CHAPTER 2

Growth and Profile of Leasing and Review of Literature

1. Growth and Profile of Industry
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Growth and Profile of Industry:

The concept of financial leasing as a source of term finance, arose in the 1060's though leasing itself has existed for centuries. Financial leasing, as it is defined today, developed over a significant period of time passing through different stages of evolution, beginning with simple rental arrangements.

The earliest details of leasing can be traced as far as 5000 years back to the advanced cultures of the Middle East. Leasing was mostly used in transactions relating to land, irrigation systems and cattle. Records establish the existence of a family enterprise <<Murashu>> around 1800 B.C. in the vicinity of Babylonia. This enterprise specialized in a form of leasing that was connected to the Persian wage payment system. Officers and soldiers were awarded land by the monarchy. If an officer or soldier did not want to cultivate the land, he leased it to Murashu, the leasing specialist. The form made lease payments to the soldier / officer in advance in turn leased the land to farmers.

In the Greek language the concept of <<bank leasing>> for which the first agreement was signed in 370 B.C. The unique feature of the bank lease was that the leased assets were the name of the banks, its goodwill, deposits, office premises, staff (mainly slaves) and in some cases, its equity. Ancient Greece was also the first to develop mine leases. All the mines in Athens belonged to the state and were leased through a single authority which was the authorized agency to lease the state assets, including mines. Mines of varying size and degrees of
exploitation were leased for 3 to 7 years. The lease rental collected as mine leases was a combination of:

a) a fixed amount for the entire period;

b) a fixed annual fee;

c) a combination of the above two; and

d) a fee based on the production of ore

In Sweden, under the legal provisions of the 14th century, only land was subjected to the convenants of the lease agreement. A Swedish land owner usually retained the main farm for his own use and leased the remainder to the tenants. The tenant was to pay rent in the form of a share in the harvest or in the form of a fee for the entire lease period or as a recurring annual fee.

One of the first statutes to refer to leasing in the U.K. was the statute of Wales of 1284 in which it was declared that the legal action of convenant derived from land laws was also available for lease of immovable property. Quite often, in accordance with the statute, leasing was used for dishonest purposes, to conceal, e.g. who was the real owner and who was the proprietor of the estate to confuse the creditors. Later, in addition to land and estate other property and goods were leased.
Modes of Leasing in 21st Century:-

Taking a greater importance in the 21st century is the efficient use of resources including financial resources. Leasing offers significant advantages for many individuals and company.

Today a company can costume design or own lease to fit its lifestyle and financial needs and develop a transportation plan at the same time.

For companies costume designing of a vehicle programme to build in flexibility for cost efficiency could save money.

Some view leasing as an affordable means of acquiring a better equipped vehicle or a new vehicle more often. Others see it simply as an alternate form of financing.

The higher standard of living in industrialized nations led to a rapid growth in consumerism, further tax consideration in 1950's also played a key role in the growth of leasing industry in U.S.A.

Modern leasing was introduced in France in the early 1960's. The development of leasing in France was not predominantly influenced by tax advantages. The revolution If lessors in France and the lack of substantial tax
advantage has been reflected in the structure of the market which was dominated by wholly owned subsidiaries of banks and independent companies\(^{(1)}\).

Available evidence indicate that the growth of leasing in West Germany has been largely achieved without any consideration for tax advantage that existed in the United Kingdom.

The leasing business marked a rapid growth in China during the last 2 years and is destined to grow still more rapidly in the years to come\(^{(2)}\). China has a significant role to play in the future development of leasing in Hong Kong. The first world convention was held in Hong Kong on 10\(^{th}\), 11\(^{th}\) and 12\(^{th}\) January, 1983.

**Development of leasing in Developing Nations:**

a) Thailand

The first formal leasing company in Thailand, the Orient Leasing Co. (TOLC), was set up only in 1878. Three companies TOLC, TISCO Leasing Co. and Bangkok Leasing Co., account for 90 percent of the formal leasing business.

In Thailand, equipment leasing has only recently been introduced. There is no legislative administrative regulation to cover leasing business as yet. The main hindrance in developing the leasing business there, is the traditional tax structure. However the International Finance Corporation has attempted to encourage

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\(^{(1)}\) Mayes David G and Nycholas, C.S. The Economic impact of leasing 1988
\(^{(2)}\) Clark, Director Digest, 1\(^{st}\) World leasing convention March/April 1983
leasing in Thailand by participating in the formation of a leasing company. In Thailand there are many firms which have the word 'Leasing' attached to their names but important amongst them doing leasing business are mostly joint ventures.

b) Brazil

Leasing industry has grown because of Governmental regulations which patronized only financial leases. Therefore, in Brazil majority of leasing transactions are of financial nature. The government of Brazil has made no efforts to cover the operating leases under regulatory control; therefore, operating leases are not to be seen in Brazil in practice. Only such companies are permitted to enter into the leasing business which have got the authorization for leasing business by the Central Bank of Brazil. This checks the growth of foreign companies doing leasing business in Brazil.

c) Republic of Korea

In South Korea, leasing industry law was adopted in 1973 which governs basically the Finance Leasing. These leasing regulations were revised in 1976 with the assistance of International Finance Corporation to provide greater flexibility for the parties and to clarify the distinction between leases and installment sales. With the enactment of the Leasing Industry Law in 1973, the leasing business has been promoted there. After the revision of the rules in 1976, significant growth was noticed in the country.
d) Indonesia

The advent of leasing in Indonesia also is attributed to capital shortage. Leasing was introduced in mid 70's and from three leasing companies in 1975, their number rose to about 73 companies in 1986. The volume of business rose from US $ 68 million, in 1975 to US $ 450 million in 1985. Leasing business has been fully supported and promoted by Ministry of Finance besides Indonesia Leasing Association. The joint ventures with the State Bank and the Japanese, American and French Banks have dominated the leasing activity in Indonesia.

e) Malaysia

There has been phenomenal growth of leasing industry in Malaysia. The number of companies grew from 9 in 1979, to 149 in 1984, according to the Equipment Leasing Association of Malaysia. Leasing companies include subsidiaries of major corporate groups, foreign participation firms, bank affiliated companies.

f) Bangladesh

In 1985, the Industrial Development Leasing Company of Bangladesh Ltd. (IDLC) was established which commenced leasing activities in Bangladesh. Upto 1988, there were two or three private companies in the business of leasing and hire-purchase business of vehicles and household goods on a small scale. These companies do not extend lease offers for industrial machinery and equipments. Since leasing is in an infant stage in Bangladesh, accounting principles for leasing have not been formalized so far by the regulatory accounting bodies.
Leasing business was formally introduced to the Indian scene, when the First Leasing Co. of India was promoted by the Chidambaram group in 1973 at Madras. The late entry to the leasing field was due to the banking system, the moderate inflationary pressure (Ashish Saha, 1983) and the prevalence of hire purchase system. Bank finance was earlier readily available and only since 1972 when factors like emphasis on priority sector lending, Tandon Committee (1975) Norms for financing inventory and receivables, and Chore Committee (1979) requirements, variations in selective credit control, etc. constrained the lending ability of commercial banks, did leasing gain popularity.

The First Leasing Co. accumulated gross fixed assets of over Rs. 8.5 crores in the first ten years (Aneja 1983). The Twentieth Century Leasing Co. was set up in 1980 at Bombay. By 1981, four other finance companies, namely, Sheety Investment and Finance, Motor and General Finance, Jayabharat Credit and Finance and Sundaram Finance also joined the stream. The phenomenal success of the first two entrants in leasing, the First Leasing Co. of India and the Twentieth Century Leasing attracted entrepreneurs into this field. The second half of 1983 witnessed a spate of public issues and several new firms jumping on to the leasing bandwagon. There are about 150 leasing firms in 1984. By 1984, 87 existing leasing companies raised Rs. 49 crores, compared to Rs. 15.7 crores raised by 28 companies till 1983. Capital issues by leasing companies amounted to Rs. 76.79
crores during 1986-87, compared to Rs. 110.3 crores in 1985-86 (Chart 1). It is estimated that there were 500 small and big companies in 1986.

The International Finance Corporation (IFC) collaborated in forming four joint ventures in the four regions of the country, each with a commercial bank and a private company as partners. IFC contributes 15 percent of the equity contributions, commercial banks up to 30 percent and the balance 55% by the private company. These are:

(i) IFC, the Bank of India and the Twentieth Century Leasing
(ii) IFC, the State Bank of India and the TVS Groups Sundaram Finance,
(iii) IFC, the National Insulated Cables and the United Commercial Bank and
Review of Literature

A proper review of the existing material form a cohesive link, to the existing knowledge on the subject. Moreover, it would give a clear perception of the sample size, techniques of data collection and the methods adopted in arriving at the findings in earlier works. It would inspire me to fathom deep and to devise problems and their solution in arriving at conclusions and findings that may be helpful to the industry in general and to the companies selected for study in particular, in devising ways and means to overcome their problems and difficulties. It would also make way for the future researchers to make further advances in the field.

The concept of leasing and lease-financing is comparatively of a recent origin, though researchers have documented the existence of leasing for thousands of years\(^{(1)}\). Consequently the publication of papers and books on leasing also started from the eights decade of the twentieth century in a scattered way. This was particularly because modern concept of leasing as an industry was taking shape in the early seventies of the present century and that too in United States of America and United Kingdom.

The first publication that could be available to the researcher on the subject is a paper entitled "Needed a Generally Accepted Manual for Measuring Lease Commitments."\(^{(2)}\) According to this paper, lease financing was prevalent in the

\(^{(1)}\) "5000 years of leasing" (Liviju Co. of Sweden publication), quoted in the principles and practice of leasing, K.V. Kamath, S.A. Kerkar, S.T. Vishwanath Lease Asia, England 1990, pp 3-8

\(^{(2)}\) Kenneth, Axelson S., "Needed a Generally Accepted Manual for Measuring Lease Commitments", Financial Express
United Kingdom without any uniform rules and regulations. The author, therefore, holds that there was a dire necessity of a manual, generally acceptable to all concerned without any ambiguity, under which all lease commitments could be measured in their entirety, i.e. economic, legal, procedural and financial aspects etc.

Bierman, Harold Jr. and Dyckman, Thomas R.\(^{(3)}\) have pointed out the advantage and disadvantages of financial lease versus borrowing decision in capital budgeting, with special reference to investment in land, plant or equipment with a view of minimizing cost and saving taxes. Their total emphasis was on tax saving through a financial lease.

Bierman H. Jr.\(^{(4)}\) published a paper entitled "Accounting for Capitalized Lease". In this paper, the author concluded that lessee should capitalize the lease. He further explained how lease is very attractive due to tax benefits which are otherwise not available to entrepreneurs.

\(^{(3)}\) Bierman, Harold Jr. and Dyckman, Thomas R., Managerial Cost Accounting
Beechy and Thomas H.,(1) has tried to analyze the impact of financial lease in the account books of lessees, treating lease as a debt. The author has come to the conclusion that there a great attraction of ultimate lower cost of equipment or increased financial flexibility for a lessee in a financial lease.

The Financial Accounting Standards Board(2) issued a code of Accounting Standards, entitled 'Accounting for leases' popularly known as Financial Accounting Standard No. 13 (FAS13). This has laid down certain standards of accounting for leasing companies in the United States of America.


Awtrop, R.A. & Terry, B.,(4) in their article "Debt management and use of lease Finance in U.K. - Corporate Financing Strategies", have proposed that lease finance has a significant role in debt management, out of various ways of debt, in corporate bodies in the United Kingdom.

(1) Beechy and Thomas H., "Debt Analysis of Financial Lease", 'Accounting Review'.
(2) Financial Accounting Standards Board, USA, "FAS 13"
The book 'Managerial Finance' by Weston, F.J. & Brighman, E.F. is devoted mainly to lease finance as an effective alternate for financial management to avoid huge debts and to avail the tax benefits.

Miller Merton H. and Upton, Charles W. in their paper entitled "Leasing Buying and the cost of Capital services", have come to the conclusion that the financial necessities of a company should be managed with the minimum of cost within the parameters of available resources.

Gitman, Lawrence J. of the University of TULSA in his book on "Principles of Managerial Finance" deals with various aspects of Financial Management and Principles of Corporate Finance. According to him, "the lease payment is treated as a tax deductible expenditure by the lessee; and the lease receipts are treated as revenue by the lessor."

Hampton, John J. in his book on financial decision making, has planted a cursory introduction on Leasing, its types, factors and process for lease - buy decisions with a sample problem. He maintains that lease is a cheaper mode of financing in certain cases.

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(2) Miller Merton, H. and upton, Charles W., "Leasing Buying & the cost of capital services" Journal of Finance, U.K.
(3) Gitman, Lawrence J., Principles of Managerial Finance.
(4) Hampton, John J., Financial Decision - Making: Concept, Problems and Cases
Two books, purely on leasing, appeared on the horizon. The one was Leasing: Principles and Methods by Green, T.L. (1) and the other, 'Leasing' written by Clark, T.M. (2). Both these books, present a vivid picture of leasing to understand the concept of leasing, its advantages and disadvantages (both for lessors and lessees) and various procedures of leasing etc.

Grat, P. and Witt, Raymond, C. (3) in their paper have examined various characteristics of leveraged lease with reference to the provisions of Financial Accounting Standard No. 13 (FAS 13) and concluded that in FAS 13, an exhaustive treatment is given to leveraged lease.

Lorrectucii, Joseph A. (4) in his paper on Financial Lease, has highlighted the characteristics of a financial lease and recycling the same on the expiry of basic lease period to the option of the lessee to enjoy perpetual use of the asset till it wears out completely or is deflunat or a non-usable asset.

Contino, R.M. (5) in his book 'Legal and Financial Aspects of Equipment Leasing Transactions' has discussed the legal aspects of equipment leasing in detail. He holds that lease agreement contracts should necessarily include disputes and arbitration clauses, lessee's defaults and lessor's remedial clauses, lessee's indemnity of lessor, lessee's option for renewal or purchase modifications, and improvement in leased property etc.

(1) Green, T.L., Leasing: Principles and Methods
(2) Clark, T.M., Leasing
Hubbard, G.L., published two papers, “Finance Leasing - A guide for lessees in the U.K.”(1) and “Leasing: The Cash Flow Myth”(2). In the former, the author has explained leases & their types and in the latter, he has maintained that flow of cash has significant role in lease pricing techniques and that in pricing a lease calculations without cash flow will be a futile exercise.

Hull, J.C. and Hubbard, G.L.(3) in their paper have examined the attitudes and behavior of lessees in the U.K. leasing industry. In U.K., according to them, not all leases take recourse to leasing for tax related reasons. Cash flow considerations come out at the top of the list, closely followed by cost. The additional source of finance comes way behind as the third important factor in lease decisions.

Johnson, Neil in his article “Growing Confidence in Cross Border Leasing”, has called the cross border lease as a legal fiscal minefield. According to him, “the international U.S. Bankers were the first to develop this market seriously. The big plus offered was long term fixed rate finance practically unavailable in many non-US credit markets.”(4) According to him, the abolition of exchange control in U.K. were landmarks for cross border leasing. The tax differential available to lessors under the set, led to a vary competitive rate to the customers abroad, and hence, provided a valuable export sales weapon.

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International Accounting Standards Committee (IASC) is the representative body of about 60 countries, which issued International Accounting Standard - 17 (IAS-17) containing provisions for financial lease. It has defined lease as "an agreement, whereby the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time."\(^{(1)}\) IAS -17, points out that a financial lease creates both an asset and a liability. It also prescribes accounting treatment in the books of both lessors and lessees.

Touching on the historical development aspect of leasing, Dr. Prem Lal Joshi, in his article "Lease if you please",\(^{(2)}\) says that leasing has changed the magnitude of industrial finance and has emerged as one of the main sources of funds for financing the industrial equipments in U.K. and Australia.

Dayal A. has also opined in his paper "Equipment Leasing in India - Need for sustained Growth", published in July, 1983 that there was a glamour for leasing in U.K. in 1958, but the tempo in growth was witnessed during the last decade.

"In view of great value and importance of leasing as a sales-aid, there was a rapid growth of equipment leasing business in U.K., as denoted by figures of the Equipment Leasing Association, whose membership depends on the nomination of big U.S. Banks. This association claims to account for at least 90% of the market."\(^{(2)}\) The author further opines that India too similarly needs a sustained growth in equipment leasing.

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(1) I.A.S. - 17
The same opinion about rapid development of leasing in U.K. from 1971 onwards was expressed by Jack Broyles and others in 1983. According to them major lease financiers have been the leasing subsidiaries of major banks and finance houses.\(^{(1)}\)

K.V. Kamath, Chief of Leasing, Industrial Credit & Investment Corporation of India (ICICI), holds the growing market for leased assets as a necessity for modernization, growth and even survival of industry.\(^{(2)}\)

Rangarajan J., in his paper, “Time to Regulate Leasing Business”, has discussed leasing business rules in Brazil and holds the growing market for leased assets as a necessity for modernization, growth and even survival of industry.\(^{(3)}\)

Venkatachalam G., published a paper, “Lease Financing as a Mode of Acquiring Fixed Assets: Pros and Cons Explained”, and finds leasing as a means to overcome the limited resources of capital and budget constraints and thus enabling a company to handle and operate a bigger business.\(^{(4)}\)

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\(^{(2)}\) Kamath, K.V., Business India
\(^{(4)}\) Venkatachalam G., "Lease Financing as a Mode of Acquiring Fixed Assets: Pros and Cons Explained", Southern Economist
Seetharaman A., is of the view that leasing is a boon to industry and comes in handy in situations where expansion and development beyond a point becomes a problem for the companies falling under Monopolies and Restrictive Trade Practices Act (M.R.T.P.) in general. M.R.T.P. companies may tilt their decisions to leasing option to achieve two things by a single stroke - get their capital asset immediately for their use and simultaneously release their capital for working capital purposes and increase their production and turnover. On the otherhand, non-M.R.T.P. companies, through the leased assets, may use plant and machinery in excess of Rs. 20 lacs and remain still out of the purview of M.R.T.P. Act. (1)

In 1984, statement of Standard Accounting Practice (SSAP-21) was issued in the U.K. which formed an accounting standard to avail of the Regional Development Grants. According to it, lessors may treat these grants as non taxable income or may gross them up for tax and include the grossed up amount in arriving at profit before tax. (2)

A U.N. paper, “An analysis of Equipment Leasing Contract” was published in 1984. It has pointed out the motivational factors behind the growth and development of leasing finance concept in developing countries with particular reference to lessor and lessee interest. (3)

On the depreciation anomalies observed in the accounting practices of leasing companies, A.V. Rajwade\(^1\) has observed that there is a wide divergence in practices followed by different companies. According to him, distributable profits in earlier years are often inflated to the extent that a less than the required rate of depreciation is charged. Not only do the percentages of depreciation provided to the gross value of assets leased, differ widely but the proportions of depreciation to lease rent also differ enormously. He has held that in a financial lease, depreciation rates should relate to a certain extent not only to the value of the asset but also to the rentals realized.

Rajas Parchure and N. Ashok Kumar in their book, Introduction to Lease Financing\(^2\), have given a simple formula which could be used by managers to make lease or buy and/or lease-or-sell decisions. They have also raised some issues for public policy, viz., loss of tax revenue to the Government, reduction in the efficacy of interest rate policies, diversion of savings to corporate lessors rather than nationalized banks, reduction in the efficacy of monetary policies and other problems relating to the understatement of total asset position.

Dr. J.C. Verma's book, Lease Financing (concept, law and procedures)\(^3\) is an exhaustive treatment on the concept of qualitative analysis of Lease Finance, lease decisions, laws applicable to leasing companies with legal documentation and legal remedies, leasing practice and procedures etc.

\(^2\) Rajas Parchure & N. Ashok Kumar, Introduction to Lease Financing, 1985
\(^3\) Dr. J.C. Verma, Lease Financing (concept, Law & Procedures) with Hire Purchase Act, 1972, 1986
M.S. Narsimhan, in his article, "To Lease or Not to Lease"\(^{(1)}\) has termed leasing as a term loan and not a different source of finance. According to him, it is simply a selection of a financier out of two. In case of leasing, there is no other special characteristics of a term loan. On the testimony of Press Advertisement of M/S Ross Morarka Finance Ltd., the writer further observes that lease rent actually works out cheapest to lease because on a nominal loan, the loanee gets tax deduction only on the interest element whereas on a lease, the lessee gets a total write off on the lease rentals.\(^{(2)}\) However, he warns that lessors to be very careful in evaluating lease scheme under the rules of liberalization in depreciation allowance, since increasing depreciation allowance may reduce the lease rentals which may be detrimental to the lessors.

K. Srinivasan, an ex-Member of the Central Board of Direct Taxes, in his article, "Leasing Companies: Income Tax Implications"\(^{(3)}\), has discussed implications of various sections of Income Tax Act in respect to leasing companies and lessees. He considers Section 32A of the IT Act as an impediment in the way of leasing, since both the lessor and the lessee are denied the investment allowance under Section 32A on various grounds. However, according to him it should not be difficult for a leasing company to reap all the tax as well as non-tax benefits into undesirable 'tax planning' tactics, the dominant motive, in his opinion,

\(^{(1)}\) M.S. Narsimhan, "To Lease or Not to Lease", 'Management', Vol. 26, No. 1, January, 1987  
\(^{(2)}\) Published in 'The Hindu', dated 28\textsuperscript{th} August, 1986  
\(^{(3)}\) Published in 'Fortune India', Vol. V, No. 4, February, 1987
should be an element of essential service to industry and not tax - avoidance, much less tax - evasion.

G.S. Bhalla & Dr. H.S. Sandhu, in their article, "Lease Financing - An Evaluation"(1) hold that lease financing is gaining ground because it has some genuine merits over other modes of acquiring capital assets and also because it helps to exploit provisions of various Acts like M.R.T.P. Act etc. The authors evaluated the reasons of rapid strides in the lease financing business and suggest that efforts should be made to see that it does not become popular at the cost of Law of the country by presenting a distorted picture of accounting treatments. The ideas of these authors are similar to those of K. Srinivasan, referred to earlier.

Tarun Das, in his article "Leasing for the Small Sector"(2) has touched on a new aspect of the problem. In this article the author has pointed out that there is a very big scope for leasing companies to cater to the financial needs of the small scale sector, which is "a vital leg on which the country stands today" and it is easier for leasing companies to penetrate into this segment.

(2) Tarun Das, "Leasing for the Small Scale Sector", 'Modern Management' Vol. IV & V, No. 87, April 88
The research work on leasing entitled "Lease Finance - Origin, Growth, Problems and Prospects"(1), is that of K. Karuppih of Annamalai University. He holds that in India, leasing has come to stay since it is an important recognized source of finance for industrial and business ventures.

The finding of K. Karuppih is that leasing has a very ideal market situation in India, with a very large base of small and medium sized industries, hungry for capital, shy of approaching the market too frequently and deprived of a ready and free access to term finance on easy terms. He further holds that Government regulations of leasing companies and the development of managerial expertise by the lessors for the internal and international operations are the need of the hour if leasing is to be developed properly.

H.P.S. Pahwa, in his article, "Structured Leasing"(2) has defined custom built leasing contracts as 'Structured Leasing', though it is not a standard financial term. According to him, the structured leasing basically comprises of fixation of the rental in such a way that it may vary from year to year depending upon the requirement of the lessee who may not have even cash-flow streams in the coming foreseeable future. The mechanics of fixing the lease rentals in such a case is not only a trying exercise but requires a lot of conceptualization on the part of the lessor. (1)

(1) H.P.S. Pahwa, "Structured Leasing", 'Chartered Secretary', June 1989, p - 428 - 31
In an article, “Tax Planning Through Leasing”, U.N. Kajaria has illustrated how a profit making business can effect considerable tax saving by doing leasing business on a select scale (subject to other relevant provisions) during certain part of the accounting year and then taking advantage of tax shelter which leasing business affords.

R. Narayanswamy in his paper “Lease Accounting Initiative”(3) has held that in the wake of questionable practices by a number of leasing companies in their accounting procedures and declaration of dividends etc.

In another research paper Mr. Narayanswamy has presented the results of a questionnaire based study of the views of a sample of Indian Corporate Managers. His findings(4) indicate some oppositions to lease capitalization. Lessees do not seem to appreciate the need for disclosures of timing of cash flows as well as types of leased assets. According to the author, the need for a transition period is apparently seen by lessees, perhaps to tide over difficulties in implementation of the standard.

(2) U.N. Kajaria, “Tax Planning Through Leasing”,
In an article "Leasing: A Growing Industry" B. Brahmaiah(2) has expressed his opinion that despite mushrooming growth of leasing industry in the recent past, being an indication of its rapidly building faith in industry, a healthy growth and stability is doubtful under existing laws, accounting practices and taxation norms. He holds that the main problem of the leasing companies is their inability to raise resources on continuous basis due to erosion of confidence of investors, lenders or depositors and reluctance of commercial banks and financial institutions to extend a helping hand. Other problems of leasing companies, according to Brahmaiah, are inadequate tax benefits, lack of professional expertise of the management, lack of proper legislation on leasing business and its accounting practices and cut-throat competition from public sector financial institutions. The author maintains that this industry needs full support, co-operation and encouragement from the Government and a regulatory framework to control its mushroom growth and irregularities since leasing is a service to Indian industry and supplements the Governmental development plans.

A review of the material available on the subject, as discussed above, reveals that none of the material falls directly under the specific field of the present study. Some scattered hints on the theoretical aspects obliquely related to the subject-matter are, however, visible here and there.

Thus with all humbleness, the present researcher feels that his work is an original piece of research and is in furtherance of the research work so far done in the field.