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# Comparative Analysis of Leasing's Evaluation as a Method of Financing Investments in Greek Agribusiness Sector Before and During Greek Economic Crisis

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**Abstract:** Financing for acquiring assets in Greek agribusiness sector is very common and supports Greek agribusiness SME's production. Purpose of this study is the comparative analysis of leasing's evaluation as a method of financing in order to acquire assets used directly in the production process of a business of secondary Greek agribusiness sector or even vertically integrated business. Thus, research was held in April of 2006 and December of 2012, collecting proper data from Greek banking sector and considering Tax Legislation. Decision for the selection of the financial practices in the event of such an investment should be made after taking into consideration several factors. Proper financial evaluation of future investment is necessary, while it's too necessary to be compared the financing choices that are given in Greece. Considering Tax Legislation, Banking Practices, and Law on Leasing, financing methods were compared in two different reference periods, before and during Greek economic crisis. Avoiding generalizations, typical examples are given, showing that leasing preceded against borrowing, considering conditions prevailing in Greece at these two reference periods. But decision making for selection of financing method is affected by factors, which may lead to either correct or incorrect conclusions for firm's interests, if evaluation is not correct or there are personal interests of decision-makers in the administration. Consequently, incentives to use leasing for financing a business can be a lot, but quite important are ownership structure, nature of investment opportunities, business risk and tax status.

**Keywords:** Financing, Leasing, Borrowing, Agribusiness, Investments, Smes, Economy, Crisis

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## 1. Introduction

Greek agricultural sector is facing multiple problems that are mainly structural and exacerbated in recent decades. Intense structural problems existing in Greek agricultural sector can be summarized in topics such as producers' large number associated with a large number of small farms, significant geographic dispersion of production units, small production factors mobility, main characteristics of human resources - low educational level and high average aged - cooperatives' functional problems, and imbalance between crop and livestock production.

Towards improving competitiveness of Greek agricultural production and therefore necessity of agricultural structures' improvement, some investments are essential to be made. However, investment financing is a major problem, particularly in a crisis period, for Greek agribusinesses of

secondary sector. Common agricultural structural policy has contributed so far in this direction. Of course, compulsory participation of owner's equity for funding such investments drives owners to external financing, of which bank lending is the most common.

In this study, a different way for financing new investments in Greek agribusiness sector was examined. Thus, financial leasing was compared to bank loans. A comparative analysis and determination of best financing method was held between two financing methods and two different reference periods that have different qualitative characteristics.

## 2. Literature Review

Leasing is a method, but above all, a financing technique that allows business either to obtain use of capital goods without cash flow disbursement, or to utilize any unused funds

already invested in capital goods. There are two main categories of leasing that distinguished based on their characteristics: operating leasing and financial leasing.

Literature has identified firms' characteristics influencing choice of financing method for acquisition of fixed assets. These are ownership structure, nature of investment opportunities, business risk, and tax status.

Ownership structure consists of elements such as percentage of shares held by top management, and existence of blockholders or not. These elements may affect incentives of top management, and effectiveness of shareholders' control in top management, as described in agency theory and mentioned by Jensen and Meckling [1]. Smith and Wakeman [2] argued that if management holds a high degree of shares then looks for external financing at a higher degree, either financial leasing or lending. Flath [3] supported that use of financial leasing is more likely in closely controlled firms.

Firm's investment opportunities, expressed by nature of current and future assets, affect investors' willingness to borrow. Moreover, importance of growth opportunities associated with assets, and firm's specialization affect use of financial leasing and lending. Barclay and Smith [4] argued that firms with higher growth opportunities rely more on leasing than other lower forms of debt, for a given indebtedness amount.

Williamson [5] supported that easily reusable assets, such as equipment, are more preferable by a lessor or lender as collateral in case of external financing.

The bigger business risk is, the greater chances for conflicts of interest between shareholders and creditors are, and the higher financial distress costs are, too. Financial theory predicts that bigger business risk will tend to reduce use of fixed assets.

Financial theory argues that firms with small or no tax liabilities are more likely to lease goods than use borrowing, while opposite is valid for fully taxed firms.

Theory of leasing had focused on differences between taxation of the lessee and the lessor as dominant concept for leasing [6-11].

Finucane [12] showed that firms in certain industry sectors, including aviation and retail, rely on leasing more than others in various other sectors, while leasing varies relatively more across sectors of industry and relatively less within firms [13].

Vora and Ezzell [14] identified significant tax difference between lessee and lessor, even though tax rate of each one didn't differ necessarily.

Financial theory suggests that leases and corporate debt are substitutes. Despite this, confusion prevails in empirical level.

Leasing and borrowing are two kinds of specific contractual indebtedness that both reduce a firm's potential to further borrowing (debt capacity). Thus, greater use of lease financing relates to reducing use of debt financing.

In every business, financial leasing and borrowing are substitutes, but firms used leasing use indeed higher debt levels compared with those do not use it [15].

Deloof and Verschueren [16] found a significant negative

relationship between long-term debt and proportion Financial Leases/Total Assets known as Lease Ratio, but financial leasing isn't perfect substitute for long-term debt.

As business profitability increases, lease ratio will decrease, since they have a negative correlation. Gavazza [17] supported that expected costs of external financing decrease with asset liquidity.

Business size has correlated significantly positive with leasing in literature, although Rampini and Viswanathan [18] supported that business size influences debt structure but not total amount of leverage, since they found that mean debt plus lease ratios are relatively constant across firm size, but debt ratios without leases are positively correlated to business size.

Firm growth seems to have no effect on leasing, while current and fixed assets were significantly negative influenced.

Variability and lease ratio had a positive correlation, since the bigger business risk is, the more businesses choose leasing. In case of default, it is rather easier for lessor to regain assets' possession than a lender to acquire collateral. Studies showed that in case of distress, collateral tied to a lease contract is easier to seize than is collateral tied to secured debt, and thus, leasing increases debt capacity [19, 20]. Research conducted with use of dynamic models pointed that mentioned above benefit of leasing is offset by cost of separating asset ownership and control in leasing, and thus, more constrained and less profitable businesses are more likely to lease [19, 20]. Also, businesses with low leverage level are mainly those with few tangible assets, and these firms are significant users of leasing [18].

Mehran et al. [21] examined the effect of shareholding by top management on leasing, since theory suggests that ownership structure is an important determinant of lending and financial leasing. Theory suggests that ownership structure affects decision to lease assets. Top management that owns a large number of shares prefers to use leasing as a financing method.

### 3. Methodology

Research was held in April of 2006 and December of 2012, collecting proper data from Greek banking sector and considering Tax Legislation.

Selection decision by a Greek agribusiness for financing an asset's investment must be done taking into consideration several factors.

Proper financial evaluation of future investment is necessary, and also comparing financial choices given in Greece is mandatory.

Considering Tax Legislation (tax and depreciation rates), Banking Practices (interest rate, discount rate, lease rate), and Law on Leasing, two financing methods were compared in two different reference periods, before and during Greek economic crisis.

For study conducted, data from banking institutions and their affiliates, which are active in leasing, tax office, National Printing Office, European Central Bank, and finally

by internet were obtained.

Particularly, two most common methods of obtaining assets used by Greek agribusiness sector, that is financial leasing and borrowing, were compared.

The choice of a financing method with minimum cash outflows about the same financial investment was sought. Using comparison of methods based on net present value (NPV) of cash outflows, conclusions are drawn regarding the most advantageous of financing methods.

A spreadsheet was developed and thus, present value of cash outflows was calculated for both financing methods (financial leasing and borrowing). These cash outflows were calculated using the method of present value so that is comparable, taking into consideration tax rates, depreciation rates, tax saving, interest and lease rates, while discounting was performed using interest rate after taxes.

Thus, some patterns are presented, which are as far as possible nearest to Greek agribusiness reality, and we use the most common data for borrowers and lessees received from lessors and tax office. Avoiding generalizations, typical examples are given, considering conditions prevailing in Greece at these two different reference periods.

It is important, of course, the choice of the most advantageous financial method at each reference period, but it is more significant the comparison between the two different reference periods, before and during Greek economic crisis, because economic conditions was completely different in Greece at these periods.

Thus, the similarity or not of financing an asset of Greek agribusiness sector and the use of financial practices for investments and continuity of a Greek agribusiness, were sought for these two reference periods, and particularly during the economic crisis that exists in Greece since 2009.

## 4. Evaluation of Financing Methods

Depreciation rates varied by case, and were 12% - 8% min. and 12% max. - for canning machinery, 15% - 11% min. and 15% max. - for other machinery and equipment of an agribusiness, provided that specific assets used directly in the production process, and finally 20% - 15% min. and 20% max. - for office equipment, at these two periods.

Tax rate for fiscal year 2013 - refers to period from 01/01/2012 to 31/12/2012 - was 20% for all domestic public limited companies, limited liability companies, general and limited partnerships, cooperatives and associations, public and municipal enterprises, and foreign companies and organizations. Tax rate for fiscal year 2007 - refers to period from 01/01/2006 to 31/12/2006 - was 29% respectively.

Lease rate, for lease payments per quarter, formed of the sum of euro interbank offered rate 3 month and spread amounting to 8.92%. Thus, EURIBOR 3M was at the level of 0.19%, while lease rate at 9.11% in December of 2012. In April of 2006, the corresponding lease rate was 6.77%.

Basic interest rate for asset investment ranged from 8.90 to 9.25%. In patterns, interest rate suitable for amount of funds loaned is considered the percentage of 11.20% (9.10%+1.5% spread+0.60% of Law 128/75) in December of 2012. The corresponding interest rate for asset investment ranged from 7.35 to 9.35% and thus 8.35% is used in patterns for April of 2006.

In first pattern (Tables 1 and 2), an asset investment in peaches processing firm, which seeks to obtain equipment like a new cutting machine and canning to produce stewed fruit, or a poultry processing plant that goes into obtaining equipment for cutting and packaging of fresh and frozen chicken, was assumed. The value of investment is suitable for this kind of investments and amounts to € 80,000.

*Table 1. Asset investment in peaches processing firm (2006) - Borrowing.*

INVESTMENT VALUE € 80,000 (borrowing)								
Investment (€)		80,000.00			Peaches processing firm - canning machinery			
Duration (years)		5						
No periods per year		4						
No Payments		20						
Depreciation rate		12%						
Interest rate		8.35%						
Tax rate		29%						
Discount rate		8.35%						
Period	Discount factors	Payments	Depreciation	Interest	Depreciation+Interest	Tax saving	Net Outflows	P V of n outflows
1	0.985395	4 933.947	0	1 670.000	1670.000		4 933.947	4 861.888
2	0.971004	4 933.947	0	1 601.865	1601.865		4 933.947	4 790.881
3	0.956822	4 933.947	0	1 532.308	1532.308		4 933.947	4 720.911
4	0.942848	4 933.947	9 600	1 461.299	11061.299		4 933.947	4 651.963
5	0.929078	4 933.947	0	1 388.807	1388.807		4 933.947	4 584.022
6	0.915509	4 933.947	0	1 314.802	1314.802	4 600.987	332.960	304.828
7	0.902138	4 933.947	0	1 239.253	1239.253		4 933.947	4 451.103
8	0.888963	4 933.947	9 600	1 162.126	10762.126		4 933.947	4 386.095
9	0.875980	4 933.947	0	1 083.389	1083.389		4 933.947	4 322.037
10	0.863186	4 933.947	0	1 003.009	1003.009	4 264.447	669.501	577.904
11	0.850580	4 933.947	0	920.950	920.950		4 933.947	4 196.714
12	0.838157	4 933.947	9 600	837.179	10437.179		4 933.947	4 135.422
13	0.825916	4 933.947	0	751.659	751.659		4 933.947	4 075.025
14	0.813854	4 933.947	0	664.354	664.354	3 898.913	1 035.034	842.366
15	0.801967	4 933.947	0	575.226	575.226		4 933.947	3 956.865
16	0.790255	4 933.947	9 600	484.238	10084.238		4 933.947	3 899.076

INVESTMENT VALUE € 80,000 (borrowing)								
17	0.778713	4 933.947	0	391.350	391.350		4 933.947	3 842.130
18	0.767340	4 933.947	0	296.523	296.523	3 501.888	1 432.059	1 098.877
19	0.756134	4 933.947	0	199.717	199.717		4 933.947	3 730.723
20	0.745090	4 933.947	9 600	100.890	9700.890		4 933.947	3 676.237
21	0.734208	0	0	0	0.000		0.000	0.000
22	0.723486	0	0	0	0.000	3 070.659	-3 070.659	-2 221.578
23	0.712919	0	0	0	0.000		0.000	0.000
24	0.702507	0	9 600	0	9600.000		0.000	0.000
25	0.692247	0	0	0	0.000		0.000	0.000
26	0.682137	0	0	0	0.000	2 784.000	-2 784.000	-1 899.070
27	0.672175	0	0	0	0.000		0.000	0.000
28	0.662358	0	9 600	0	9600.000		0.000	0.000
29	0.652684	0	0	0	0.000		0.000	0.000
30	0.643152	0	0	0	0.000	2 784.000	-2 784.000	-1 790.534
31	0.633759	0	0	0	0.000		0.000	0.000
32	0.624503	0	9 600	0	9600.000		0.000	0.000
33	0.615382	0	0	0	0.000		0.000	0.000
34	0.606394	0	0	0	0.000	2 784.000	-2 784.000	-1 688.202
35	0.597538	0	0	0	0.000		0.000	0.000
36	0.588811	0	3 200	0	3200.000		0.000	0.000
37	0.580212	0	0	0	0.000		0.000	0.000
38	0.571738	0	0	0	0.000	928.000	-928.000	-530.573
TOTAL		98,678.944	80,000.000	18,678.944	98,678.944	28,616.894	70,062.051	62,975.11

Table 2. Asset investment in peaches processing firm (2006) - Financial Leasing.

INVESTMENT VALUE € 80,000 (financial leasing)						
ARREAR						
Investment (€)	80,000.00					
Duration (years)	5					
No periods per year	4					
No Payments	20					
Interest rate	6.77%					
Discount rate	8.35%					
Tax rate	29%					
Period	Discount factors	Payment	Tax saving	Net payment	P V of net outflows	
1	0.985395	4 748.559		4 748.559	4 679.207	
2	0.971004	4 748.559		4 748.559	4 610.868	
3	0.956822	4 748.559		4 748.559	4 543.528	
4	0.942848	4 748.559		4 748.559	4 477.170	
5	0.929078	4 748.559		4 748.559	4 411.782	
6	0.915509	4 748.559	5 508.328	-759.769	-695.576	
7	0.902138	4 748.559		4 748.559	4 283.857	
8	0.888963	4 748.559		4 748.559	4 221.292	
9	0.875980	4 748.559		4 748.559	4 159.641	
10	0.863186	4 748.559	5 508.328	-759.769	-655.822	
11	0.850580	4 748.559		4 748.559	4 039.027	
12	0.838157	4 748.559		4 748.559	3 980.038	
13	0.825916	4 748.559		4 748.559	3 921.910	
14	0.813854	4 748.559	5 508.328	-759.769	-618.341	
15	0.801967	4 748.559		4 748.559	3 808.189	
16	0.790255	4 748.559		4 748.559	3 752.572	
17	0.778713	4 748.559		4 748.559	3 697.766	
18	0.767340	4 748.559	5 508.328	-759.769	-583.002	
19	0.756134	4 748.559		4 748.559	3 590.545	
20	0.745090	4 748.559		4 748.559	3 538.105	
21	0.734208			0.000	0.000	
22	0.723486		5 508.328	-5 508.328	-3 985.196	
TOTAL		94,971.177	27,541.641	67,429.536	59,177.56	
P. V. borrowing	62,975.11					
P. V. borrowing - P. V. leasing	3,797.55					

For each funding method, we made final calculation of outflows' present value, taking into account above elements.

In this calculation, tax saving known as tax shield is included, while discount rate is the after-tax cost of debt capital. The results showed that funding with leasing method was more advantageous.

In second pattern (Tables 3 and 4), an equipment for other agribusiness firms was assumed and thus, depreciation rate was 15%.

It seems that leasing is the most advantageous method in these cases, too.

*Table 3. Other equipment used in agribusiness sector (2006) - Borrowing.*

<b>INVESTMENT VALUE € 80,000 (borrowing)</b>								
Investment (€)		80,000.00			Other equipment used in agribusiness sector			
Duration (years)		5						
No periods per year		4						
No Payments		20						
Depreciation rate		15%						
Interest rate		8.35%						
Tax rate		29%						
Discount rate		8.35%						
Period	Discount factors	Payment	Depreciation	Interest	Depreciation+Interest	Tax saving	Net Outflows	P. V. of n.o.
1	0.985395	4 933.947	0	1 670.000	1670.000		4 933.947	4 861.888
2	0.971004	4 933.947	0	1 601.865	1601.865		4 933.947	4 790.881
3	0.956822	4 933.947	0	1 532.308	1532.308		4 933.947	4 720.911
4	0.942848	4 933.947	12 000	1 461.299	13461.299		4 933.947	4 651.963
5	0.929078	4 933.947	0	1 388.807	1388.807		4 933.947	4 584.022
6	0.915509	4 933.947	0	1 314.802	1314.802	5 296.987	-363.040	-332.366
7	0.902138	4 933.947	0	1 239.253	1239.253		4 933.947	4 451.103
8	0.888963	4 933.947	12 000	1 162.126	13162.126		4 933.947	4 386.095
9	0.875980	4 933.947	0	1 083.389	1083.389		4 933.947	4 322.037
10	0.863186	4 933.947	0	1 003.009	1003.009	4 960.447	-26.499	-22.874
11	0.850580	4 933.947	0	920.950	920.950		4 933.947	4 196.714
12	0.838157	4 933.947	12 000	837.179	12837.179		4 933.947	4 135.422
13	0.825916	4 933.947	0	751.659	751.659		4 933.947	4 075.025
14	0.813854	4 933.947	0	664.354	664.354	4 594.913	339.034	275.924
15	0.801967	4 933.947	0	575.226	575.226		4 933.947	3 956.865
16	0.790255	4 933.947	12 000	484.238	12484.238		4 933.947	3 899.076
17	0.778713	4 933.947	0	391.350	391.350		4 933.947	3 842.130
18	0.767340	4 933.947	0	296.523	296.523	4 197.888	736.059	564.808
19	0.756134	4 933.947	0	199.717	199.717		4 933.947	3 730.723
20	0.745090	4 933.947	12 000	100.890	12100.890		4 933.947	3 676.237
21	0.734208	0	0	0	0.000		0.000	0.000
22	0.723486	0	0	0	0.000	3 766.659	-3 766.659	-2 725.124
23	0.712919	0	0	0	0.000		0.000	0.000
24	0.702507	0	12 000	0	12000.000		0.000	0.000
25	0.692247	0	0	0	0.000		0.000	0.000
26	0.682137	0	0	0	0.000	3 480.000	-3 480.000	-2 373.837
27	0.672175	0	0	0	0.000		0.000	0.000
28	0.662358	0	8 000	0	8000.000		0.000	0.000
29	0.652684	0	0	0	0.000		0.000	0.000
30	0.643152	0	0	0	0.000	2 320.000	-2 320.000	-1 492.112
<b>TOTAL</b>		<b>98,678.944</b>	<b>80,000.000</b>	<b>18,678.944</b>	<b>98,678.944</b>	<b>28,616.894</b>	<b>70,062.051</b>	<b>62,175.51</b>

*Table 4. Other equipment used in agribusiness sector (2006) - Financial Leasing.*

<b>INVESTMENT VALUE € 80,000 (financial leasing)</b>						
<b>ARREAR</b>						
Investment (€)		80,000.00				
Duration (years)		5				
No periods per year		4				
No Payments		20				
Interest rate		6.77%				
Discount rate		8.35%				
Tax rate		29%				
Period	Discount factors	Payment		Tax saving	Net payment	P V of net outflows
1	0.985395	4 748.559			4 748.559	4 679.207
2	0.971004	4 748.559			4 748.559	4 610.868
3	0.956822	4 748.559			4 748.559	4 543.528
4	0.942848	4 748.559			4 748.559	4 477.170
5	0.929078	4 748.559			4 748.559	4 411.782
6	0.915509	4 748.559		5 508.328	-759.769	-695.576
7	0.902138	4 748.559			4 748.559	4 283.857
8	0.888963	4 748.559			4 748.559	4 221.292
9	0.875980	4 748.559			4 748.559	4 159.641
10	0.863186	4 748.559		5 508.328	-759.769	-655.822
11	0.850580	4 748.559			4 748.559	4 039.027

<b>INVESTMENT VALUE € 80,000 (financial leasing)</b>					
12	0.838157	4 748.559		4 748.559	3 980.038
13	0.825916	4 748.559		4 748.559	3 921.910
14	0.813854	4 748.559	5 508.328	-759.769	-618.341
15	0.801967	4 748.559		4 748.559	3 808.189
16	0.790255	4 748.559		4 748.559	3 752.572
17	0.778713	4 748.559		4 748.559	3 697.766
18	0.767340	4 748.559	5 508.328	-759.769	-583.002
19	0.756134	4 748.559		4 748.559	3 590.545
20	0.745090	4 748.559		4 748.559	3 538.105
21	0.734208			0.000	0.000
22	0.723486		5 508.328	-5 508.328	-3 985.196
TOTAL		94,971.177	27,541.641	67,429.536	59,177.56
P.V. borrowing					62,175.51
P. V. b. - P. V. leasing					2,997.95

In third pattern (Tables 5 and 6), an agribusiness firm invests in office equipment with depreciation rate 20%, and the generality of specific pattern is obvious, due to non-specific use of this equipment, which it makes it more precious for leasing. Financial leasing is a rational choice in these particular cases.

*Table 5. Office Equipment (2006) - Borrowing.*

<b>INVESTMENT VALUE € 80,000 (borrowing)</b>								
Investment (€)				80,000.00	Office Equipment			
Duration (years)				5				
No periods per year				4				
No Payments				20				
Depreciation rate				15%				
Interest rate				8.35%				
Tax rate				29%				
Discount rate				8.35%				
Period	Discount factors	Payment	Depreciation	Interest	Depreciation+Interest	Tax saving	Net Outflows	P.V. of n.o.
1	0.985395	4 933.947	0	1 670.000	1670.000		4 933.947	4 861.888
2	0.971004	4 933.947	0	1 601.865	1601.865		4 933.947	4 790.881
3	0.956822	4 933.947	0	1 532.308	1532.308		4 933.947	4 720.911
4	0.942848	4 933.947	16 000	1 461.299	17461.299		4 933.947	4 651.963
5	0.929078	4 933.947	0	1 388.807	1388.807		4 933.947	4 584.022
6	0.915509	4 933.947	0	1 314.802	1314.802	6 456.987	-1 523.040	-1 394.357
7	0.902138	4 933.947	0	1 239.253	1239.253		4 933.947	4 451.103
8	0.888963	4 933.947	16 000	1 162.126	17162.126		4 933.947	4 386.095
9	0.875980	4 933.947	0	1 083.389	1083.389		4 933.947	4 322.037
10	0.863186	4 933.947	0	1 003.009	1003.009	6 120.447	-1 186.499	-1 024.170
11	0.850580	4 933.947	0	920.950	920.950		4 933.947	4 196.714
12	0.838157	4 933.947	16 000	837.179	16837.179		4 933.947	4 135.422
13	0.825916	4 933.947	0	751.659	751.659		4 933.947	4 075.025
14	0.813854	4 933.947	0	664.354	664.354	5 754.913	-820.966	-668.146
15	0.801967	4 933.947	0	575.226	575.226		4 933.947	3 956.865
16	0.790255	4 933.947	16 000	484.238	16484.238		4 933.947	3 899.076
17	0.778713	4 933.947	0	391.350	391.350		4 933.947	3 842.130
18	0.767340	4 933.947	0	296.523	296.523	5 357.888	-423.941	-325.307
19	0.756134	4 933.947	0	199.717	199.717		4 933.947	3 730.723
20	0.745090	4 933.947	16 000	100.890	16100.890		4 933.947	3 676.237
21	0.734208	0	0	0	0.000		0.000	0.000
22	0.723486	0	0	0	0.000	4 926.659	-4 926.659	-3 564.367
TOTAL		98,678.94						
L		4	80,000.000	18,678.944	98,678.944	28,616.894	70,062.051	61,304.75

*Table 6. Office Equipment (2006) - Financial Leasing.*

<b>INVESTMENT VALUE € 80,000 (financial leasing)</b>	
ARREAR	
Investment (€)	80,000.00
Duration (years)	5
No periods per year	4
No Payments	20
Interest rate	6.77%
Discount rate	8.35%
Tax rate	29%

INVESTMENT VALUE € 80,000 (financial leasing)					
Period	Discount factors	Payment	Tax saving	Net payment	P V of net outflows
1	0.985395	4 748.559		4 748.559	4 679.207
2	0.971004	4 748.559		4 748.559	4 610.868
3	0.956822	4 748.559		4 748.559	4 543.528
4	0.942848	4 748.559		4 748.559	4 477.170
5	0.929078	4 748.559		4 748.559	4 411.782
6	0.915509	4 748.559	5 508.328	-759.769	-695.576
7	0.902138	4 748.559		4 748.559	4 283.857
8	0.888963	4 748.559		4 748.559	4 221.292
9	0.875980	4 748.559		4 748.559	4 159.641
10	0.863186	4 748.559	5 508.328	-759.769	-655.822
11	0.850580	4 748.559		4 748.559	4 039.027
12	0.838157	4 748.559		4 748.559	3 980.038
13	0.825916	4 748.559		4 748.559	3 921.910
14	0.813854	4 748.559	5 508.328	-759.769	-618.341
15	0.801967	4 748.559		4 748.559	3 808.189
16	0.790255	4 748.559		4 748.559	3 752.572
17	0.778713	4 748.559		4 748.559	3 697.766
18	0.767340	4 748.559	5 508.328	-759.769	-583.002
19	0.756134	4 748.559		4 748.559	3 590.545
20	0.745090	4 748.559		4 748.559	3 538.105
21	0.734208			0.000	0.000
22	0.723486		5 508.328	-5 508.328	-3 985.196
TOTAL		94,971.177	27,541.641	67,429.536	59,177.56
P. V. borrowing					61,304.75
P. V. b. - P. V. leasing					2,127.19

The Patterns 1-3 are about April of 2006. Similar Patterns were developed about December of 2012 respectively.

In all mentioned above patterns, the borrowing cost corresponding to particular investment, taking into consideration taxation, is used as discount rate in order to find outflows' present value. Therefore, we used the after tax interest rate as discount rate. Also, we ended up to the same conclusions when payments of financial leasing were done either in arrear or in advance. In appendices, we collocated patterns, but due to shortage of space, we showed only tables for payments in arrears for financial leasing.

It should be noted that a difference between leasing and borrowing is mainly the time period of assets depreciation, according to Greek Law.

In Greece, tax return is sent at the second quarter of each year and thus, tax saving is calculated at the same time.

## 5. Discussion

Decision for funding future investments is an important point for further operation and viability of a Greek agribusiness. Thus, it should not be a rushed action without prior proper financial assessment.

Certainly, financial assessment is not the only factor leading to selection decision of a financing method. It is noted the existence of certain variables that are determinants of use either leasing or borrowing. Consequently, incentives to use leasing for financing a business can be a lot, but quite important are ownership structure, nature of investment opportunities, business risk and tax status.

Top management that owns a large number of shares prefers to use leasing as a financing method, while use of financial leasing is more likely in closely controlled firms.

Firm's investment opportunities, expressed by nature of current and future assets, affect investors' willingness to borrow. Moreover, importance of growth opportunities associated with assets, and firm's specialization affect use of financial leasing and lending.

The bigger business risk is, the greater chances for conflicts of interest between shareholders and creditors are, and the higher financial distress costs are, too. Financial theory predicts that bigger business risk will tend to reduce use of fixed assets.

Financial theory argues that firms with small liabilities are more likely to lease goods than use borrowing, while opposite is valid for fully taxed firms.

Also, other reasons play a prominent role for specific choice decision. These reasons don't relate to a proper financial evaluation or rationality in choosing financing method, but either to the particular circumstances prevailing at the time, or to decision concerning specific business goals or management's special purposes. Such reasons may be the balance sheets' improvement, the stock exchange listing, and the national and Community legislation.

## 6. Conclusion

Regarding the financial assessment, a comparative analysis was held for evaluation of a financing method. Financial leasing and borrowing were compared at two distinct reference periods that were April of 2006 and December of 2012.

The choice of these two periods was not a random one, but December of 2012 was a time period in the middle of present Greek economic crisis and April of 2006 was a time period before any sign of future crisis appear.

During Greek economic crisis, a lot of things were changed in Greece. Reduced income for customers, problems for businesses, difficulties for new and young entrepreneurship, and mainly great financing problems for businesses since Greek Banking Sector reduced financing for all sectors of Greek economy. For this reason, it was important for financing Greek Agribusiness Sector to become a comparative analysis between these two distinct periods.

Avoiding generalizations, typical patterns are given showing that leasing preceded against borrowing, considering conditions prevailing in Greece at these two reference periods. Of course, financial assessment is needed for each investment.

As can be seen, there was no differentiation between these two reference periods, regarding the choice for an agribusiness financing, even though a completely different economic and business environment has formed during the Greek economic crisis, and changes in behaviour of Greek Banking Sector were very obvious.

Anyway, results of this study showed that financial leasing prevailed against borrowing for financing an investment in Greek Agribusiness Sector at these two reference periods, if only we insist on proper financial evaluation.

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