

Financial Leasing Market Assessment, By Type [Capital Lease, Operating Lease, Others], By Market Type [International Business, Domestic Business], By Provider [Banks, Non-Banks], By Application [Transportation, Aviation, IT and Telecom, Manufacturing, Healthcare, Construction, Others], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global financial leasing market is projected to witness a CAGR of 7.53% during the forecast period 2024-2031, growing from USD 225.48 billion in 2023 to USD 403.14 billion in 2031. Several key factors drive the rapid expansion of financial leasing, such as increasing demand for capital-intensive equipment and force towards the flexibility of financing models. Tax incentives favor leasing as it ensures a more attractive cost at all points through tax incentives. Technological progress has increased efficiency in handling the leasing processes and thus attracted streamlined access to them. Companies benefit from leasing by retaining operational flexibility and embracing an asset-light model that does not carry the financial burden of outright ownership. Moreover, leasing avails itself of off-balance-sheet benefits, which can help a company get more favorable financial ratios and better balance sheet health. Continued international infrastructure development further increases the demand for leasing products as businesses look to prepare themselves without investing any capital upfront. This makes leasing a very attractive alternative to traditional ways of financing in most industries.

Financial leasing is an agreement that grants a lessee access to some lessor's owned assets for a specific period. Mostly, the agreement involves making periodic payments. The deal usually comes with maintaining the equipment, acquiring insurance on it, and a buyout of the same asset. It means that leasing involves gaining access to large equipment and property at relatively low up-front costs, hence improving cash flows and financial flexibility. In May 2024, Singapore-based energy solution provider SP Group clinched a major deal worth USD 1.1 billion with China's CMB Financial Leasing Co Ltd. The deal will be done through SP Groups' wholly owned subsidiary, Shirui Energy Technology (Shanghai) Co Ltd. Under this partnership, CMB Financial Leasing will

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provide financing services as SP Group rolls out renewable energy solutions across China.

Rising Demand for Capital Acquisition by Businesses to Drive Market Growth

Capital acquisition has become a business expansion and success imperative in a competitive global market. Companies seek improved operational competencies, new technologies, and entry into developing markets with enormous increases in demand for capital acquisition. Some of the factors propelling this trend include the investment required in huge infrastructure, machinery, and innovation to maintain competitive advantage. Favorable financial conditions, along with the available financing, have been favorable for the acquisition of funds for businesses. The global economy is constantly fluctuating and changing rapidly. Businesses, hence, employ various capital-acquiring strategies to ensure financial stability and growth.

Therefore, financial leasing, equity financing, and instruments under debt have been some of the financial arrangements suited for achieving business objectives. For these reasons, organizations are better placed to exploit upcoming opportunities, adapt to changing market needs, and enjoy sustainable growth. The increasing need for capital acquisition worldwide reflects the broader trend of the economy and the powerful impact of strategic financial management on business performance. In 2024, Kingsoft Cloud Holdings Limited announced its investment in AI infrastructure. Kingsoft Cloud QY Data, Kingsoft Cloud Network, and China Merchants Financial Leasing have signed a Finance Lease Framework Agreement under which China Merchants Financial Leasing will directly provide finance lease services to Kingsoft Cloud. The total finance lease principal during the term of the finance lease framework agreement shall not exceed USD 70.17 million.

Tax Benefits to Boost Market Growth

Tax benefits are another key growth driver in the financial leasing market, providing a strong incentive for businesses to opt for leasing rather than other conventional asset acquisition approaches. The most important benefit is that of tax-deductible lease payments, wherein the levies paid by the lessee are deductible for tax purposes, lowering taxable income and, consequentially, taxes. Many jurisdictions account for lease payments as operational expenses rather than capital expenditures, so companies can avail the benefit of such payments as deductions and improve their cash flows. Accelerated depreciation benefits on the asset leased can help enhance the tax efficiency of a company. These advantages make leasing optimum for companies to utilize and manage their tax burden more effectively in terms of financial performance. At the same time, as operators are concerned with maximizing their financial flexibility and efficacy of operations, more such tax benefits can be tapped. The result is that the financial leasing market continues expanding as firms realize and take advantage of the tax-saving potential, driving the market's growth.

Banks Segment to Dominate the Financial Leasing Market

The banks segment is expected to dominate with the largest share of the financial leasing market, as it has a well-developed infrastructure, richer financial resources, and expertise in the market. Banks are amply provided with a wider gamut of leasing facilities ranging from equipment and vehicle leases to property and specialty finance by building upon a large capital base and risk management capacities. Their ability to offer competitive interest rates combined with customized leasing terms makes them an attractive option for businesses that require flexibility in financing. Banks have strong corporate relationships, where they can cross-sell these leasing products with other regular banking services. It has regulatory systems that seem to favor banks, giving stability in the functioning environment and opportunities for tax efficiency benefits.

With more businesses following the trend of financial leasing for capital preservation and management of cash flow, banks will probably maintain their position and drive growth through their complete and balanced leasing portfolios and their expertise in finance. Their leadership position is further enhanced by their propensity to innovate and respond to emerging needs within a given market, ensuring they sustain their ability to meet the demands of an extremely heterogeneous customer base within an extremely competitive space. In 2024, Wells Fargo launched a new generation of custom Application Programming Interfaces (APIs) specifically for its Commercial Banking customers. The newest addition to Wells Fargo's API portfolio gives customers real-time access to data, helping them increase sales and liquidity, reduce credit risk, and lower costs for floorplan and channel finance clients across various industries, such as automotive, motorsports, outdoor products, equipment, recreational vehicles, consumer electronics, appliances, and technology.

North America Dominates Financial Leasing Market Share

North America has the highest share in the global financial leasing market, primarily due to a more mature financial structure, robust economic conditions, and strong demand for different types of capital-intensive equipment used in industries. Concerning

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their advanced banking sectors and generally favorable regulatory environments, North American firms capitalize on these basics to drive growth in financial leasing services. North American companies increasingly use leasing as a way of boosting cash flow, acquiring cutting-edge technologies, and staying ahead of the market's rapid changes. The regional market is dominated due to the influence of major financial institutions and diversified types of leasing options. Technological innovation and infrastructure development in North America heighten the demand for leasing solutions.

Robust economic growth, infrastructural development, and increased demand for financing of equipment and technology are stepping up competitive grounds for Asia-Pacific in the financial leasing market. Observing the growth, it is evident that players focus on increasing their leasing portfolios, primarily in renewable energy, transportation, and manufacturing, and this positions Asia-Pacific as a substantial hub in the global arena for financial leasing. In 2024, Sumitomo Mitsui Finance and Leasing Company Limited introduced leases including carbon credits, one of the new offerings that involve J-credits purchased from Sumitomo Corporation through leasing contracts that offset the carbon dioxide emissions that would be produced during the lease period of an asset.

Future Market Scenario (2024 – 2031F)

□□With this flexibility in place, leasing solutions have become the preference of businesses instead of traditional ownership as they manage cash flows and respond better to market requirements without the hassle of owning assets.

□□Changing regulatory measures and tax policies are expected to improve the composition of a leasing system, which might hold or change incentives to give a new complexion to the market skyline.

□□Online leasing platforms will help digital transformation enable leasing to be an efficient and accessible process for businesses of all sizes, driven and better accessed.

Key Players Landscape and Outlook

Major companies use business expansion and strategic partnerships in the financial leasing market to bridge the gap between supply and demand and enhance their competitive positions. The strategy followed entails an extension of geographical scope and diversification of the product offered through other means. In addition, by collaborating with industry leaders and specialized leasing companies, these players can enable differentiated and innovative leasing solutions to cater to various customer requirements and can help tackle growing demands for financial leasing services, further strengthening their market presence. The growing awareness and demand across geographies for these financial leasing services have pressurized companies to invest in newer technologies and service models, thereby making their offerings more attractive and accessible. The market players can share resources, reduce operational costs, and improve service delivery through strategic alliances that are critical to an evolving market. This enables them to tap into emerging markets and meet regional regulatory needs.

In April 2024, Ford Trucks allied with BNP Paribas Leasing Solutions to deliver tailor-made finance solutions to customers in Germany, France, and Benelux. With its wide Ford Trucks Dealer Network, customers may access a range of leasing and financing solutions from this association that would cover their financial needs for Ford Trucks vehicles.

Table of Contents:

- 1.□Project Scope and Definitions
- 2.□Research Methodology
- 3.□Executive Summary
- 4.□Voice of Customer
 - 4.1.□Product and Market Intelligence
 - 4.2.□Mode of Brand Awareness
 - 4.3.□Factors Considered in Purchase Decisions
 - 4.3.1.□Lease Terms and Conditions
 - 4.3.2.□Interest Rate
 - 4.3.3.□Lease Period
 - 4.3.4.□Residual Value
 - 4.3.5.□Tax Benefits
 - 4.3.6.□Flexibility in Lease Structure

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- 4.4.□Customer Support
- 4.5.□Consideration of Privacy and Regulations
- 5.□Global Financial Leasing Market Outlook, 2017-2031F
 - 5.1.□Market Size Analysis & Forecast
 - 5.1.1.□By Value
 - 5.2.□Market Share Analysis & Forecast
 - 5.2.1.□By Type
 - 5.2.1.1.□Capital Lease
 - 5.2.1.2.□Operating Lease
 - 5.2.1.3.□Others
 - 5.2.2.□By Market Type
 - 5.2.2.1.□International Business
 - 5.2.2.2.□Domestic Business
 - 5.2.3.□By Provider
 - 5.2.3.1.□Banks
 - 5.2.3.2.□Non-Banks
 - 5.2.4.□By Application
 - 5.2.4.1.□Transportation
 - 5.2.4.2.□Aviation
 - 5.2.4.3.□IT and Telecom
 - 5.2.4.4.□Manufacturing
 - 5.2.4.5.□Healthcare
 - 5.2.4.6.□Construction
 - 5.2.4.7.□Others
 - 5.2.5.□By Region
 - 5.2.5.1.□North America
 - 5.2.5.2.□Europe
 - 5.2.5.3.□Asia-Pacific
 - 5.2.5.4.□South America
 - 5.2.5.5.□Middle East and Africa
 - 5.2.6.□By Company Market Share Analysis (Top 5 Companies and Others - By Value, 2023)
 - 5.3.□Market Map Analysis, 2023
 - 5.3.1.□By Type
 - 5.3.2.□By Market Type
 - 5.3.3.□By Provider
 - 5.3.4.□By Application
 - 5.3.5.□By Region
- 6.□North America Financial Leasing Market Outlook, 2017-2031F*
 - 6.1.□Market Size Analysis & Forecast
 - 6.1.1.□By Value
 - 6.2.□Market Share Analysis & Forecast
 - 6.2.1.□By Type
 - 6.2.1.1.□Capital Lease
 - 6.2.1.2.□Operating Lease
 - 6.2.1.3.□Others
 - 6.2.2.□By Market Type
 - 6.2.2.1.□International Business

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- 6.2.2.2.□Domestic Business
- 6.2.3.□By Provider
 - 6.2.3.1.□Banks
 - 6.2.3.2.□Non-Banks
- 6.2.4.□By Application
 - 6.2.4.1.□Transportation
 - 6.2.4.2.□Aviation
 - 6.2.4.3.□IT and Telecom
 - 6.2.4.4.□Manufacturing
 - 6.2.4.5.□Healthcare
 - 6.2.4.6.□Construction
 - 6.2.4.7.□Others
- 6.2.5.□By Country Share
 - 6.2.5.1.□United States
 - 6.2.5.2.□Canada
 - 6.2.5.3.□Mexico
- 6.3.□Country Market Assessment
 - 6.3.1.□United States Financial Leasing Market Outlook, 2017-2031F*
 - 6.3.1.1.□Market Size Analysis & Forecast
 - 6.3.1.1.1.□By Value
 - 6.3.1.2.□Market Share Analysis & Forecast
 - 6.3.1.2.1.□By Type
 - 6.3.1.2.1.1.□Capital Lease
 - 6.3.1.2.1.2.□Operating Lease
 - 6.3.1.2.1.3.□Others
 - 6.3.1.2.2.□By Market Type
 - 6.3.1.2.2.1.□International Business
 - 6.3.1.2.2.2.□Domestic Business
 - 6.3.1.2.3.□By Provider
 - 6.3.1.2.3.1.□Banks
 - 6.3.1.2.3.2.□Non-Banks
 - 6.3.1.2.4.□By Application
 - 6.3.1.2.4.1.□Transportation
 - 6.3.1.2.4.2.□Aviation
 - 6.3.1.2.4.3.□IT and Telecom
 - 6.3.1.2.4.4.□Manufacturing
 - 6.3.1.2.4.5.□Healthcare
 - 6.3.1.2.4.6.□Construction
 - 6.3.1.2.4.7.□Others
 - 6.3.2.□Canada
 - 6.3.3.□Mexico
- *All segments will be provided for all regions and countries covered
- 7.□Europe Financial Leasing Market Outlook, 2017-2031F
 - 7.1.□Germany
 - 7.2.□France
 - 7.3.□Italy
 - 7.4.□United Kingdom

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- 7.5.□Russia
- 7.6.□Netherlands
- 7.7.□Spain
- 7.8.□Turkey
- 7.9.□Poland
- 8.□Asia-Pacific Financial Leasing Market Outlook, 2017-2031F
 - 8.1.□India
 - 8.2.□China
 - 8.3.□Japan
 - 8.4.□Australia
 - 8.5.□Vietnam
 - 8.6.□South Korea
 - 8.7.□Indonesia
 - 8.8.□Philippines
- 9.□South America Financial Leasing Market Outlook, 2017-2031F
 - 9.1.□Brazil
 - 9.2.□Argentina
- 10.□Middle East and Africa Financial Leasing Market Outlook, 2017-2031F
 - 10.1.□Saudi Arabia
 - 10.2.□UAE
 - 10.3.□South Africa
- 11.□Demand Supply Analysis
- 12.□Value Chain Analysis
- 13.□Porter's Five Forces Analysis
- 14.□PESTLE Analysis
- 15.□Interest Rate Analysis
- 16.□Market Dynamics
 - 16.1.□Market Drivers
 - 16.2.□Market Challenges
- 17.□Market Trends and Developments
- 18.□Case Studies
- 19.□Competitive Landscape
 - 19.1.□Competition Matrix of Top 5 Market Leaders
 - 19.2.□SWOT Analysis for Top 5 Players
 - 19.3.□Key Players Landscape for Top 10 Market Players
 - 19.3.1.□BNP Paribas Leasing Solutions NV
 - 19.3.1.1.□Company Details
 - 19.3.1.2.□Key Management Personnel
 - 19.3.1.3.□Products and Services
 - 19.3.1.4.□Financials (As Reported)
 - 19.3.1.5.□Key Market Focus and Geographical Presence
 - 19.3.1.6.□Recent Developments/Collaborations/Partnerships/Mergers and Acquisition
 - 19.3.2.□Deutsche Leasing AG
 - 19.3.3.□HSBC Holdings plc
 - 19.3.4.□Fifth Third Bank NA
 - 19.3.5.□General Motors Financial Company Inc.
 - 19.3.6.□CMB Financial Leasing Company Limited

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19.3.7. North Star Leasing Inc.

19.3.8. Sumitomo Mitsui Finance and Leasing Company Limited

19.3.9. Wells Fargo Bank NA

19.3.10. BOC Aviation Limited

*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

20. Strategic Recommendations

21. About Us and Disclaimer

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