

THE IMPACT OF EQUIPMENT LEASE ON MICRO ENTERPRISES OF GARMENTS INDUSTRY

By

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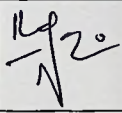
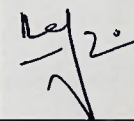
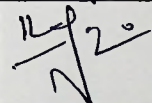
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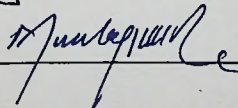
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Abstract

Micro enterprises need improved access to finance especially for acquiring capital equipment and application of new technology for operations in Pakistan. However, their access to finance is restricted because micro enterprises typically do not have reliable credit histories, adequate capitalization or additional assets for collateral. This, informal Pakistani markets where loans are costlier and maturities shorter provide most of their financing needs.

This research is intended to enhance the Bank's awareness of leasing in Pakistan as an additional tool that can help expand the access of certain categories of micro enterprises to financing for capital equipment and new technology in Pakistan. There is potential for effective complementation between leasing and micro enterprises. As a financing technique leasing has been effective in overcoming barriers posed by interest rate ceilings and collateral requirements in conventional Commercial Bank lending programs. On the one hand, leasing can be a source of short-to medium-term financing for equipment needed by micro enterprises to expand their operations in Pakistan.

The research reviews relevant practical experience in the use of leasing as a financial intermediation mechanism for micro enterprises development projects in Pakistan.

Access to financing for small business and micro enterprises promotes increased production and income of households in poor urban and rural areas in Pakistan. Leasing opens up additional access that can help small enterprises become medium businesses. Often, micro enterprises in this "in-between" niche are too large for traditional micro finance and too small for Commercial banks in Pakistan.

There is an existing gap between financial services market for micro enterprises in Pakistan and that create problems to development of micro enterprises because of lack of capital equipment availability. Equipment leasing fills this gap to provide leasing service to micro enterprises.

Keywords: Leasing, Equipment. Growth of SMEs

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