

Leasing Revisited: Mastering the Digital Transformation with Traditional Financing

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Abstract : This article discusses the role of leasing on the digital transformation process of companies and corresponding economic effects. Based on the traditional mechanisms of leasing, this article focuses in particular on the benefits of leasing as financing instrument with regard to the innovation potential of companies. Practical examples demonstrate how leasing can become an integral part of new business models. Especially, with regard to the digital transformation and corresponding investments in know-how and infrastructure, leasing can play an important role. Furthermore, findings of an empirical survey are presented dealing with the usage of leasing in Switzerland in an international context. The survey shows not only the benefits of leasing against the backdrop of digital transformation but gives guidance on how other countries can benefit from promoting leasing in their legislation and economy. Based on a simulation model for Switzerland, the economic effect of an increase in leasing volume is being calculated. Again, the respective results underline the substantial growth potential. This holds true especially for economies where asset-based lending is rarely used because of a lack of entrepreneurial or private security of the borrower (cash-based financing for developing and emerging countries). Overall, the authors found that leasing using companies are more productive and tend to grow faster than companies using less or none leasing. The positive effects of leasing on emerging digital challenges for companies and entire economies should encourage other countries to facilitate access to leasing as financing instrument by decreasing legal-, tax- and accounting-related requirements in the respective jurisdiction.

Keywords : Cash-Based financing, digital transformation, financing instruments, growth, innovation, leasing

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