

Technology 'on Lease'

Written by Faiz Askari, Editor-Technology, Small Enterprise India.com
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Buying computers, peripherals and other computing infrastructure has always been a money consuming affair ahead of a small business owner. But now, a new trend is slowly becoming popular; the trend of taking these essential commodities on lease! Finds out Faiz Askari, Editor-Technology, Small Enterprise India.

When it comes to operational issues and challenges among the small businesses, investment on basic infrastructure also comes into picture. Anything which is the part of non core business development activity is considered as secondary in the priority list of most of the entrepreneurs.

Unfortunately, or fortunately, IT infrastructure also faces this issue. But if there is any problem, there has to be a solution existing for it. So in this regard, most of small businesses are opting for infrastructure on lease.

Leasing technology setup for running the day to day business activity is making a lot of sense compared to buying. Companies have understood that leasing is the best bet instead of going for an outright purchase of office equipments like desktop computers, laptops, printers and networking equipments etc.

“Everyone knows that an entrepreneur of a small business has to deal with several issues, resource planning, and right fund allocation has to be maintained if he wants to run the business successfully. However, he has to match all the requirements in a limited resources environment,” explains Prarthana Gupta, Cache Technologies. Gupta runs an IT systems integration business in New Delhi and believes that system on lease has a good market as it takes away the pain of high investment at the start of any business.

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“I believe that it’s a good option for small business owner to go for an agreement based leasing the computer systems, peripherals etc as it’s a viable option,” narrates Prarthana Gupta.

Ramnath Sharma a supplier of raw material for the garment manufacturers, operating from Faridabad, Haryana has got a decent contract from one of the leading garment export houses in Delhi a couple of months back. With this contract he had to invest a handsome amount of money for maintaining additional resources to meet the requirements of this new contract. One of the requirements of this new contract is to invest in additional computer systems, laptops etc to equip his manpower. “Since this contract will get completed in four to five months and after that, these systems may not be required I opted for taking these systems on lease. This has given us better results,” says Sharma.

The advantages of leasing the office technology include keeping up to date with competitors and saving your capital funds. Apart from just saving large chunk of the capital funds of any small business, leasing model is beneficial as buying office equipment will usually either mean a big cash outlay or taking a loan with the subsequent interest payments. Leasing technology will usually mean that the business owners have nothing to pay up front, and he or she can decide how long he can wish to actually lease the technology for.

Having the Best in Class System

From a small business perspective, buying business technology also means that the business is stuck with this equipment, usually until it is obsolete and needs to be replaced. With leasing, businesses can regularly update their equipments, which means that they can change to the latest and most sophisticated technology available. “When I opted for using the computer systems on leasing model I experienced better service, better quality and system up gradation was also very quick,” Sharma stated.

Better Financial Planning

People who opt for leasing model say that knowing exactly how much they will pay for business technology each month is a benefit. These are predictable expenses, and where leasing is concerned there are no more additional fees to pay. Leased equipment is also usually tax deductible, either as a depreciating company asset or as an operating expense.

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Anil Kumar Dikshit, a technology services entrepreneur from Lucknow, UP got a new contract to manage computer systems maintenance of a Noida based manufacturing unit. With this new contract in place, Dikshit has to come up with some support infrastructure at Noida. He said, "In this kind of situation, where we just got a contract we were reluctant to invest in the overall infrastructure as we were supposed to get a final contract after three months of time. Having said this, we needed a quick set up to be in place in Noida. Considering the overall situation I believe that leasing the systems was my right choice."

In the long run leasing may work out more expensive than buying, but with leasing you are not stuck with the outdated equipment. If the customer wishes to purchase the equipment, there will usually be a lease to buy option at the end of the lease period. It is entirely up to the customer whether or not they wish to purchase the equipment. If the customer does not want to purchase the equipment they can simply update their technology and continue leasing.

Some experts also say that new business models like software as a service are also derived from leasing model. Computers and business software are being continually updated and leasing is a cheaper way of obtaining the latest technology.

Important Aspects to be Taken Care while Leasing

When business owner approaches a leasing company, he or she must have to ask about few clarifications. These pointers should include:

- Costing of repairs and maintenance for the leased equipment
- Defining the timeline of leasing
- Insurance cover during the lease period
- Roadmap for leasing, if needed.
- Lease termination penalty, if any
- Upgrading the computer systems
- Waiting period for support delivery

The benefits of leasing technology for the small business are obvious when compared to buying. Fixed monthly payments, repairs when needed, tax benefits, and the most up to date

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technology etc will all help the small business run more efficiently. The way EMI system has become a preferred way of purchasing household appliances, leasing the infrastructure is attracting the small business entrepreneurs. With leasing upgrading the infrastructure at no external or minimum cost is much more attractive than anything else, all can be said at this moment is this model has huge potential and appeal for the small business.