

17th General Assembly and Leasing Seminar of Asian Leasing Association

March 03-05 1998
Dhaka, Bangladesh

Organised By:
Bangladesh Leasing and Finance Companies Association (Bangla Lease)

The Daily Star

Special Supplement

March '4, 1998



Minister
Ministry of Finance
Government of the people's
Republic of Bangladesh



MESSAGE

I am pleased to know that the Asian Leasing Association is holding its 17th General Assembly at Dhaka. It is also heartening to learn that on this occasion, the Asia Lease is holding a seminar on Lease Financing and also its 35th Governing Council Meeting, I welcome the delegates here at Dhaka.

This great assembly is taking place at a time when the world of money, capital and business across much of South East Asia has gone through a period of turmoil. But as every cloud has a silver lining and as every crisis produces its own resolution, I hope these Asian countries will soon tide over the economic difficulties.

Like in other Asian countries, lease financing is fast emerging as an alternative investment option in Bangladesh helping the country's industrialization efforts. I believe the Asia Lease assembly at Dhaka would give its participants an opportunity for cross-fertilizing their ideas and experiences. It would certainly go a long way in promoting their professionalism. I wish the conference all success.

SHAH A M S KIBRIA

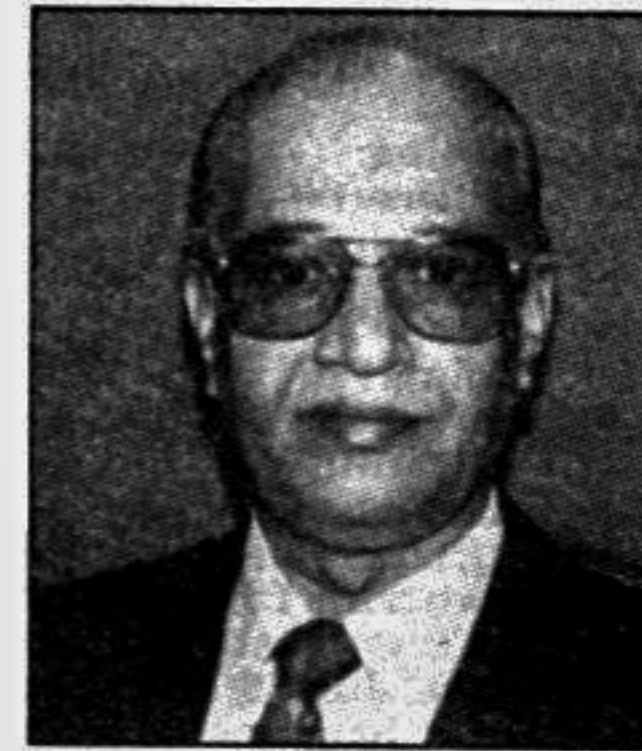
.....about Bangla Lease

To reap the benefit of operating from a common platform, the existing leasing and financing companies of Bangladesh felt the urgent need to form an association sometime in July 1997 and in December 1997 an association was formed under the name and style "Bangladesh Leasing and Finance Companies Association (Bangla Lease)". The initial members of Bangla Lease are 8 in number. All the members unanimously elected Mr. M. Aminul Islam, the Chairman of Bangla Lease who happens to be the President of Asian Leasing Association as well.

MESSAGE

It is a great honor and privilege for Bangladesh Leasing and Financial Companies Association (Bangla Lease) to be able to host the 17th General Assembly and Leasing Seminar at Dhaka. This has been a great occasion in bringing together in our midst so many distinguished leasing practitioners and the captains of the leasing industry from home and abroad. I welcome all the delegates and participants to this great assembly to our capital.

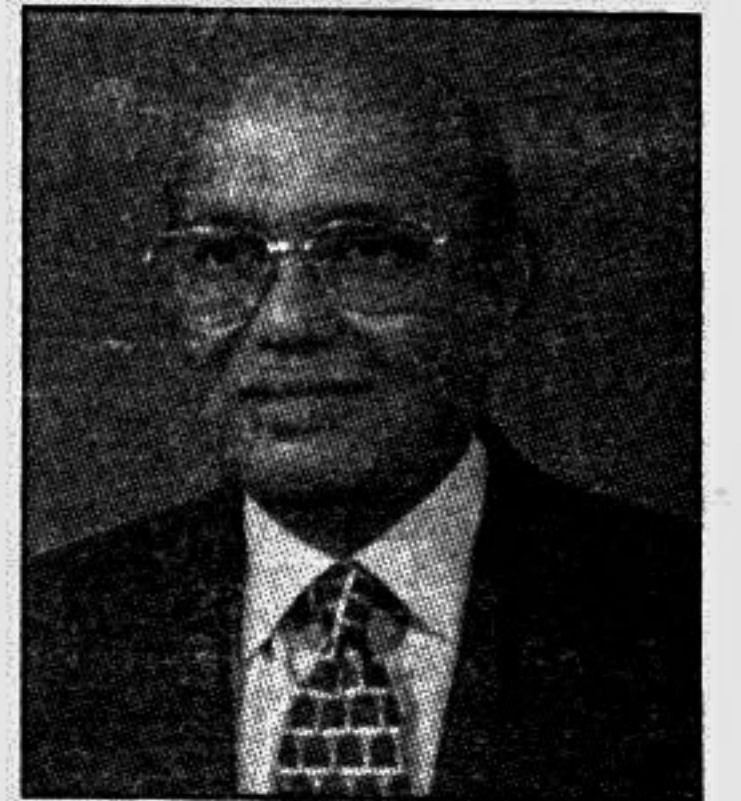
For three days, our distinguished colleagues assembling here will get yet another opportunity to revel in the celebration of ideas on lease financing and share their experiences that will certainly help to further promote their professionalism. This moot at Dhaka this has assumed a particular significance in that it is being held at a critical juncture of economic history when some of the nations in South East Asia have been passing through a bad time due to turmoils in their money and capital markets. They will tide them over, let us hope. And this Asia Lease assembly will certainly give our delegates an opportunity to take a look at the existing realities and map out strategies for facing the new challenges. I have no doubt that the assembly is going to be a great success.



M. AMINUL ISLAM
President, Asian Leasing Association &
Chairman, Bangla Lease



Minister
Ministry of Industries
Government of the people's
Republic of Bangladesh



MESSAGE

I was delighted to learn that the Asian Leasing Association is holding its 17th General Assembly and its Governing Council meeting in Dhaka. It is indeed a great honor and privilege for Bangladesh to be hosting such a grand assembly of leasing industry professionals from across much of Asia. We welcome the distinguished delegates to Dhaka.

There is no doubt that the moot would provide an occasion to focus on the state of the international leasing industry and throw the spotlight in particular on the Asian scenario, disturbed by the economic woes being experienced by some of the nations in South East Asia. I hope that delegates to the conference would dwell on the challenges of the new realities faced by the Asian leasing industry against the backdrop of the currency and capital market turmoils in some of their countries.

Bangladesh, being one of the developing and emerging economies in Asia, is trying to enter the growth era of which industry has been the engine. Of late, leasing has emerged as an important alternative investment option in Bangladesh, helping the country's industrial development efforts. The phenomenal growth of the leasing industry in Bangladesh over the past decade-both in number and coverage is a testimony to the important role they are playing in our industrialization efforts.

I wish the Asia Lease Conference a great success.

TOFAIL AHMED

A case for Leasing in Bangladesh

Sayed Husain Jamal

An ominous star has been traveling through the domain of finance in Bangladesh ever since the creation of the new land called Bangladesh. Over the period of past two decades, the bizarre situation prevailing in national economy in general has resulted in a traumatic condition in the financial sector in particular.

Lease financing has therefore emerged as an alternate source for credit needs and is considered to be the silver lining around the dark patches of clouds hovering in the firmament of trade and industry.

Leasing in Bangladesh is comparatively a new concept. In 1985, the first leasing company was set up followed by a second one in 1989. At present a few leasing companies are in operation and some more are in the offing. The growth of this sector is most phenomenal and indicates the acceptability of this new concept in the financial market. Although the market share of the leasing sector in country's overall investment portfolio is not substantial, yet the trend is encouraging and the growth rate is stiff and steady as is evident from the table appended.

Year	No of company in operation	(Taka in million)	
		Business	
1986	1	44.44	
1987	1	82.35	
1988	1	116.53	
1989	2	158.43	
1990	2	261.97	
1991	2	365.22	
1992	2	415.20	
1993	2	524.67	
1994	2	740.65	
1995	4	1,253.51	
1996	5	2,083.11	
1997	8	2,744.63	
Total		8,790.71	

There is enormous growth potential for leasing in Bangladesh at a time when banks are increasingly shy of extending long term for macro credit. Besides because of some built in control mechanism in lease modality default is not generally committed in the manner it occurs in other Financial Institutions. As a result recovery ratio is very high. Leasing has had some inherent edge over other modes of financing. Some of the advantages may be narrated as under:

- Lease rentals paid by the lessee company are allowable expenditure for that company which means these are allowed to be deducted from the total taxable income.
- The lessee company does not need to report the lease assets in its asset-statement because ownership of these assets lies with the leasing company.
- Leasing is not borrowing and as such the borrowing capacity of the firm remains intact. In other words the firm's lease obligation is not reflected in its balance sheet. As a result, the debt-equity ratio of the company is not adversely affected.
- Procedure for processing any lease proposal is simple and less cumbersome. Documentation is also less expensive.
- Leasing is similar to interest free bank finance which may therefore, be attractive to many who are reluctant to deal with interest oriented business etc. It is however, different from hire purchase on following counts:
 - 1) Benefit of depreciation on assets goes to lessor in case of leasing but in case of hire purchase it goes to Hirer.
 - 2) In leasing, transfer of ownership is effected only after completion of certain formalities but in case of hire purchase it is automatically done as and when dues are fully adjusted.
 - 3) In leasing, sale and lease back is possible, but it is not possible in case of hire purchase.

Leasing companies are in need of regulatory, legal and fiscal environment that at least provide equal treatment compared with other sources of credit and finance in-as-much-as the principle of free economy suggests that the market forces are to be allowed to work on free and equal footing. The fact, however, remains that the leasing companies have been operating as complimentary to other financial organisations. Besides they have emerged in the financial market with some commitment to contribute towards national interest/economy. Leasing companies are therefore required to be nurtured in a manner it is necessary for them to survive on equal footing with their counter parts in the financial market. With this end in view any assistance from Bangladesh Bank by way of credit line or from foreign bodies namely IFC, ADB, CDC, and The World Bank will go a long way in procuring necessary fund so as to contribute towards infra-structure developments and also to invest in various productive projects. Co-finance by way of syndication with fellow financial institutions may also be explored for this purpose. Another problem now facing this sector is the dearth of proper expertise in the profession. As a matter of fact no training arrangements are there for leasing and investment banking which is the prime need of the time particularly at a time when many more new companies are likely to be permitted to operate in the market. Till such time a Training Institute for this purpose is established, the existing BIMB may impart necessary training if the authority so feels.

Last but not the least, in the context of Bangladesh where "default culture" has rocked the whole banking edifice, the leasing may be considered as the appropriate alternate source of finance. But utmost care has to be exercised to prevent this Institution from gathering moss on its surface.

The writer is the Managing Director
of Uttara Finance and Investments Limited.

Bangladesh Leasing and Finance Companies Association (Bangla Lease)

LIST OF MEMBERS

- 1) IDLC of Bangladesh Limited
- 2) International Leasing & Financial Services Limited
- 3) United Leasing Company Limited
- 4) Phoenix Leasing Company Limited
- 5) Uttara Finance and Investments Limited
- 6) GSP Finance Company (BD) Limited
- 7) Prime Finance & Investment Ltd.
- 8) Bay Leasing & Investments Ltd.

Courtesy:

Amin Jewelles Ltd.
Doel Group of Industries
Tamijuddin Textile Mills Ltd.