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Leasing Market Evolution in Romania Compared to the Evolution of Consumer Loans

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A R T I C L E I N F O

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A B S T R A C T

The emergence of leasing operations was determined by the fast pace of trade, supply, and demand, technical progress, which involves immediate decisions and investments. As a financing instrument, leasing can only be efficient and modern if it differs in speed and advantages over other forms of financing investment objects and the purchase of durable goods. In the literature, the benefits of the leasing financing operation are treated extensively. Its assessment is based on quantitative and qualitative factors, which tip the balance in favor of leasing. Many customers face difficulties when it comes to buying a car. They are confused when choosing between leasing and credit, not knowing which method is the alternative. Regardless of how the car is purchased, the cost must be minimal, while the cost-quality ratio is as balanced as possible.

1. Introduction

An original financing technique, leasing is, in a broad sense, a term financing operation practiced by a financial company, and it has as legal support a lease.

Consumer credit expresses relations of redistribution of financial resources between owners and non-owners of such resources. On the one hand, banks mediate the attraction of temporarily free money resources from the market, and on the other hand, they direct them to applicants for such resources. Bank loans are granted for specific purposes, on limited terms, based on material guarantees, and bear interest.

Both the leasing market and the consumer credit market in Romania have developed considerably in recent years.

2. Statistical data related to leasing in the period 2017 - 2019

The year 2018 was the most profitable year for financial leasing since its entry on the Romanian market, according to significant players in the field, with an estimated volume of new financing of 2.5 billion euros, about three-quarters of which went to the automotive sector, a fact also represented in figure 1.1.

It is noted that 2018 registers a percentage of 77% of the funding compared to 2017, when funding reached a value of 68%. In 2019 there is a decrease of 4%, thus reaching 73%.

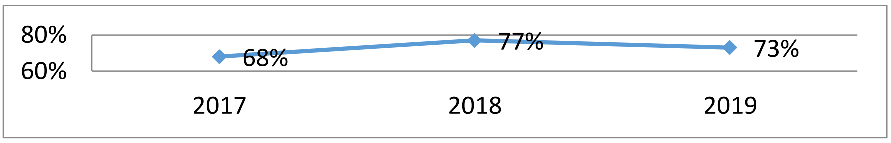

Figure 1.1. The evolution of vehicle financing in the period 2017 - 2019
Source: authors' contribution based on the site www.alb-romania.ro

The companies are the ones that most often resort to the leasing operation to purchase a car, being followed by individuals.

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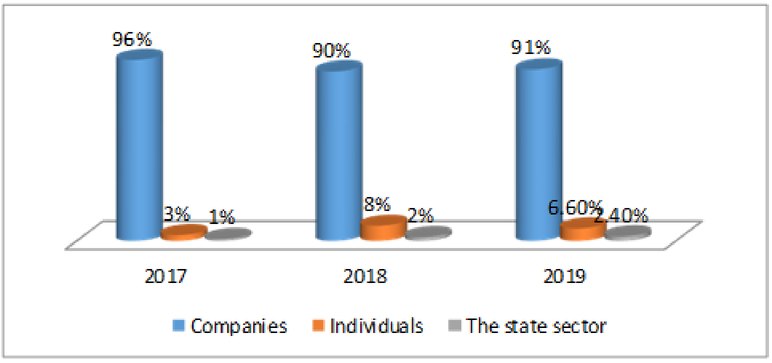

Figure 1.2. Financial leasing market by category of user
Source: authors' contribution based on the site www.alb-romania.ro

Thus, in 2017 about 96% of users were companies, 3% - individuals, and only 1% - the state sector. In 2018, the number of individual users will increase, reaching 8%, but it will decrease to 6.60% in 2019.

Leasing companies offer their customers new and used cars.

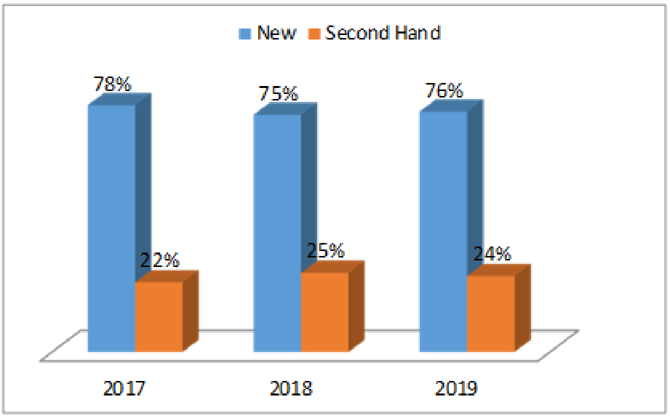

Figure 1.3. The financial leasing market by acquisition type in the period 2017 - 2019
Source: authors' contribution based on the site www.alb-romania.ro

Analyzing figure 1.3. we deduce the idea that new cars are the ones preferred by customers. Thus, the year 2017 registers the highest value for purchasing new vehicles, namely 78%, and the year 2018 the highest value for used cars - 25%. In 2019, the value of new cars reached 76%, and of those already used, 2.4%.

Leasing companies offer customers the possibility to conclude contracts for well-defined periods, usually from one to five years, but this can be extended if necessary. When buying a car using leasing, we opt for a maximum period of three years, but it also depends on the user's preferences.

It is visible that contracts hold the most significant share with a duration of more than one year and less than five years. However, most often, contracts are signed for three years because the car wears out, and there is no point in using it for a more extended period.

Contracts for one year have the lowest weight because they require the amount in a shorter time, which not all customers can afford. The most common are those older than one year and younger than five. Starting with 2017, the contracts between 1 and 3 years are constantly growing. For 2019, 43% of the total number of vehicles was financed for 1-3 years and only 9% for longer than five years.

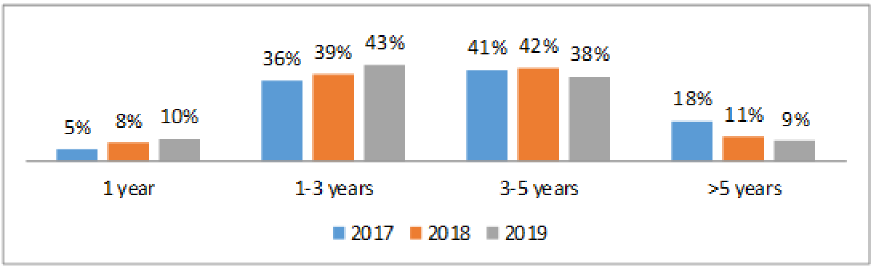

Figure 1.4. Financing of vehicles after the duration of the contract
Source: authors' contribution based on the site www.alb-romania.ro

When an individual uses a leasing company, he is interested in the currency in which the operation will occur.

Each leasing company sets its own financing rules. They offer financing in euros and lei. Regarding the funding structure, there is a tendency to increase funding in RON, but the dominant one remains the one in EUR..

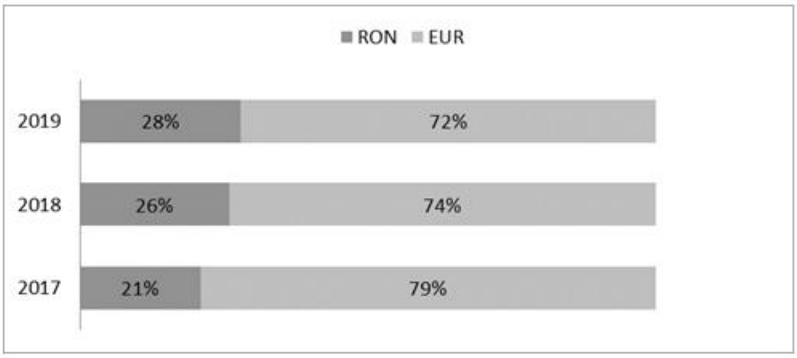

Figure 1.5. The structure of financing in lei and in euro for the period 2017 - 2019
Source: authors' contribution based on the site www.alb-romania.ro

Usually, the clients who use the financing in lei are the ones who avoid the currency risk.

The most purchased car leasing brands in 2017 - 2019 were Dacia, Toyota, Volkswagen, BMW, and Renault.

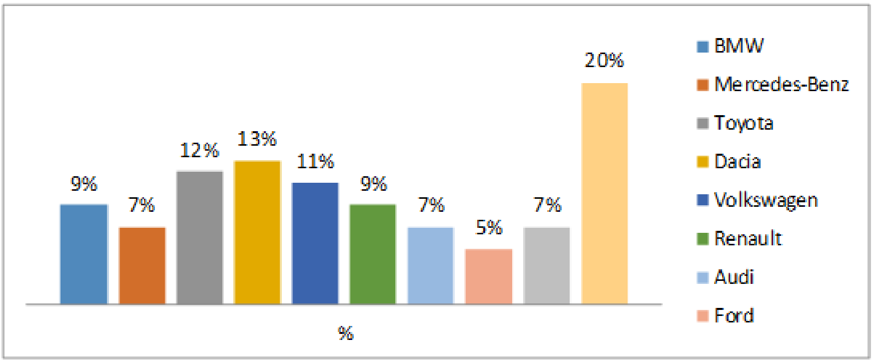

Figure 1.6. The most purchased car leasing brands in the period 2017 - 2019
Source: authors' contribution based on the site www.autovit.ro

In **table 1.1.** are presented the most important leasing companies in Romania by the value of financing in 2018.

Table 1.1. Leasing companies ranking after the 2018 funding value

Position 2018	Company Web address	Value of assets financed in 2017 (mil. lei)	Value of assets financed in 2018 (mil. lei)	Net profit 2017 (mil. lei)	Net profit 2018 (mil. lei)	Majority shareholder
1.	**UniCredit Leasing** www.unicreditleasing.ro	2.000	2.200	105	70	UniCredit (Romania)
2.	**Impuls Leasing** www.impuls-leasing.ro	1.102	1.322	20,8	33,5	Impuls Leasing International (Austria)
3.	**BCR Leasing** www.bcr-leasing.ro	914	1.005	40,4	45,3	BCR (Romania)
4.	**Idea Leasing** www.idealeasing.ro	554	602	5,8	5,9	Getin Holding (Poland)
5.	**BRD Sogelease** www.brdleasing.ro	482	530	20,4	22,2	BRD (Romania)
6.	**Raiffeisen Leasing** www.raiffeisen-leasing.ro	460,8	571,2	21,1	19,2	Raiffeisen Bank (Romania)

Source: authors' contribution based on data collected from company websites

According to the data, UniCredit Leasing, Impuls Leasing, BCR Leasing, Idea Leasing, BRD Sogelease and Raiffeisen Leasing are the companies that recorded the best results

2. Statistical data related to consumer loans in the period 2017 - 2019

Consumer loans are the type of loans most often used by people with moderate incomes to purchase a longer-lasting good with a higher value.

As can be seen in Table 2.1., the value of consumer loans from 2017 to 2019 is increasing.

Table 2.1. The value of consumer loans granted in millions of lei

Period	Total (mil. lei)	in lei	in euro	In other currencies
2017	**53.835,5**	39.519,4	12.273,7	2.042,4
2018	**57.934,0**	45.575,1	10.699,2	1.659,7
2019	**60.084,2**	49.074,1	9.521,5	1.487,9

Source: authors' contribution based on the data collected from www.bnr.ro on 20.04.20

The customers' preference to requesting loans in lei; thus, in 2019, they reach a value of 49,074.1 million lei, with 4,000 million lei more than in the previous year and with 10,055.7 million lei compared to 2017. Loans in euro and other currencies are declining, indicating both customers 'and banking institutions' fears of exchange rate losses.

Consumer credit refers to any type of credit other than real estate investment credit. Consumer loans can be: for personal needs, for studies, for medical services, and, last but not least, for cars.

The distribution of consumer loans in two categories, namely, loans for personal consumption and car loans, is presented in the figure below in the period 2017 - 2019.

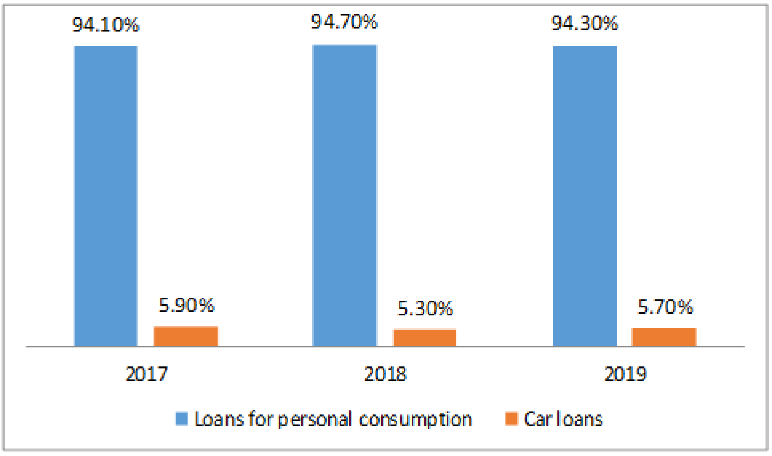

Figure 2.1. Distribution of consumer loans in the period 2017-2019

Source: authors' contribution based on the site www.alb-romania.ro

The credits intended for personal consumption stand out, with the highest share held during the entire analyzed period, the car loans having a much lower share. Thus, out of a total of 100% in 2017, only 5.90% were used for the purchase of vehicles, in 2018 - 5.30%, and 2019 - 5.70%.

Regarding the consumer loans granted by value, the loans with a value between 0 - 5,000 RON and 5,001 - 20,000 RON have the largest share.

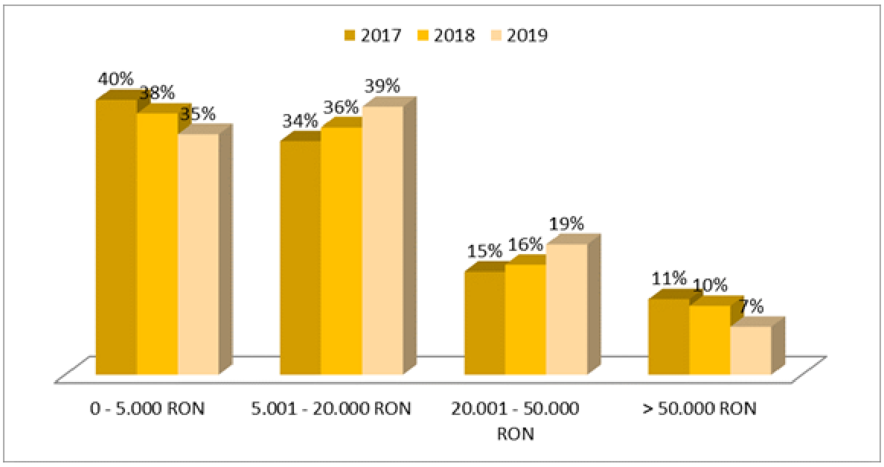

Figure 2.2. Consumer loans granted in the purchase of a vehicle by value

Source: authors' contribution based on the site www.bancherul.ro

In 2017, 40% of the requested loans had a value between 0 - 5,000 RON and only 11% - amounts higher than 50,000 RON. It was mentioned the maintenance of the same ranking in 2018. The highest number of loans with a value between RON 5,001 - 20,000 is registered in 2019, and there is an increase in the number of loans with a value of RON 20,001 - 50,000.

Table 2.2. presents the top five banking institutions with the lowest effective interest rates in 2019. The first place in the ranking belongs to the Commercial Bank of Romania, which has a fixed interest rate of only 8.01%, and the last one belongs to Idea Bank with a variable interest rate of 9 04%.

Table 2.2. Top banks with the lowest effective interest rates (DAE) on consumer loans in 2019

No.	Bank	DAE	Interest rate
1.	**BCR**	8,01 %	fixed
2.	**Patria Bank**	8,79 %	variable
3.	**Banca Transilvania**	8,83 %	fixed
4.	**OTP Bank**	8,92 %	variable
5.	**Idea Bank**	9,04 %	variable

Source: authors' contribution based on the site www.conso.ro

It is concluded that the value of consumer loans is increasing during the analyzed period, about 6% of the total value being intended for the purchase of cars, and the bank that offers the most beneficial interest in this regard, according to the ranking, is BCR - Commercial Bank of Romania. The most requested are loans with a value between 0 - 20,000 RON, which outlines the idea that most customers buy used cars, second-hand.

3. Questionnaire-based study on consumer preferences

The purpose of the analyzed questionnaire is to identify the alternative method of financing a vehicle in the opinion of users. The questionnaire consists of a series of 14 questions. It was completed by 120 people of different ages and genders.

Next, we will analyze the data obtained for each question.

Are you familiar with the notion of leasing?

Leasing is the operation in which a lessor undertakes to buy or take from a supplier, at the user's request, a movable or immovable property, transmitting to the user his possession or use, for a payment, called royalty.

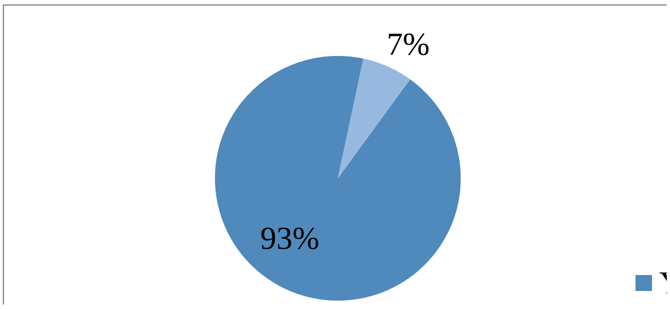

Figure 3.1. Knowledge of the notion of leasing
Source: authors' contribution

Thus, 112 users, which in percentage would mean 93%, know the notion of "Leasing", while 8 of them, ie 7% - no.

Have you ever bought a leased car?

When it comes to buying a car, users choose the best option for them. Some of them used leasing or credit; others purchased the car from their own resources.

Twenty-two people have purchased, at least once, a car using the leasing method, while ninety-eight users have never used this method, which can be seen in ***figure 3.2.***

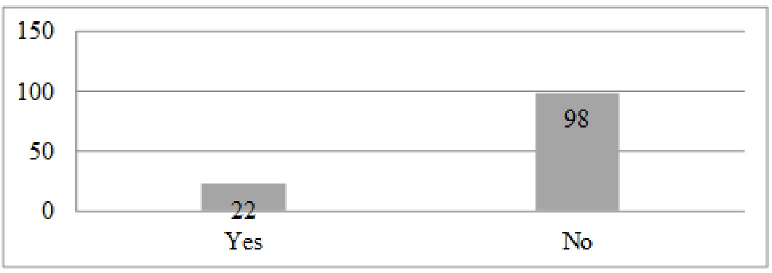

Figure 3.2. Purchasing a leased car
Source: authors' contribution

1. **Have you ever bought a car on credit?**
Out of a total of one hundred and twenty people, only nine purchased a car on credit.

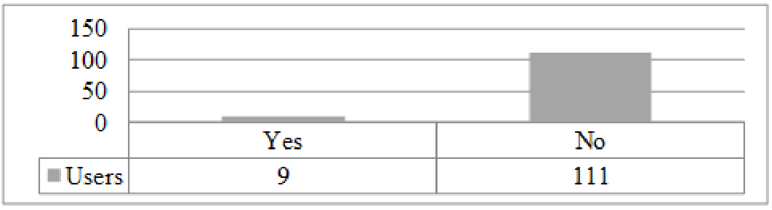

Figure 3.3. Purchasing a car on credit
Source: authors' contribution

This indicates the idea that more cars were purchased on lease than on credit.
What method of financing would you prefer to buy a car?
Users had a choice between two options, namely leasing and credit financing. Thus, 56% of the subjects of the questionnaire chose leasing as the preferred financing method, while 44% - credit.

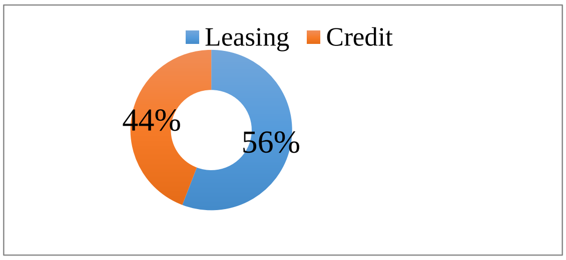

Figure 3.3. The preferred method of financing
Source: authors' contribution

From ***figures 3.1; 3.2. and 3.3.*** it is noted that more users prefer leasing financing than credit, and leasing is used to purchase a car.
What criteria would play a decisive role in the purchase of the vehicle?
The criteria that play a decisive role in the purchase of the vehicle are the price and the right of ownership over the good. Thus, for 46% of those surveyed, the price plays the essential role, followed by the property right, with 29% of the answers.

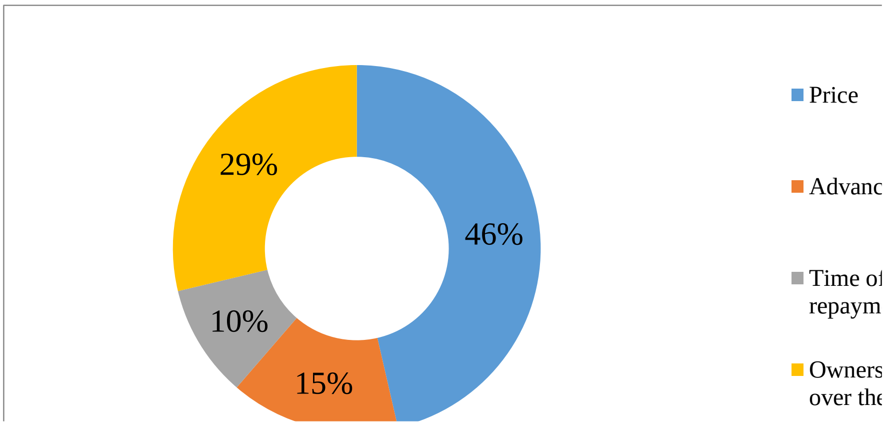

Figure 3.4. Decisive criteria in the purchase of the vehicle
Source: authors' contribution

What source of information influenced you in choosing the financing method?
There are many sources of information that help users make the right choice of funding method.

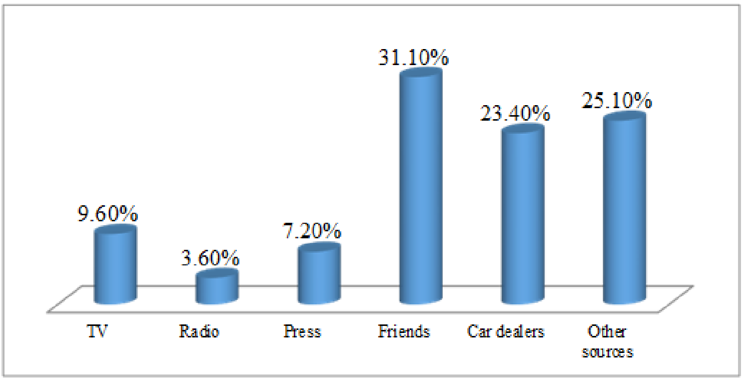

Figure 3.5. Sources of information that influence the choice of financing method
Source: authors' contribution

From figure 3.6. it is observed that the clients were informed about the financing methods from different sources. About 31.10% of respondents were informed by friends/acquaintances, 23.40% took into account the advice of car dealers, 9.60% were broadcast by television, and a rather impressive percentage of 25.10% from other sources.

Would you turn to the leasing company or the bank to purchase the car through a lease?

This is one of the questions faced by consumers who want to buy a car using leasing as a method of financing.

Both banks and leasing companies offer customers attractive offers. Each institution has its conditions that it takes into account when serving customers. Leasing contracts are granted in lei and euro.

Following the centralization of the results, 74% of those surveyed would turn to purchase the car to a leasing company, while only 26% - to a bank, which shows that customers prefer leasing companies more than banking institutions.

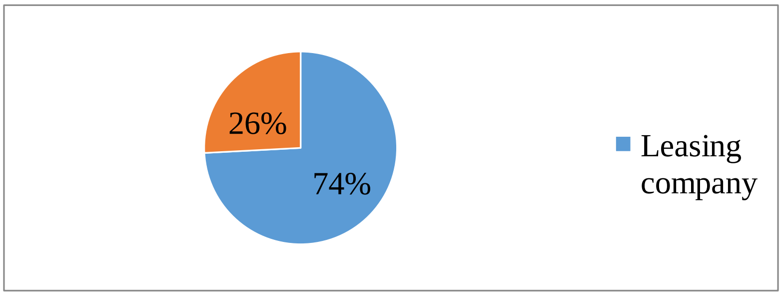

Figure 3.7. Choosing the institution to purchase the vehicle
Source: authors' contribution

On a scale from 1 to 10, how do you appreciate the services provided by leasing companies in Romania?

The wide range of offers consists of both the sale of new and second-hand cars.

We asked the respondents to answer on a scale from 1 to 10, their satisfaction, 1 being dissatisfied and 10 - very satisfied. Following the answers, the average for customer satisfaction is 6.93 / 10. Only one customer was disappointed with the services provided by leasing companies, while 10 of the 120 responded that they were very satisfied.

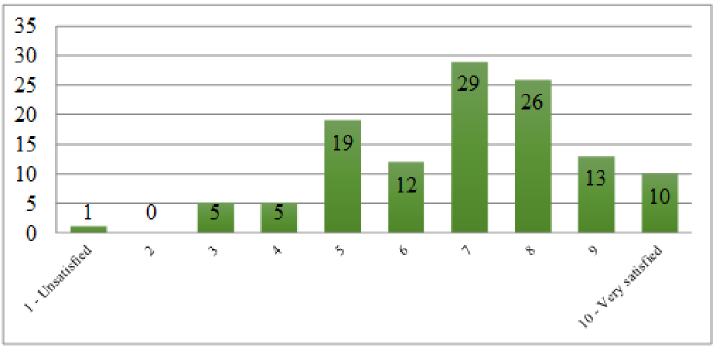

Figure 3.8. User satisfaction with regard to leasing companies
Source: authors' contribution

Favourite banks in order to obtain a loan

In Romania, many banks can be used to obtain a loan for the purchase of a car. Among Romania's most well-known banking institutions, we mention the National Bank of Romania, the Commercial Bank of Romania, BRD - Groupe Societe Generale, Banca Transilvaniei, Raiffeisen Bank, CEC BANK, and others.

After analyzing the results, the respondents' preferred bank is BCR - Commercial Bank of Romania, followed by BRD - Groupe Societe Generale and Banca Transilvaniei. Many respondents would turn to other banks, such as ING Bank, Alpha Bank, Garanti Bank, Libra Bank, OTP Bank, and others. But fewer customers would turn to CEC BANK.

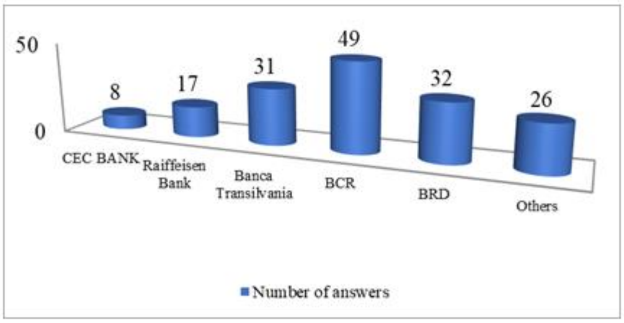

Figure 3.9. The most used banks to obtain a loan
Source: authors' contribution

How satisfied are you with the banking services, especially the granting of loans, in Romania?

Banks provide customers with various services, such as issuing bank cards, granting different types of loans, setting up deposits, etc. Their diversity and their conditions differ from one bank to another.

To assess how satisfied customers are with the granting of loans, we asked respondents to choose their degree of satisfaction. Thus, according to the survey, 14 users were very satisfied with the services provided by the selected institution, 51 of them, being the most, were satisfied. Neither satisfied nor dissatisfied were 40 people, while 4 out of 120 were very dissatisfied.

From the analyzed results, many users of banking services are satisfied with the performance of the chosen banks.

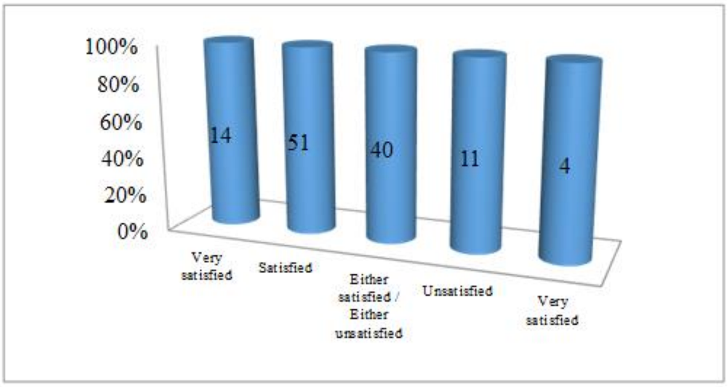

Figure 3.10. Customer satisfaction with banking services
Source: authors' contribution

Of those who completed the questionnaire, forty-three people are men, which in percentage would mean 35.8%, and seventy-seven - women, ie, 64.2%.

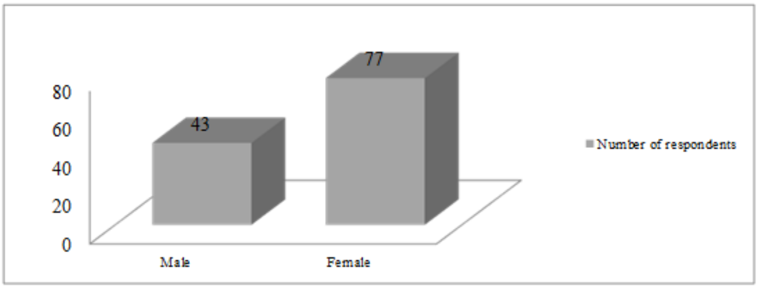

Figure 3.11. Kind of users
Source: authors' contribution

Most respondents, namely sixty-seven, are between 18 and 24 years old, followed by those aged 25-34.

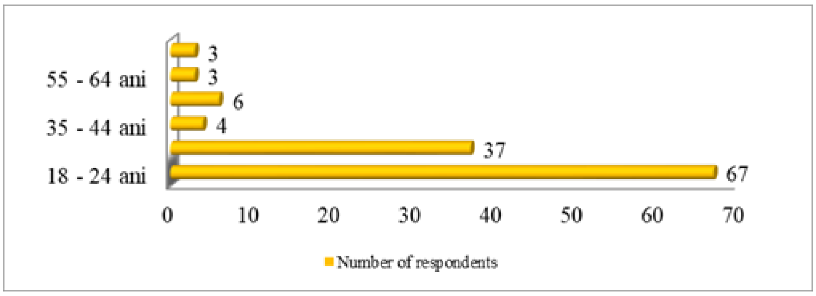

Figure 3.12. Respondents age
Source: authors' contribution

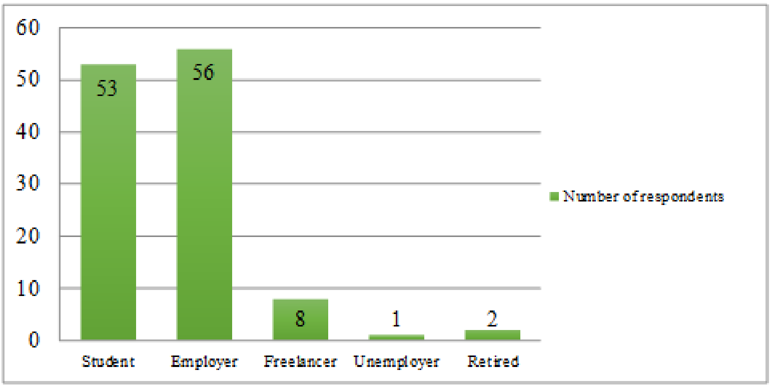

Figure 3.13. Occupation of users
Source: authors' contribution

From **figure 3.13**. we deduce that students and employees were more active in their responses.

Regarding the monthly income of the respondents, we can say that only 28.3% of them have a net salary that exceeds the amount of RON 3000. 15.8% of those surveyed have a monthly income of 2001 - 2500 RON, and 15% have an income of less than 500 RON.

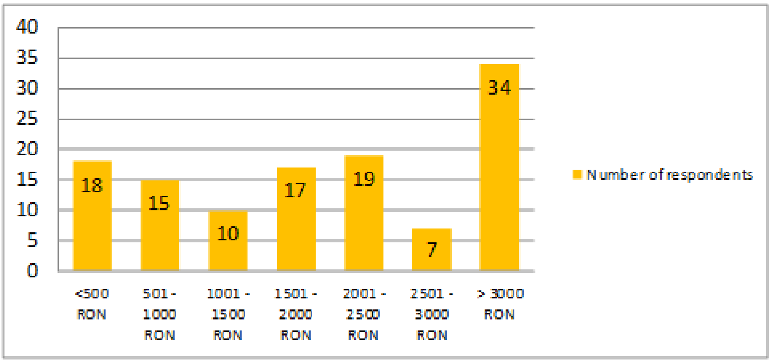

Figure 3.14. Monthly income (net salary)
Source: Made by the author

Following the interpretation of the questionnaire results, it is concluded that leasing is the alternative method of financing. Most respondents bought more cars on a lease than on credit, and those who do not own a car, but want to buy it, would use leasing as well. To this end, they appealed for information to car dealers, friends, and other sources.

Conclusions

Credit and leasing are two essential methods of financing for both legal entities and individuals. Leasing offers the possibility to purchase the goods. Still, it does not immediately provide the right of ownership over the good, while the loan allows the customer to become the owner as soon as he signs the contract. These methods allow individuals with different income categories to purchase a vehicle.

Following the analysis of the evolution of leasing and credit operations in Romania during 2017-2019, this method has a positive trend. Among the companies that occupy important places in these fields are BCR, Banca Transilvania.

Both after the simulation and after the interpretation of the questionnaire results, it can be seen that leasing is becoming more and more advantageous. This shows that more and more customers will resort to leasing because the given operation is the most profitable.

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