insured**. An asset owner (a leasing company) that also chooses an insurer typically purchases an insurance policy. Leasing companies usually collaborate with one or two insurance companies on a regular basis and so they may enjoy certain privileges. Nevertheless, if a lessee insists on having its selected insurer and the lessor accepts the choice, the insurance costs are incurred by the lessee who cannot treat them as tax-deductible expenses, because he is not the legal owner of the insured object. Considering some amount of risk that the leased object will be damaged or lost, it is very advisable to have coverage for a capital asset, preferably paid by the lessor.

Leasing viewed as a financial product **can also be insured**. By insuring the leasing debt, the lessee can guarantee the repayment of leasing instalments, should some adversary random circumstances arise. Then an insurance company takes over the responsibility for paying the instalments. Insurance premiums slightly increase monthly instalments paid by lessees. Although a premium is an additional expense, it offers full financial security in return. Insurance of leasing contracts is not very popular in Poland, but it is used more and more often.

As a rule, the lessor can **terminate a leasing contract**. A leasing contract should specify the notice period and the reasons for contract termination. The typical grounds are late payment of leasing instalments or user's a failure to collect the leased asset. Following a notice, the user is obligated to return the leased asset immediately (if it is already used) and pay the remaining contractual instalments and charges (the contract must be in writing, or have the form of a notary deed, otherwise null and void).

The decision to use leasing as a means to finance an innovative project should be underpinned by a reliable economic analysis taking into account possible risks arising from the characteristics of the option. Sometimes leasing is imposed by the lack of enterprise's creditworthiness.

According to the law:

- the lessee is held responsible for the usability of the leased asset;
- late payment of leasing instalments produce serious consequences;
- even if the leased asset is lost, the lessee must pay the instalments and the tax administration may regard them as not tax deductible;
- in case the leasing company goes bankrupt, the leased asset can be taken over by lessor's creditors (despite a contractual clause transferring the title to the lessee);
- tax benefits are only available in connection with those leasing contracts that comply with the tax law;
- a leasing contract is always concluded for a fixed period of time and its premature termination is only permitted in justified cases;
- the lessee can be deprived of the right to tax relieves, if the lessor prematurely terminates a leasing contract.

Some risks may not arise in the leasing period at all, but they must be realised, when a business is selecting a leasing company.

There are many more arguments speaking in favour of leasing as a way of financing innovative undertakings than against it. For instance:

- lessees' creditworthiness is not required;
- the procedure is simple;
- period of financing is shorter;
- there are no additional charges and commissions (considering the strong competition among leasing companies, more and more of them give up additional fees);
- the structure of leasing instalments can be adjusted to user's specific needs (e.g. related to business seasonality),
- all operating leasing instalments are tax deductible for the lessee;
- the funder insures the asset in the leasing period, because he owns the asset;
- a standard guarantee securing a leasing contract is the leased asset itself, or a bill of exchange drawn by the lessee;

– lessee's rights and liabilities can be assigned to a third party by lessor's consent.

The range of products offered by the leasing market is ever richer, more and more extensive and better and better adjusted to the specific needs of firms with various financial standing. Leasing advantages decide about its growing popularity as an instrument allowing to finance innovative projects.

For those reasons, leasing is actually predestined to be used for financing modern technologies. In a knowledge-based economy appropriate infrastructure must be available, enabling the creation of innovative models of organization, innovative business processes or innovative products.

The leasing market in Poland has bright prospects ahead. The results in 2006 were the best in the Polish history of leasing (PLN 21.5bn) and the entire market is growing at a record speed. Compared with 2005, in 2006 it grew by 31% (Informacja…). A very positive phenomenon that has been observed in the last two years is that the leasing companies enter into markets that until recently have not shown any interest in the instrument, such as agriculture, sport, building industry, printing industry. Digital telecommunications, computer technologies, satellite TV, and multimedia technologies are expected to be the most interested in leasing, because the factor that makes economy grow is electronic exchange of information that allows many new applications of human knowledge.

The conclusions are the following:

- **a competitive advantage always stems from the possessed knowledge,** which is contained in the technical thought, modern technologies, etc., that is, in competitive technologies, competitive products;
- **the entrance into new markets is a success that can be attained by applying innovative solutions and marketing, and owing to a friendly legal environment**;
- **the leasing market in Poland has been expanding very fast**. Specialists are of the opinion that in the next several years the industry will be one of the most dynamically growing segments in the Polish economy;
- an analysis of stagnation situations in the **leasing of immovables** in Poland implies the necessity to intensify institutional actions (by leasing companies and their customers) and regulatory measures;
- **leasing plays the function of a catalyst of innovation processes** and so it fits in the Lisbon Strategy carried out by entrepreneurs being parties to leasing transactions;
- **the dynamism of innovation largely propelled by leasing** contributes to overall economic growth in accordance with the long wave theory;

- **leasing creates conditions for starting new investment projects** within the entire infrastructure of enterprises, because it is the simplest and also an economically attractive way of financing innovative undertakings;
- Poland has **large potential available for leasing** (the real property segment in Europe makes up ca. 25%, and in Poland around 3%; while consumer leasing in Europe ranges from 20 to 30%, in Poland it is 2%). However, the development of leasing hinges on amended legal environment (the leasing of land and buildings is curbed by the law, e.g. by regulations applying to perpetual land leases) and on overcoming mental resistance stemming from the belief that using things that we do not own cannot be profitable;
- **leasing** of modern specialist machinery and equipment **contributes** to the growth of enterprises and to the implementation of innovative and integrated information systems that **enable the execution of new management concepts in companies**.

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