THE IMPACT OF LEASE FINANCING ON THE FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA.

;

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUTING, FACULTY OF MANAGEMENT SCIENCES, BAYERO UNIVERSITY, KANO, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE.

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APPROVAL PAGE

This project entitled "the impact of lease financing on the financial performance in Nigeria: A study of listed deposit money banks in Nigeria" by Ibrahim Kabiru Bala, has been examined approved as meeting the requirement for the award of Bachelor of Science degree in Accounting of Bayero University, Kano-Nigeria, and is certified for literary presentation and contribution to knowledge.

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DEDICATION

This work is dedicated to my lovely parents (My great father Alh. Kabiru Bala and my great mother Haj. Ummakursum Kabiru) and my brothers and sisters who have earnestly encouraged me towards successful completion of this project.

DECLARATION

I hereby declare that this work is the product of my own independent research efforts, undertaken under the supervision of Dr. Zaharaddeen Abudullahi for the partial fulfillment of the requirements for the award of Bachelor of Science Degree in Accounting, Department of Accounting, Bayero University, Kano-Nigeria. All sources of materials use have been duly acknowledged, any error is not with intent, and is highly regretted.

_____ _____

IBRAHIM KABIRU BALA Date
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At the end, I say "Listen, Live, laugh and Smile" Who knows? Tomorrow may not be!

ABSTRACT

The objective of the study was to determine the impact of lease financing on the financial performance of Deposits Money Banks listed at the Nigerian Stock Exchange. This study adopted descriptive research design. The population of the study was all the fifteen (15) listed Deposits Money bank in the NSE but data for only four (4) banks were available for the period under study. Secondary data was collected for the banks for the period 2014 – 2018 from the financial statements. The measures of financial performance was taken as the dependent variables while Finance lease, age and size were taken as the independent variable. Regression analysis was conducted on the data set to determine the effect of finance leasing on the Return on Asset (ROA), Return on Equity (ROE) and Return on Investment (ROI) of the Banks listed at the NSE. From the regression results, lease financing, age and size of the banks had positive effects on ROA, ROE but negative effects on ROI. All these effects were however insignificant at 5% level of confidence. The study concludes that finance lease has positive insignificant impact on the financial performance of listed Deposits Money Banks in Nigeria. The study recommends that Banks should be careful with the use of lease financing as a method of financing their operations even though value is added through the use of lease financing. Some evidence suggested a positive relationship between lease financing and Return on Asset (ROA) and Return On Equity (ROE) while negative relationship with Return On Investment (ROI). It may therefore be important for the firms to examine what value lease financing may add to them when other financing options are available.

TABLE OF CONTENTS

TITLE PAGE i

APPROVAL PAGE..... ii

DEDICATION..... iii

DECLARATION iv

ACKNOWLEDGEMENTS..... v

ABSTRACT vii

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study 1

1.2 Statement of the Problem 3

1.3 Objectives of the Study 4

1.4 Hypotheses of the study 4

1.5 Significance of the Study 5

1.6 Scope of the Study 5

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction 6

2.2 The Concept of Leasing 6

2.2.1 Types of Leasing 8

2.3 The concept of Financial Performance 12

2.3.1 Return on Asset…..…….. 13

2.3.2 Return on Equity……. 14

2.3.3 Return on Investment …… 15

2.4 Historical background of Leasing 15

2.5 Review of Empirical Studies 17

2.6 Theoretical Framework 21

2.6.1 Agency Cost Theory ..... .21

2.6.2 Information Asymmetry 23

2.6.3 Managerial Risk Aversion 24

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction 26

3.2 Research Design 26

3.3 Population of the Study 26

3.4 Sampling size and Sampling Techniques 27

3.5 Source and Methods of Data Collection 28

3.6 Variables of the study and their Measurements 28

3.7 Techniques of Data Analysis 29

3.8 Model Specifications 29

CHAPTER FOUR: DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction 31

4.2 Descriptive Statistics… 31

4.3 Correlation result…. 32

4.4 Regression Results... 32

4.3 Test of hypothesis …….. 33

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction ……37

5.2 Summary of Work Done 37

5.3 Conclusions 38

5.4 Recommendations 38

REFERENCES 40

APPENDIX 44

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

One of the most prominent issues in the corporate and financial world today is the issue of leasing (Abashiya, 2005). In the developed countries, it is almost an integral part of the overall financial system and often advocated as the least expensive and most advantageous form of funding (Afzal, 2003). Olusoga, (2003) indicates that the most generally accepted method of financing capital investment throughout the world is equipment lease financing option. In Niigeria, although lease volume remains relatively insignificant in terms of world ranking, the concept is fast gaining recognition and has been influencing some major decisions in the various sectors of the economy. With the paucity of capital in the continent, many African countries such as South Africa, Zimbabwe, Ghana, Nigeria and recently Egypt have used leasing as a major anchor of their economic development policy with considerable success (Olakunle, 2002).

The financing process is one of the main pillars that contribute to the success of all economic projects, and it is considered an important process because of the needs to obtain sufficient funding in order to cover all the obligations of the establishment. Moreover, finance leasing is one of the means used by business organizations in order to increase the size of their capital, which is a method of financing, that took great place and space because this contract represents a successful method of financing projects and investments in a way that both contractors achieve their objectives, Which at the end leads to the development of productive and service investments, which positively affect the role of the national economy.

Leasing is a vital, with economic benefits, and broadly used basis of funding. It enables units from start-ups, multinationals to public institutions to obtain the obligation to use possessions,

equipment as well as plants minus making big original cash expenditures. Companies have many machineries as well as equipment to acquire .This equipment and machineries might not be actually essential to be purchased but rent to have sufficient wealth for their actions. According to Osaze (1993) leasing is considered to be an agreement between the proprietors of an asset, the lessor as well as the potential user of that asset, the lessee.

The leasing decisions concerns whether the firm should lease equipment, or borrows money and buy the equipment. Over the centuries, the idea of leasing is a component of thoughtful decision for corporate organizations globally due to the economic benefits attached to it. Lease funding is considered to be one of the options to straight-up buying if a company is looking for the means to get essential corporate equipment in addition to supplies that have the likelihood of jeopardizing the business's financial flow as well as stockpile. Nigeria has recently seen an enormous growth in the leasing of assets like cars and trucks, computers, machinery, manufacturing plants and agricultural land in addition to the traditional common leases of houses, office space and automobiles (Ombija, 2007).

The fundamental benefits of leasing that have existed for so many years continue to provide impetus for the growth of equipment leasing. These benefits, combined with the creativity of the leasing industry, will continue to increase the acceptability of leasing as a means of financing the acquisition of equipment. Leasing has proven to be a more successful alternative to funding businesses as cash is not given to the operators but the equipment they need and rent is paid to the lessor based on the lessee's turnover (Akinde, 2006).

The leasing decisions concerns whether the firm should lease equipment, or borrows money and buy the equipment. Leasing is most of the time seen as supernumerary for short-term, medium to long-term credit, but the response to the query if leasing as well as debit are alternates or

supplements is not small and thus, it has in monetary review not occasioned in a strong deduction (Elgers and Clark, 2010).

Moreover, leasing is one of the major means by which some financial institutions obtained some of the assets and equipments that are needed for effective operations. Despite financial institutions like: Banks, Discount houses, Insurance firms are mostly engaged in leasing, other firms and even government are getting involved in leasing. From available records, the Equipment Leasing Association of Nigeria (ELAN) was established in June, 1983 with just six registered members but at present there are more than 350 firms that carry out the business of leasing in Nigeria (Equipment Leasing Association of Nigeria, 2012). Considering the importance of leasing, this study seeks to examine it impact on the financial performance of listed Deposit Money Banks In Nigeria.

1.2 Statement of the Problem

The issue of inadequate capital remains one of the major challenges of the business entrepreneurs in Nigeria. The existing business firms are constantly searching for ways to expand their operations and deliver quality services and increase revenue while the new ones want to start in good shape but enough funding is not readily available. Leasing has been long established as a creative financing tool for the acquisition of capital assets. Over the years, leasing has grown into an industry of imposing scope and even greater potentials are met through this unique form of financing. For example, small companies may lease to conserve cash and large profitable ones may lease to keep bank credit lines open for other purpose. Therefore, leasing could be the right solution but the capacity of leasing to create wealth for the business sector has not been fully embraced in Nigeria (ELAN, 2004).

Many studies have been conducted in the area of leasing to assess notable, across the national

boundary, Salam (2013) and Munene (2014) examined the impact of finance lease on financial performance in Bangladesh and Kenya respective while Wright (2003) ascertained the effect of leasing on the performance of small and medium enterprises in Nigeria. Bello, Hannatu Sabo and Alhaji (2016) examine the impact of lease financing on financial performance of Nigerian Oil and Gas industry. However, the banks being one of the major player in this line of financing have been ignored by previous researchers.

The aim of this study, therefore, is to analyze the impact of lease financing on the performance of Nigerian deposit money banks from the perspective of profitability, investments and shareholders fund.

1.3 Objectives of the study

The main objective of this study is to assess the impact of lease financing on the profitability of listed deposit money banks in the Nigeria. More specifically, the study seeks to achieve the following objectives:

i. To determine the impact of lease financing on the Return on Asset of the listed Deposit Money Banks in Nigeria.
ii. To determine the effects of lease financing on the Return on Investment of the listed Deposit Money Banks in Nigeria.
iii. To determine the effect of lease financing on the Return on Equity of the listed Deposit Money Banks in Nigeria.

1.4 Research Hypotheses

In order to achieve the above set of objectives of the study, the following hypotheses have been formulated in null form to serve as guide to the researcher.

$H0_1$ Lease financing has no significant impact on the Return on Asset of the listed Deposit

Money Banks in Nigeria.

$H0_2$ Lease financing has no significant impact on the Return on Investment of the listed Deposit Money Banks in Nigeria.

$H0_3$ Lease financing has no significant impact on the Return on Equity of the listed Deposit Money Banks in Nigeria.

1.5 Significance of the study

This study will add to the existing literature in the area and so it will serve as a reference material for the academic community by enhancing the knowledge of readers and those interested in further research in the area of leasing.

It will also be useful to shareholders of deposits money banks to know the impact of leasing on their fund. This will enable them to influence make better decision on leasing activities in their respective companies. The management of the deposits money banks would find this study very useful because the findings of the study would show clearly the benefits of lease financing on the activities of their performance of the banks.

It is hoped that the result of this study will be of benefit to all participants in a leasing business especially corporate members of Equipment Leasing Association of Nigeria (ELAN) in creating more awareness about leasing in Nigeria, which will improve the patronage and level of their business.

1.6 Scope of the study

The study covers deposit money banks listed on the Nigerian Stock Exchange. The study covers a period of five (5) years from 2014 to 2018. This period covers the various reforms introduced by the Association Equipment Leasing of Nigeria (ELAN) in order to boost the business opportunities of its members.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is designed to review and present existing knowledge developed by some scholars which is related to this research study. The major purpose of reviewing the literature is to determine what has already been done that relates to the research problem as well as what has not been done. It is also designed to critically review the existing literature on lease financing which is relevant to test the research hypothesis. The chapter therefore covers the concept of leasing, types of leasing, the concept of financial performance and it closed by reviewing theories and empirical studies as it relates to this research work.

2.2 The Concept of Leasing

A lease is a transaction in which an owner of equipment (the lessor) allows another party (the lessee) to use equipment, and for that usage, the lessor charges rent. It is a contract between a Lessor and a Lessee for the lease of a specific piece of asset. The Lessor retains ownership of the asset while the Lessee uses the asset to generate as much profits as possible, but pays only a small portion of the profits generated to cover lease rentals. Kreamer and Lang (2012). Leasing, according to the publication of Equipment Leasing Association of Nigeria ELAN (2004), simply refers to a contractual agreement between the owner of an asset (referred to as the lessor) and the prospective user of that asset (lessee). Having come to agreeable terms, the lessor transfers the use (but not ownership) of the asset to the lessee and the lessee agrees to pay rentals as compensation for the use of the asset for a particular period of time. At the end of the specific period, which is always less than the asset economic life, the lessee either returns the asset to the lessor or pays a residual value and takes over the ownership structure of the asset.

A lease is defined by the International Accounting Standards Board (IASB) "as an agreement whereby the lessor conveys to the lessee in return for rent, the right to use an asset for an agreed period of time" (IAS, 17). On the other hand, NASB (1991) defines the term lease as "a contractual agreement between the owner (the lessor) and another party (the lessee) which conveys to the lessee the right to use the leased asset for an agreed period of time in return for a consideration, usually, periodic payment called rents (SAS, 11). According to Jacqueline et al (2000), once the two parties enter a contractual agreement over access to and use of the equipment, the lessee is obligated to make periodic payments to the lessor for the duration of the lease. A lease represents medium term financing for asset usage, usually running for three to seven years. Most lease contracts are characterized by the following terms:

i. The lessor remains the owner of the equipment for the duration of the lease, while the lessee acquires temporary possession and usage of the equipment.
ii. The lessee may be required to make a deposit payment on signing of the lease, and to make periodic payments to the lessor for the duration of the lease term.
iii. The lessor may or may not recognize a salvage value in calculating the leasing payments.
iv. In many instances, the lease cannot be cancelled. Should the lessee cancel the lease, they may be charged a substantial penalty for the cancellation.
v. The lessee is responsible for property taxes, insurance, and repairs and maintenance that are not covered by warranty.
vi. When the lease period ends, the lessee has the option of purchasing the equipment, renewing the lease or returning the equipment to the lessor.

Leasing, is a form of renting used by businesses or individuals to finance the acquisition of land, building, machinery, and other industrial equipment. It is widely used by companies in

preference to outright purchase because of a tax advantage and less financial capital needed at the time leasing agreement is taken out.

Leasing is an alternative means of financing business assets. It is a contract between an owner of equipment (the lessor) and another party (the lessee) giving the lessee possession and use of a specific asset in return for payment of specific rentals over an agreed period. The lessee may not be entitled to acquire title to the goods through the exercise of an option to purchase, usually at the end of the lease term. The lessor's role to finance the acquisition of equipment required by the lessee who will have to select the goods and dealt directly with the supplier in determining their performance attributes and suitability (Salam, 2013).

From the definitions above, it can be deduced that leasing is an agreement between an equipment owner and a user of the property. The user pays the owner a periodic rental fee as compensation for the usage of the asset under lease. It can also be seen that all the definitions have portrayed leasing as contract or agreement between two or more parties which consist of all elements of valid contract. Therefore, irrespective of the perspective considered, the leasing will not go out of contractual frame work.

2.2.1 Types of Leasing

Leases are classified currently under IAS17, as finance (capital) or operating leases, depending on whether substantially all the risks and rewards of ownership transfer to lessee or not. The rights of the lessor and the lessee, their tax benefits and accounting positions constitute the factors, which distinguish them.

Further, Kraemer (2003) and Lemo, (2003) agreed that in leasing business, there are basically two major types of leases namely finance lease and operating lease.

Finance lease, which is the most common type of lease in Nigeria and the rest of the world

substantially, transfers all risks and benefits of ownership to the lessee while the lessor still retains title to the equipment or asset under lease which may eventually be transferred (Kurfi, 2013). A finance lease (also known as capital lease) is a means of financing capital equipment. It is a contract between the Bank (Lessor) and the Customer (Lessee) for the hire of a specific asset, selected from a manufacturer / Supplier of lessee's choice and to suit the lessee's requirements and specifications. The lessee has possession of the asset and uses the same on payment of specified rentals and other usual charges / fees, while the lessor retains ownership of the asset. All the risks (major or minor) and rewards of ownership are normally transferred to the lessee and the obligations are non-cancelable. The lessee is to bear the costs of insurance, maintenance and other related costs and expenses for the leased equipment within the lease period (known as primary or basic period). Usually, after primary lease period the lessee has a choice to exercise a purchase option by paying a specified nominal amount (Abashiya, 2011).

According to Igbinedion, (2006) the conditions that make lease terminated are as follows:

i. Lessor bankruptcy
ii. Enemy country
iii. Court order
iv. Lessee bankruptcy
v. Leased asset used for other purpose(s)
vi. Asset leased to a third party without the consent of the lessor
vii. Expiration of lease agreement before a secondary lease agreement.

For a lease to be classified as operating, SAS 11 does not actually defined the operating lease, which somewhat clouds the definitional issues in operating lease structuring instead, SAS 11 defines a finance or capital lease as stated in paragraph 64 any lease not meeting the finance

lease criteria stated in paragraph 63 should be treated as an operating lease. The last criterion of SAS 11 states that a lease is deemed operating only if the present value of the minimum lease payments is less than 100% of the leased equipment fair market value. Payment is generally higher than the assets fair market value. An operational lease involves the lessee renting an asset over a period of time that is substantially shorter than the asset's economic life. The lessor retains ownership and claims depreciation on taxes. Operating leases generally run for three years or less, and the lessor assumes a share of the risks and rewards inherent in the transaction and anticipates the asset's resale value at the end of the lease term.

Operating leases are lease arrangements, which should be of particular interest to the equipment users who require specific equipments to carry out specific contracts. The lessors usually provide service such as maintenance, sometimes insurance, support staff, fuel and other running costs of the equipment (Igbinedion, 2006). An operating lease can be cancelled before the end of its tenor by either party. In determining the rentals on an operating lease, the lessor estimates and considers the residual value of the equipment. The lessor provides such additional services as maintenance, insurance and technical support staff provided for in the lease by the lessor. In an operating lease also, the lessor retains practically all the risks, obligations and rewards of ownership. Some of the risk include: value and insured damage. The benefits include appreciation in value. All other variants or lease plans can belong to either one or the other of these two major types of leases.

However, in contrasting between finance/capital and operating lease one may say they are all types of leasing but they differ in various perspectives. Operating lease is cancelable while finance lease on the other hand is not. Scholars have classified finance lease as one that serves as an alternative to outright purchase, while the operating lease does not serve for this purpose

(Egbuna, 1996). Further, under operating lease, the lessor takes a risk other than plain financial risk and under a finance lease arrangement; the lessor transfers substantially the entire benefits and risk in incidental to ownership of an asset to the lessee.

Furthermore, it is very important to clearly, distinguish the two types of lease for two major reasons:

i. The type of lease determines how it is recorded in the accounting books of the lessor and the lessee.
ii. The type of lease also determines who (the lessor or the lessee) enjoys the capital allowance from Federal Inland Revenue Services (FIRS).

Finance lease is believed to be the type of lease most entrepreneurs will opt for because the attitude is that we want to own and not just use the asset and also equipment appreciates in value more often than not (Igbinedion, 2006). While Olakunle, (2002) is on the contrary view that lessees frequently favour operating leases because of the off balance sheet benefits of such leases. Because of this it is important to be familiar with the steps necessary to structure an operating lease.

For accounting purposes, the classification of a lease is important both to the lessor and the lessee, because it determines how the lease is accounted for in the financial statements. Financial and operating leases are classified differently from both the lessor and lessee perspective.

Under a financial lease, the lessor accounts for the lease as a bank would account for a loan. On the balance sheet, the lessor records a net investment in lease receivable and in the income statement, the interest income earned on the outstanding lease receivable. For the lessee's purposes, the equipment is recorded as an asset. A corresponding liability is recorded on the balance sheet. The lessee's income statement captures the depreciation on the asset and the

interest on the lease as expenses (i.e. the lease payments are split into principal and interest payments).

On the other hand, for accounting purposes of an operating lease, the lessor is treated as the owner of the asset. The equipment cost is recorded as an asset on the lessor's balance sheet, and depreciated over the lease term. Rental payments received from the lessee are recorded as income on the income statement. For the lessee's purposes, the rental payments are captured on the income statement as an expense. No record is made on the lessee's balance sheet since the lessee is not the owner of the asset.

2.3 The concept of Financial Performance

Financial Performance is a measure of an organization's earnings, profits, appreciation in value as evidenced by the rise in the entity's share price (Asimakopoulos et al., 2009). According to Vekataran and Varadarajan (2011) financial performance is the firm's ability to efficiently operate, be more profitable, to grow and survive for a long period of time. All organizations strive to utilize its resources effectively to achieve a high performance level especially in financial terms. Thus, financial performance is the outcome of any of many different activities undertaken by an organization. Moreover, Financial performance principally reflects business sector outcomes and results that shows overall financial health of the sector over a specific period of time. It indicates that how well an entity is utilizing its resources to maximize the shareholders wealth and profitability.

Measures of financial performance fall into two broad categories: investor returns and accounting returns. The basic idea of investor returns is that, the return should be measured from the perspective of shareholders e.g. share price and dividend yield. Accounting returns focus on

how firm earnings respond to different managerial policies, which can be measured using different accounting ratios (Alan, 2008). Although a complete evaluation of a firm's financial performance takes into account many other different kind of measures but most common performance measurement used in the field of finance and statistical inference is financial ratios. For the purposes of this work Return On Asset (ROA), Return On Equity (ROE) and Return On Investment (ROI) are the measured employed to proxy financial performance.

2.3.1 Return on Asset

Return on Assets, commonly referred to as ROA, is a good internal management ratio because it measure profit against all of the assets a division uses to make those earnings. Hence, it is a way to evaluate the division's profitability, performance, and effectiveness. ROA provides goods information about a firm's financial performance in terms of using asset to create income .ROA, is generally seen as a stable financial performance ratio, an increasing ROA indicates that a firm generate more profitability while decreasing ROA indicates that a firm generates less profitability (castenble,1997,55). It is calculated as

$$ROA = \frac{Profit\ after\ Tax}{Total\ assets}$$

Bello et al. (2016) conducted a study about lease financing and financial performance of companies. It aimed at examining the impact of lease financing on the financial performance measured by Return on Asset (ROA) of Nigerian oil and gas companies. The data for the study was collected from annual reports and accounts of six sampled companies in the Nigerian Oil and Gas industry, that are engaged in lease financing and were also listed on the Nigerian Stock Exchange (NSE) not later than January, 2005. Robust OLS regression analysis is used to analyze the impact of lease financing on return on assets (ROA). The results of the study revealed that

lease financing has significant impact on the ROA of oil and gas companies in Nigeria. Therefore, the research recommends that firms should embrace lease financing as a method of financing their operations as evidence suggests that value is added through the use of lease financing.

2.3.2 Return on Equity

Return on Equity (ROE) measures profitability of a firm by exposing how much profit it generates with the money shareholders have invested ROE is often used by traders to detect the firms that have faster growth of total shareholder equity. ROE is calculated as;

$$ROE = \frac{Net\ Income}{Total\ Equity}$$

Abu Orabi (2014) aimed at identifying the impact of leasing on the financial performance of industrial companies in Jordan during the period 2002-2011 and the study used the descriptive analytical method. The study sample was composed of all the industrial companies listed on the Amman Stock Exchange. The study reached to the existence of a statistically significant impact of finance lease on the liquidity of companies and profitability of the companies.

Salam (2013) conducted a study aimed at ascertaining the financial impact of leasing on the financial performance of the two companies on Moncheng and Koshtia in Bangladesh and whether the finance lease has a relationship with the return on equity (ROE) of SMEs and return on assets (ROA). The study used a questionnaire method. The study sample consisted of (53) small and medium-sized companies. The study reached a number of results, including: A positive relationship between financial leasing and return on equity (ROE) and return on assets (ROA). The study also pointed to the need for small and medium-sized companies in Bangladesh to participate in the financial leasing process because of its great impact on improving the financial performance of SMEs.

2.3.3 Return on Investment

Return on investment compares income with operational asset that produce the income. It shows the relationship between the firm's net profit (output) and the long-term invested capital (Inputs). Consequently, it shows the effectiveness of management in terms of utilizing firm assets and its power to create shareholder value .Additionally, this measure is considered more accurate than others that depend only on the balance sheet. ROI relies on two financial statements balance sheet (financing) and income statement (Profit).It is computed as

$$ROI = \frac{Net\ Income}{Total\ Assets}$$

Bello and Almustapha (2016) examined the impact of lease financing on the liquidity of companies in the Nigerian oil and gas. The result revealed that leasing does not have positive impact on the liquidity of the companies.

2.4 Historical Background of Leasing

Leasing is one of the rapid growing worldwide financing activities (ELAN, 2004). Its market continues to provide greater challenges to appraisers in the entire financial industry. In fact, there is no doubt that leasing has commonality throughout the world, parts of such commonality has to do with transition of leasing market.

There is historically documented evidence that the Summenans, a tribe in Southern Iraq, before 2000BC, used a form of operating leasing for agricultural implements and hand tools to farmers (Lemo, 2003). The chartering of vessels, which the most common form of ship is leasing, has also been an important commercial activity since the pre-medieval times.

Later, Babylonians King Hammurabi, ancient Egyptians, Greeks and Romans engaged in lease of personal property, ships, chartered from time of ancient Phoenicians (Beacon, 2004). Since then, leasing has continued to feature at least periodically in the commercial activities of most

countries, especially advanced ones.

The first great leasing transaction was carried out using railway. This was when first London railway, London and Greenwich leased out to South Eastern railway in 1844. The next is Lombard North Central Company of United Kingdom one of the oldest finance company, that transacted its first leasing activity in 1861. This was however followed by Britain's shoe factory that leased out about 80 percent of it machinery in 1919 (Clark 1978). The very first registered limited liability leasing company was established in U.K. This is in the late 1850's when the new corporate form of entity was established.

The government of United Kingdom is the first to launch organized leasing business in 1960's. This took place in the city of London as a new method of business finance. Active participation of Wagon leasing companies, although for short period and price competition between banks in the U.K. following changes in Bank of England policy in 1972 have contributed in no small way to the rapid development of participation in the industry. These became established model for other forms of leasing that follow.

From then, leasing in the country followed similar pattern to that of UK. It became a fundamental means of financing rail road equipment. Car trust company also known as equipment trust company purchased rail cars for long term leasing to the railroad in 1910's. This was followed by Hughes Tool Company that leased 75 percent of the world's oil drilling equipment (Calm, 1978).

Leasing is now used by most developing countries as a means of attracting foreign capital. Government and world agencies such as African Development Bank (ADB) and Asian Development Bank (ADB) are encouraging the participation of individual and companies in the business of leasing. The benefit it offers to other advanced countries so many years back

continue to make the business acceptable in developing counties.

The concept of leasing has been known and used by humanity for centuries. Prior to the 1950s, the total volume of equipment leasing was relatively small. However, during the second half of the twentieth century, the popularity of leasing began to grow (Adekunle, 2005). He also pointed that Year after year, for over five decades, the volume of leasing increased to the point where it now accounts for over one-eighth of the world's total investment in new plants, machinery and equipment. In Nigeria, the lease volume has grown from over N780 billion in the year 2013 to over N869 billion as at 31 December, 2014 (ELAN, 2015).

Modern leasing was introduced in Nigeria in 1960s and the first lease transaction was handled by NAL Bank in the early 1960s. Initially, the business was conducted through subsidiaries of British companies who benefited directly from cross-border leases from British lessors. Equipment leasing by Nigerian companies began in 1972, when post civil war reconstruction efforts gave impetus to the acquisition of heavy construction equipment. The huge capital outlays needed to acquire machinery through outright purchase could not be borne by Government and other organizations in the reconstruction exercise. Many of these organizations, particularly the foreign ones preferred leasing as the best way to obtain the assets. The volume of equipment on lease in the country grew proportionally to the number of operators in the leasing industry. The membership of the association as at 31st December 2015, was a total of 112 corporate members (ELAN, 2016).

2.5 Review of Empirical Studies

Ikapel and Kajirwa (2016), in their study analyzed the effect of operating lease finance on financial performance of state owned sugar firms in Kenya. The study used the retrospective research design in collection of data. A target population of all the four state owned sugar firms

was considered in the study for the period 2004-2014. The firms included Muhoroni Sugar Company, Chemilil Sugar Company, Nzoia Sugar Company and Sony Sugar Company. Secondary data was the main source of data obtained from financial statements and annual reports. The data was analyzed using regression analysis and Pearson product moment correlation coefficient. The study found that operating lease finance negatively affects return on assets (ROA) ($r=-.475$, $p=0.008$, <0.05). The study recommended that state owned sugar manufacturing firms should reduce the proportion of operating lease finance in their capital structure as it negatively affects financial performance.

Bello et al. (2016) conducted a study about lease financing and financial performance of companies. It aimed at examining the impact of lease financing on the financial performance measured by Return on Asset (ROA) of Nigerian oil and gas companies. The data for the study was collected from annual reports and accounts of six sampled companies in the Nigerian Oil and Gas industry, that are engaged in lease financing and were also listed on the Nigerian Stock Exchange (NSE) not later than January, 2005. Robust OLS regression analysis is used to analyze the impact of lease financing on return on assets (ROA). The results of the study revealed that lease financing has significant impact on the ROA of oil and gas companies in Nigeria. Therefore, the research recommends that firms should embrace lease financing as a method of financing their operations as evidence suggests that value is added through the use of lease financing.

Sindani Wafula et al. (2016) examined the Effect of Leasing on the Financial Performance of the County Government of Trans Nzoia. The study was based on the Agency theory, the theory of Information Asymmetry, and the theory of Managerial Risk Aversion. The study adopted a descriptive survey research design where the population of the study was 10 departments of the

County government of Trans Nzoia and entailed a sample of 10 county officials who were selected using purposive sampling method. The research instrument used was a 5 point Likert scale questionnaire and interview schedule was used as tool of collecting data. The measures of financial performance were taken as the dependent variables while amount of Finance lease, taken as the independent variables. The primary data was analysed using Statistical Package for Social Science (SPSS) version 22. A regression analysis was conducted on the data set to determine the effect of leasing on the Return On Asset (ROA) for county government of Trans Nzoia. From the regression results, finance lease had positive effects on Return On Asset (ROA). Financial performance of the county government of Trans Nzoia is affected by the level of lease financing. The study recommends that county governments should be careful with the use of leasing as a method of financing their operations as evidence suggests that value is added through the use of leasing since there is a positive correlation between leasing and financial performance.

Furthermore, Orabi (2014) aimed at identifying the impact of leasing on the financial performance of industrial companies in Jordan during the period 2002-2011 and the study used the descriptive analytical method. The study sample was composed of all the industrial companies listed on the Amman Stock Exchange. The study reached to the existence of a statistically significant impact of finance lease on the liquidity of companies and profitability of the companies.

Moreso, Munene (2014) examined the impact of financial leasing on financial performance. Secondary financial data were collected from (62) companies listed on the Nairobi Stock Exchange for the period 2009-2013. The study found that the financial leasing and the size of the company have negative effects on the return on assets, while the liquidity has had positive effects

on the return on assets.

Moreover, Salam (2013) conducted a study aimed at ascertaining the financial impact of leasing on the financial performance of the two companies on Moncheng and Koshtia in Bangladesh and whether the finance lease has a relationship with the return on equity (ROE) of SMEs and return on assets (ROA). The study used a questionnaire method. The study sample consisted of (53) small and medium-sized companies. The study reached a number of results, including: A positive relationship between financial leasing and return on equity (ROE) and return on assets (ROA). The study also pointed to the need for small and medium-sized companies in Bangladesh to participate in the financial leasing process because of its great impact on improving the financial performance of SMEs.

In addition, Kelly, Khayum and Price (2013) examined community banking data on leasing from 1992 to 2012 and the result of the study reveals that community banks involved in equipment lease financing performed better than the community banks that had no involvement in equipment leasing.

Furthermore, Akinbola and Otokiti (2012) ascertained the effects of lease option as a source of finance on the performance of SME's and whether lease option has a relationship with the productivity of organizations. A cross sectional survey research method with the use of questionnaire instrument was adopted using a multi-stage random sampling population of 300 respondents who are managers of SME's in Lagos State. Analysis of Variance and correlation analysis was used in analyzing the data. The study discovers that lease option has positively affected the profit of the SME's. Also that lease option has influenced organizational output of the companies.

In the other hand, Aurangzeb and Shujaat (2012) determined whether any relationship exists between financial lease and profitability. However the researchers find out that the relationship of profitability with change in fixed assets due to financial lease are inversely related i.e. when profitability of the companies decreases they tend to move to finance their fixed assets through financial lease and vice versa.

Nevertheless, Hassan (2009) examined the impact of finance lease on the profitability of Nigerian banks from the period 2001-2008. The study employed the use of OLS regression to analyse the data obtained from annual financial statements of Nigerian banks and result of the study established that finance lease has significant positive impact on the profitability of Nigerian banks.

Moreover, Samaila (2009) analyses the impact of finance lease on financial performance of conglomerate companies listed on the floor of the Nigerian stock exchange from 2005 to 2006. The data for the study was analysed using simple regression analysis and the result of the study established that finance lease have positive impact on the financial performance of conglomerate companies in Nigeria.

2.6 Theoretical Framework

There are several theories advanced as to why firms engage in leasing. These theories are discussed below:

2.6.1 Agency Costs Theory

The main theoretical explanation for the relationship between the ownership structure and profitability is based on the agency theory, first established by Jensen and Meckling in 1976. Agency conflicts can arise between bondholders and shareholders, between managers and

Shareholders or between lessor and lessee and can lead to asset substitution and underinvestment.

In the presence of risky debt in the firm's capital structure, equity holders may under-invest by giving up positive NPV investments because the project's benefits accrue to the existing debt holders and the existing debt load makes it too costly for the firm to borrow in external capital markets. This creates the under-investment problem due to debt overhang as identified in Myers (1977). Stulz and Johnson (1985) argue that the non-cancellable long-term leases should help mitigate the under-investment problem due to debt overhang.

However, in case of short term operational leases, agency costs may also arise between lessor and lessee due to the separation of ownership from usage of asset. Since the lessees have no right to the residual value of the asset, they have no incentive to take proper care of it. This probably explains the reason why corporations lease office facilities much more frequently than manufacturing or Research & Development facilities. Robicheaux & Fu (2008) examines whether lease financing, used to control the agency costs of debt, is used as a substitute or complement to mechanisms such as corporate governance, managerial incentive compensation used to control agency costs of equity. They find leasing is complementary to governance and incentive compensation suggesting that firms try to control simultaneously the agency costs of debt as well as external equity.

For the purpose of this research work, this theory entailed that lease financing brings about increase in efficiency on the part of management of the firms, which in turn would likely contribute to the financial performance of Construction companies listed at the NSE. Therefore, Agency cost theory will be adapted as underpinning the present research, that positive relationship exists between leasing and financial performance of businesses.

2.6.2 Information Asymmetry

Myers and Majluf (1984) argue that information asymmetry influences capital structure of firms. They demonstrate that if managers can issue safe debt, the adverse selection problem due to information asymmetry could be reduced. Pecking orders of capital 12 structure arise in their model, where retained earnings followed by safe debt, risky debt and as a last resort equity are used in that order to finance the operations (Donaldson, 1961).

Consistent with Myers and Majluf (1984) one can argue that leasing, being similar to secured debt should also mitigate the adverse selection problem. Gilligan (2004) argues that leasing may reduce adverse selection in durable goods markets by increasing the average quality of used goods offered for sale.

Smith and Wakeman (1985) and Sharpe and Nguyen (1995) found that leasing aids in alleviating financial contracting costs. They argue that financing with a lease may reduce the cost of external funds that arise due to asymmetric information or from agency problems that give rise to costly monitoring as per Smith and Warner (1979) and Ezzell and Vora (2001). By financing via true lease the firm puts the lease obligation on par with other administrative expenses that have higher priority than normal debt. This makes leasing a highly desirable financial contract in the presence asymmetric information as it puts leasing at the top of the pecking order of external financing options.

Moral hazard problem arises because the salvage value of the leased asset accrues to the lessor. This leaves the lessee with little or no incentive to maintain the asset in order to preserve its salvage value. Lessors do recognize these issues and include various provisions in the lease contract such as penalty clauses, metered lease payments to reduce abuse of the leased asset.

Chau, Firth and Srinidhi (2006) argue that leases with a purchase option can completely mitigate the moral hazard problem. From the above discussions it is clear that leases help mitigate the asset substitution problem due to agency and costly external financing due to information asymmetry and hence reduce any excess cost the firm could have incurred if they didn't have complete information. Reduction in excess cost will help improve the financial performance of firms listed in the Nigerian Stock Exchange.

2.6.3 Managerial Risk Aversion

Managers are usually less diversified than regular shareholders because managers have their human capital and current and future compensation tied to the firm's performance or value. Flath (1980) and Smith and Wakeman (1985) argue that the ownership structure should affect the decision to lease assets. A higher level of managerial ownership is mostly associated with higher levels of lease financing. Flath (1980) argues that in closely held lessee firms, leasing is more likely as the ownership of capital assets makes reduction of risk through diversification more difficult and leasing mitigates this concern by allocating usage rights of the underlying asset to the lessee while leaving ownership rights with the lessor.

Leasing reduces the concentration of wealth and facilitates more efficient allocation of risk bearing by shifting ownership risk from risk-averse lessees to less risk-averse lessors. Mehran, Taggart, and Yermack (1999) provide empirical evidence that CEO stock ownership, proxied by the fraction of common shares owned by firm's CEO, has significant positive effect on lease financing. Mehran et al. (1999) argue that when CEOs have larger ownership stakes, their interests are more closely aligned with shareholders and also have more control over the firm. Thus, CEOs with large equity ownership use more leasing in order to reduce exposure to technological obsolescence and other asset-specific risks.

Smith and Wakeman (1985), argues that in addition to managerial stock ownership, managerial incentive compensation can affect the incentives to lease. For example, a manager whose bonus depends on the return on invested capital could argue in favor of leasing rather than purchasing property, plant and equipment as the denominator in the performance measure could increase drastically with purchasing. Robicheaux et al. (2008) offer empirical evidence that firms with higher CEO stock ownership and option compensation use more lease financing.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter is concerned with the methods used in collecting, analyzing and interpreting the data for the study, also explains the population of the study, sampling techniques and sampling size, and model development. The choice of the methodology has been guided by the objectives and the nature of the data required for the study.

3.2 Research Design

The nature of problem and objective of any study usually determine the type of research design to be adopted by a researcher. Though, various types of research design exist but this study utilized the ex-post facto design as it attempts to utilize published documents and which in this case refers to the use of annual reports and accounts on the impact of lease financing on the financial performance of listed deposit money banks in Nigeria using the three widely used proxies (i.e. Return on Equity, Return on Assets, and Return on Investment) for measuring firm performance.

3.3 The Population of the Study

The populations of the study are the listed deposit money banks as provided in Table 3.1.

Table 3.1 Population of the study

S/N	LISTED BANKS
01	Access Bank plc
02	Heritage Bank Ltd
03	Eco bank Nigeria
04	First Bank of Nigeria
05	First city monument Bank
06	Fidelity Bank Nigeria
07	Guaranty Trust Bank PLC
08	Polaris Bank
09	Stanbic IBTC Bank PLC

10	Sterling Bank
11	Union Bank of Nigeria
12	United Bank for Africa
13	Unity Bank Plc
14	Wema Bank
15	Zenith Bank

Source: NSE fact book 2017

3.4 Sampling Size and Sampling Techniques

For the purpose of this study, Judgmental sampling was used to select the sample of the study. Judgmental sampling is a non probability sampling techniques where the researcher selects units to be sampled based on their knowledge and professional judgment.

Since not all the listed banks are members of Equipment Leasing Association of Nigeria (ELAN), the sample size was retrenched to 12 listed banks which are members of Equipment Leasing Association of Nigeria (ELAN). The researcher decided to use non probability sampling techniques through judgmental sampling by screening out banks that engages in finance lease or has no lease records within the period of study that is 2014-2018. Thus, out of the listed banks the following are used as sample of the study:

Table 3.2 Sample size

S/N	LISTED BANKS
1.	Guaranty Trust Bank PLC
2.	Wema Bank
3.	First Bank of Nigeria
4.	Stanbic IBTC Bank PLC

Source: Table 3.1

Slovin's sampling technique formula is used in determining the adequacy of the sample size of this study as adopted by Ariola *et al* (2006).

Slovin's formula is written as: n = N / (1 + Ne^2)

Where n = Number of samples

N = Total population

e = Error tolerance i.e. at 40%

1 = constant

Therefore, $n = 15/(1 + 15\times0.4^2)$

$n = 15/ (1 + 2.4)$

$n = 4.41$

$n => 4$

3.5 Sources and Methods of Data Collection

There are basically two sources of data collection that is Primary and secondary sources of data collection. For the purpose of this research, only secondary source of data collection was utilized. Nigerian Stock Exchange fact books and annual financial statements of the sampled banks for the periods 2014 to 2018.

3.6 Variables of the Study and Their Measurements

Two set of variables were utilized for the purposes of this study namely Dependent and Independent variable.

3.6.1 Dependant Variable

The researcher used three accounting ratio based on which financial performance is measured as dependent variables, that is Return On Asset (ROA), Return On Investment (ROI) and Return On Equity (ROE).

i. **Return On Asset (ROA)**: It measures how effectively the company produces income from its assets. Below is the formular of calculating ROA

$$ROA = \frac{Net\ income}{Total\ Assets} \times 100$$

ii. **Return On Investment (ROI)**: it measures to evaluate the efficiency of an investment. ROI tries to directly measure the amount of return on a particular investment. Below is

the formular of calculating ROI

$$ROI = \frac{Net\ income}{Total\ Investment} \times 100$$

iii. **Return On equity (ROE)**: It measures how much a company makes each Naira/Dollar or any forms of currencies that investor put into the company. Below is the formular of calculating ROE

$$ROE = \frac{Net\ income}{Total\ Equity} \times 100$$

3.6.2 Independent Variable

The independent variable under this research is the finance lease, age and size of the firm (Total asset).

3.7 Techniques of Data analysis

The study used descriptive statistics and multiple regression techniques for data analysis. This is because they actually capture and address inter-relationship of the data collected for the study. Stata tool of analysis was used for data analysis.

3.8 Model Specifications

This study tried to capture the impact of leasing financing on financial performance of listed deposit money banks in Nigeria. The model is a system of equation which relates lease finance with financial performance. This study adopts the general model as used by; Bello, Sabo and Alhaji (2016) and Munene 2014 with modification as given below:

$ROE = \alpha + B_1LF + B_2size + B_3Age + \varepsilon$…….(i)

$ROA = \alpha + B_1LF + B_2size + B_3Age + \varepsilon$…….(ii)

$ROI = \alpha + B_1LF + B_2size + B_3Age + \varepsilon$…….(iii)

Where:

α = the constant

B = the coefficient

ROE = Return on equity

ROA = Return on Asset

LF = Finance lease

Size = size of the company

Age = Age of the company

ε = random error term

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter present and interpret the result of data analyze in line with objective of the study. The data for the analysis was obtained from the annual reports and account of the four selected banks for the five years period from 2014-2018. However, in analyzing the data descriptive statistics, correlation and multiple regressions analysis was utilized bear statistical application packages STATA version 13. Moreover, Hypotheses raised for the study were also tested.

4.2 Descriptive Statistics

Table 4.1 below shows the descriptive statistics of Return on Asset (ROA), Return On Equity, Size and Age of banks in this study during the period under review (2014-2018).

Table 4.1: Descriptive statistics of the variables

Variable |	Obs	Mean	Std. Dev.	Min	Max
roa |	20	.0761853	.087645	.0001372	.2788173
roe |	20	.1335942	.1051829	.0000805	.3261156
Roi	20	.3522343	.3348086	.0000473	1.319678
lf |	20	.0261223	.0480235	.0001049	.1780372
size |	20	19.79779	1.235795	18.1419	21.76175
age |	20	25.55	13.17683	8	47

Source; STATA

Table 4.1 shows a descriptive statistics result of the explained and explanatory variables. A total 20 observations were recorded. The table shows the mean and standard deviation with minimum and maximum range of the explained variables. The Return on Asset (ROA) has a mean of 0.0761853 with a standard deviation of 0.087645 and Return on Equity (ROE) has a mean of 0.1335942 with a standard deviation 0 .1051829, while Return on Investment (ROI) had a mean

of 0.3522343 with a standard deviation 0.3348086. Further, Finance leasing had a mean of 0.0261223 with a standard deviation of 0.0480235. age and size also had a mean of 19.79779 and 25.55 with standard deviation of 1.235795 and 13.17683 respectively.

4.3 Correlation Results

The summary of the correlation coefficients of the variables of the study are presented in table 4.2 below

Table 4.2: Correlation result

Variables	roa	roe	roi	fl	size	age
roa	1.0000					
roe	0.4231	1.0000				
roi	0.2857	-0.1895	1.0000			
Fl	0.2381	-0.0735	-0.3039	1.0000		
Size	-0.3903	0.5070	0.1035	-0.5869	1.0000	
Age	-0.0577	-0.2526	0.3411	-0.5418	0.2440	1.0000

Source: Annual Reports and Financial Statements of Sampled Banks (2014-2018) using STATA

Table 4.2 shows the correlation matrix for the variables used in the study. Correlation has been used to estimate the relationship between the dependent variables (Profits, Investments and Shareholders Fund) and the independent variable, which is represented by leasing in Naira.

The results show that Return on Equity (ROE) and Return on Investment (ROI) have negative relationship with Lease financing with the coefficient of -0.0735 and -0.3039 respectively. while positive relationship with Return on Asset (ROA) with the coefficient of 0.2381.

4.4 Regression Results

The study uses three dependent variables for determining the aggregate impact of Finance

leasing on the performance of Nigerian deposits money banks. These three explanatory variables are profits, investments and shareholders fund. The study hypothesizes significant relationship between explanatory variables and Finance leasing in Naira. The regression results are presented

4.5 Regression Analysis and Test of Hypothesis

In order to analyze the result obtained after the computations, each of the hypotheses in chapter one is restated in its null form in order to test whether to reject or accept the null hypothesis. The result of the regression analysis and Hypothesis ware presented as follows:

4.5.1 Hypothesis I

$H0_1$ Lease financing has no significant impact on the Return on Asset of the listed Deposit Money Banks in Nigeria.

Table 4.3 Impact of Leasing on ROA of Nigeria Deposit Money Banks.

Regression ROA Finance lease size age

Source	SS	df	MS		
Model	.022640002	3	.007546667		
Residual	.123311284	16	.007706955		
Total	.145951286	19	.007681647		
	;				

Number of obs	=	20			
F (5, 14)	=	0.98			
Prob > F	=	0.4271			
R-squared	=	0.1551			
Adj R-squared	=	0.0033			
Root MSE	=	.08777			

roa	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	.0935039	.6011854	0.16	0.878	-1.180952	1.36796
size	-.0266157	.0202486	-1.31	0.207	-.0695408	.0163095
age	.0004099	.0018293	0.22	0.826	-.003468	.0042879
_cons	.5902009	.4187618	1.41	0.178	-.2975346	1.477936

Table 4.4 above shows the impact of lease financing on the Return on Asset (ROA) of listed banks in Nigeria. From the table 0.0935039 indicates that an increase in lease financing by ₦1 by

listed banks in Nigeria will lead to an increase in profitability measured by Return on Asset (ROA) by about ₦0.0935039. The R^2 of 0.1551 means that lease financing contributes about 16% of the profitability of the listed banks in Nigeria, while the remaining 84% is accounted for by other variables not captured in the study. However, the P-value of 0.878 suggests an insignificant mpact of lease financing on the profitability of listed banks in Nigeria measured by Return on Asset (ROA). Therefore, the null hypothesis cannot be rejected. This however is in contrast with the findings of Bello, Sabo and Alhaji (2016).

4.5.2 Hypothesis II

$H0_2$ Lease financing has no significant impact on the Return on Investment of the listed Deposit Money Banks in Nigeria.

Table 4.5 Impact of Leasing on the Shareholders Fund of Nigerian Deposit Money Banks.

Regression ROE Finance lease size age

Source	SS	df	MS
Model	.087500762	3	.029166921
Residual	.122704822	16	.007669051
Total	.210205584	19	.011063452

Number of obs =	20
F (5, 14) =	3.80
Prob > F =	0.0312
R-squared =	0.4163
Adj R-squared =	0.3068
Root MSE =	.08757

roe	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	.2908549	.5997052	0.48	0.634	-.9804634	1.562173
size	.0569311	.0201988	2.82	0.012	.0141116	.0997506
age	-.0027449	.0018248	-1.50	0.152	-.0066133	.0011235
_cons	-.9309809	.4177308	-2.23	0.041	-1.816531	-.0454311

Table 4.5 above shows the impact of lease financing on the Returrn on Euity (ROE) of the listed banks in Nigeria. From the table, lease financing coefficient of 0.2908549 this means that ₦1 increase in lease financing will lead to increase in shareholders' fund measured by Return on Equity (ROE) of about ₦0.2908549. The R^2 of 0.4163 this means that lease financing contributes

about 42% of the Shareholders' fund of the listed banks in Nigeria, this implies that other variables not captured in the study occupies the remaining 58%. However, the P-value of 0.634 suggests significant impact of lease financing on the profitabiity of listed banks in Nigeria measured by Return on Equity (ROE). This contravene the finding of Aurengzeb and Shujaat (2012).

4.5.3 Hypothesis III

$H0_3$ Lease financing has no significant impact on the Return on Equity of the listed Deposit Money Banks in Nigeria.

Table 4.6 Impact of Leasing on the Investment of Nigerian Deposit Money Banks.

Regression ROI Finance lease size age

Source	SS	df	MS		
Model	.301101234	3	.100367078		
Residual	1.82873741	16	.114296088		
Total	2.12983865	19	.112096771		

Number of obs =	20
F (5, 14) =	0.88
Prob > F =	0.4731
R-squared =	0.1414
Adj R-squared =	-0.0196
Root MSE =	.33808

roi	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	-1.566297	2.315169	-0.68	0.508	-6.474236	3.341642
size	-.0236021	.0779776	-0.30	0.766	-.1889072	.1417029
age	.0061154	.0070446	0.87	0.398	-.0088185	.0210493
_cons	.7041713	1.612655	0.44	0.668	-2.714504	4.122846

Table 4.6 above shows the impact of lease financing on the Returrn on Investment (ROI) of the listed deposit money banks in Nigeria. From the table, lease financing coefficient is -1.566297 this means that for every ₦1 increase in lease financing will lead to decrease in investment measured by Return on Investment (ROI) of about ₦1.57. The R^2 of 0.1414 means that lease financing contributes about 14% of the Shareholders' fund of the listed banks in Nigeria, this

implies that other variables not captured in the study occupies the remaining 86%. However, the P-value of 0.508 suggests insignificant impact of lease financing on the profitabiity of listed banks in Nigeria measured by Return on Equity (ROE). Therefore, the null hypothesis cannot be rejected. This support the finding of Munene (2004).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter shows the summary of research findings, the conclusions made from the results, and the recommendations.

5.2 Summary of Work Done

This study investigates the impact of leasing on the financial performance of Nigerian deposit money banks. The problem of the study therefore emanated from at least two reasons: First, leasing has become a global alternative method of business financing and Nigerian deposit money banks are involved in it that makes the study significantly relevant. Second, studies have been carried out on the impact of leasing on the manufacturing firms, small and medium scale enterprises in Nigeria and all the results revealed positive impact on their performance. Igbinedion, (2006) studied the leasing impact on the profitability of manufacturing firms and Wright, (2004) on the financing of small and medium scale enterprises. This infact motivated the researcher to find out whether it will be the same or different on the Nigerian deposits money banks. In view of these, the study hypothesized a significant relationship between leasing and three performance indicators of Nigerian banks namely; profit, investments and shareholders fund.

Banks engage in leasing to increase their turn over which ultimately improves their performance. The study accepts the null hypotheses that leasing in Nigerian banks has no significant impact on the three explanatory variables: profitability, investment and shareholders' fund. The results reveal a negative relationship of -1.57% between the value of leasing and investment, and positive relationship of 0.09% and 0.29% on Return On Asset and shareholders fund of Nigerian

deposits money banks respectively. Although the relationships are not statistically significant, there is an increase and also decrease in the value of some proxies of financial performance (profitability, investment and shareholders fund). The study shows that for every N 1 naira increase in finance leasing, the volume of profit and shareholders fund increases by ₦0.09 and ₦0.29 respectively and investments decrease by ₦1.57 in Nigerian deposit money Banks. This result supports the findings of Munene (2004), Aurangzeb and Shujaat (2012) and Bello, Sabo and Alhaji (2016).

Discriptive statistic and multiple regressions were used for testing hypotheses. The result of the study reveals that finance leasing has no significant impact on the financial performance of banks in Nigeria though the relationship between leasing and some financial performance proxies (ROA and ROE) were established positive while negative for ROI.

5.3 Conclusions

In accordance with the research findings, the study concludes:

i. Finance leasing has insignificant impact on the Return on Asset (ROA) of Nigerian deposit money banks.
ii. Finance leasing has insignificant impact on the Return on Equity (ROE) of Nigerian deposit money banks.
iii. Finally, Finance leasing has no significant impact on the Return on Investment (ROI) of Nigerian deposit money banks.

5.4 Recommendations

In line with the findings of this study, the following recommendations are proffered to strengthen and improve leasing business in Nigeria deposit money banks.

i. Banks should be careful with the use of lease financing as a method of financing their operations even though value is added through the use of lease financing. Some evidence suggested a positive relationship between lease financing and Return on Asset (ROA) and Return On Equity (ROE) while negative relationship with Return On Investment (ROI). It may therefore be important for the firms to examine what value lease financing may add to them when other financing options are available.

ii. The Management of Nigerian banks should strictly adopt and follow the requirements of leasing as stipulated by their policies instead of discriminating and favoring those with connections to the top banks executives. This will reduce if not eliminate its negative impact on shareholders' fund.

iii. Lastly, the management of Nigerian banks should work very hard to improve the business of leasing in their banks in order to increase the volume of proceeds accruable from leasing business. They can do that through creating a unit or section that exclusively deals with leasing transactions and follow it up vigorously with series of advertisements. The banks shareholders should encourage the management to engage in greater business of leasing. This has the potentials of improving return on their investments.

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APPENDIX

Appendix 1; Research Data

CODE	YEAR	ROA	ROE	ROI	finance lease ratio	SIZE	AGE
1	2018	0.03455853	0.035630921	1.319677921	0.001542593	19.4151318	47
1	2017	0.034400139	0.035405628	0.942389758	0.004836419	18.06936463	46
1	2016	0.185712537	0.103010366	0.074874802	0.001895253	18.08558376	45
1	2015	0.00013723	8.0479E-05	4.73205E-05	0.007770166	18.02650471	44
1	2014	0.278817303	0.162359049	0.137942107	0.0102403	18.02504564	43
2	2018	0.061536753	0.326115638	0.363161748	0.000104887	15.92415744	27
2	2017	0.056188211	0.274341646	0.348777838	0.000535599	15.9336235	26
2	2016	0.048534362	0.265951025	0.306764621	0.000509345	15.95354077	25
2	2015	0.041406267	0.232510311	0.285094166	0.000347268	15.98695637	24
2	2014	0.041930983	0.247757113	0.276703405	0.000324027	16.10184075	23
3	2018	0.006859162	0.053196361	0.367566021	0.003722542	15.40800555	26
3	2017	0.003200535	0.029389343	0.15992807	0.002568721	15.04201755	25
3	2016	0.006153064	0.053437022	0.820395492	0.012796161	14.94072615	24
3	2015	0.005865946	0.050522522	0.188923323	0.014902817	14.92572594	23
3	2014	0.00620146	0.054204209	0.637309971	0.005826829	14.87184215	13
4	2018	0.14357307	0.151638783	0.181192205	0.080322736	15.22704982	12
4	2017	0.258428582	0.271601874	0.294193292	0.12494737	15.17542758	11
4	2016	0.006558472	0.008345896	0.007119559	0.178037197	15.10753407	10
4	2015	0.130049274	0.136415146	0.142663063	0.051948565	15.10408128	9
4	2014	0.173593583	0.179969859	0.1899611	0.019267619	14.89045769	8

Appendix 2; Descriptive Statistics of Explained and Explanatory Variables

Variable |	Obs	Mean	Std. Dev.	Min	Max
roa |	20	.0761853	.087645	.0001372	.2788173
roe |	20	.1335942	.1051829	.0000805	.3261156
Roi	20	.3522343	.3348086	.0000473	1.319678
lf |	20	.0261223	.0480235	.0001049	.1780372
age |	20	19.79779	1.235795	18.1419	21.76175
size |	20	25.55	13.17683	8	47

Appendix 3; Correlation result

variables	roa	roe	roi	fl	size	age
roa	1.0000					
roe	0.4231	1.0000				
roi	0.2857	-0.1895	1.0000			
Fl	0.2381	-0.0735	-0.3039	1.0000		
Size	-0.3903	0.5070	0.1035	-0.5869	1.0000	
Age	-0.0577	-0.2526	0.3411	-0.5418	0.2440	1.0000

Appendix 4; Impact of Leasing on ROA of Nigeria Deposit Money Banks.

Regression ROA Finance lease size age

Source	SS	df	MS		
Model	.022640002	3	.007546667	F (5, 14)	= 0.98
Residual	.123311284	16	.007706955	Prob > F	= 0.4271
Total	.145951286	19	.007681647	R-squared	= 0.1551
				Adj R-squared	= 0.0033
				Root MSE	= .08777

Number of obs = 20

roa	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	.0935039	.6011854	0.16	0.878	-1.180952	1.36796
size	-.0266157	.0202486	-1.31	0.207	-.0695408	.0163095
age	.0004099	.0018293	0.22	0.826	-.003468	.0042879
_cons	.5902009	.4187618	1.41	0.178	-.2975346	1.477936

Appendix 5; Impact of Leasing on ROE of Nigeria Deposit Money Banks.

Regression ROE Finance lease size age

Source	SS	df	MS		
Model	.087500762	3	.029166921	Number of obs =	20
Residual	.122704822	16	.007669051	F (5, 14) =	3.80
Total	.210205584	19	.011063452	Prob > F =	0.0312
				R-squared =	0.4163
				Adj R-squared =	0.3068
				Root MSE =	.08757

roe	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	.2908549	.5997052	0.48	0.634	-.9804634	1.562173
size	.0569311	.0201988	2.82	0.012	.0141116	.0997506
age	-.0027449	.0018248	-1.50	0.152	-.0066133	.0011235
_cons	-.9309809	.4177308	-2.23	0.041	-1.816531	-.0454311

Appendix 6; Impact of Leasing on ROI of Nigeria Deposit Money Banks.

Source	SS	df	MS		
Model	.301101234	3	.100367078	Number of obs =	20
Residual	1.82873741	16	.114296088	F (5, 14) =	0.88
Total	2.12983865	19	.112096771	Prob > F =	0.4731
				R-squared =	0.1414
				Adj R-squared =	-0.0196
				Root MSE =	.33808

roi	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fl	-1.566297	2.315169	-0.68	0.508	-6.474236	3.341642
size	-.0236021	.0779776	-0.30	0.766	-.1889072	.1417029
age	.0061154	.0070446	0.87	0.398	-.0088185	.0210493
_cons	.7041713	1.612655	0.44	0.668	-2.714504	4.122846