IMPACT OF LEASE FINANCING ON THE PERFORMANCE OF MANUFACTURING SECTOR IN NIGERIA

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Abstract

Financing the acquisition of capital assets has continued to be a major hurdle amongst manufacturing firms in the country, particularly with the introduction of Structural Adjustment Programme (SAP) in Nigeria in 1986, Thus, the high naira exchange rate against the dollar and the soaring interest rate due to the deregulation of the economy had made lease financing a viable option for capital assets acquisition amongst enterprises in Nigeria, particularly firms in the manufacturing sector of the economy. This study seeks to examine the impact of lease financing on the performance of the Nigerian manufacturing sector (the manufacturing output-GDP ratio) and; to determine the impact of the growth rate of GDP on the manufacturing sector output-GDP ratio among others. In line with the objectives, four hypotheses were formulated. The study uses time series data covering the period of 1994-2010. The Ordinary Least Squares statistical method was used to estimate the specified models. The manufacturing sector output to GDP ratio was adopted as the dependent variable, while the independent variables include: exchange rate, growth rate of GDP, export and the total amount of equipment that were leased to the manufacturing sector. The findings of the study showed that exchange rate had a negative relationship and significant to the manufacturing sector performance. While the growth rate of GDP exhibited positive and significant impact on the manufacturing sector performance. Export was also found to be negative and significant to the manufacturing sector performance. Lease variable was negative and statistically insignificant to the performance of the manufacturing sector. Moreso, the insignificance of the lease variable showed that total volume of lease was never meaningful enough to impact on the manufacturing sector's growth, given the data set. The study concludes that lease financing is seen as a viable alternative for capital asset acquisition amongst manufacturing firms in the country. Based on the findings of the study, recommendations were made on how to enhance the practices of lease financing in the country, there is dire need of extensive publicity on the supposed benefits and mechanics of leasing by the Equipment Leasing Association of Nigeria (ELAN). The provision of International Accounting Standard 17 (IAS 17) should be observed by the practitioners in the leasing industry for healthy development of the business. While, adequate and proper tax incentives for assets on leasing should be provided; there is dire need for the legal codification of leasing practices in the country and cross boarder leases should be encouraged.

Keywords: Gross Domestic Products, Lease Financing, Manufacturing Sector, Nigeria and Performance

Introduction

One of the key decisions that all managers of firms have to make is the financing decision. They decide on the nature of financing their assets, whether it be through equity (firm's own resources) or through borrowing. In the advanced economies, firms have taken leasing as a viable alternative for financing assets and acquisition. In the United States, it is known that the Equipment Leasing and

Finance Association (ELF-A) members are responsible for financing a substantial portion of the nation's capital expenditure budget through a multiple of financial products and strategies. Equipment financing is said to have facilitated the growth and expansion of the U. S. market and of global economies, by providing multiple financing products for companies to acquire and employ plants, equipment and software, thereby enhancing business investment and capital formation (Egbuna, 1995). However, in Nigeria, the same cannot be said of the majority of firms. A cursory look shows that the leasing industry had mixed trends in terms of growth from 1990-2006. When taken in terms of lease-GDP ratio, Nigeria's volume of lease-to-GDP ratio is undoubtedly insignificant and so may not provide the needed platform to finance business investment and capital formation. The question then is why is Nigeria's lease market and environment different from that obtained in other economies? Are there inherent problems or structural rigidities associated with Nigeria's lease market that have prevented companies from benefiting adequately from the global positive impact of lease financing?

One of the major problems which the Nigerian economy is facing today is that of inadequate or inappropriate financing options. Since the introduction of the Structural Adjustment Programme (SAP) in 1986,the costs of capital equipment have risen beyond the reach of most organizations that need them, thus making it difficult to replace obsolete equipment. Most companies in the manufacturing sector of the Nigerian economy are therefore housing operating equipment which has undergone several degrees of depreciation. Such companies spend huge amounts of money on maintenance to keep their factories running, leading to a drop in profit margins due to increasing overhead expenses.

Although these companies would like to replace the equipment, the necessary cash to back their desire may not always be available. In addition, banks cannot afford to grant further facilities on medium or long-term basis for the procurement of capital assets because of their liquidity problems and the credit ceilings given by the Central Bank. Some banks are still battling to recover the outstanding debts incurred over years. Thus, equipment leasing is seen as a viable option to the asset acquisition problems of companies in the manufacturing sector of the Nigerian economy (Charles, 2006).
According to Moses (1999), if their cash flow can allow for the lease of such essential equipment, companies can increase their output and offset their overhead expenses and profits. Leasing is an alternative means of acquiring the use of an asset, instead of outright purchase of assets. In the traditional and contemporary finance literature, the acquisition of assets by a firm is centered on the capital structure of the firm. Will the asset acquisition be financed from the firm's own resources (equity) or through borrowing (debt)? Even where the

choice is between equity and debt, both traditional and contemporary finance recognizes leasing as a viable option for either equity or debt in terms of the risk-return relationship of the firm (Collins, 2008). The study, therefore, examines the impact of lease financing on the performance of the manufacturing sector in Nigeria with a view to proposing an explanatory model.To this end, the paper is structured into four major parts. Section one is the Introduction, section two which follows this introduction present, the literature review, section three discusses the methodology, while section four presents the conclusion and some recommendations.

Literature Review

An Overview of Financing Options

Businesses can be financed through equities, debts and leases. Therefore, the choice is a function of availability and of the social-economic gains associated with each.

Equities

Equity has to do primarily with acquisition of shares by enterprise owners or the acquisition of additional capital through the public offering of shares. It also involves the use of retained earnings not distributed as dividends to common stock holders. In this case, funds coming from equity are regarded as funds from owners of the business.

There are two major kinds of shares- the common/ordinary shares and the preferred shares. While the ordinary shares are un-dated, are without fixed interest and have residual claim, the preference shares are gilt-edged with fixed interest and priority over the common shareholder in the event of liquidation.

Debt Financing:

Debt financing involves borrowing funds in short, medium or long term to finance a project or transaction. This fund comes from outsiders or lenders in the form of loans debentures trade credits and overdrafts, among others. The lenders as a result have a fixed claim on the company. In comparing the two methods of financing (Debt and Equity), Van Horne (1983, p. 464) argues "the ability of companyto sell public issues varies over time in keeping with the tune of capital, whereas access to long-term financing is more dependable. Even larger companies that are able to go to public markets may find it quicker and more convenient to seek bank loans than to float a public issue". Loans (debts) therefore, are regarded as more flexible and dependable sources of external financing in this context. However, according to the Equipment Leasing Association of Nigeria (ELAN), the choice of investment option is a function of the risk/return profile and other exogenous variables, in terms of public sector

policies and regulations and other private sector conditions of rendering a service. In view of these factors, the third - important means of financing, which is the focus of the present study is leasing.

Concept of Leasing

Leasing is one of the most highly innovative areas of business finance that has generated a number of definitions representing the perspective and background of the user. A lawyer would be more concerned with the legal title of the asset, an economist is concerned with the productive use of the asset; an accountant is concerned with reporting in accounts, the board of Inland Revenue is concerned with capital allowances and the banker with risk exposure as a result of financing the acquisition of the asset. Therefore, each one will define leasing based on his own perspective. However, the common denominator underlying the definitions of leasing focuses on the separation of ownership and use of the asset over lease tenure, as the essence of leasing.

Thus in the eyes of English law, according to Doode as cited in Tokode (2001, p. 25), a lease of goods isa hire contract by whatever name it is called, and its essential characteristic is that goods are bailed by one party, A, to another party B's use or enjoyment in exchange for the payment of rent. It is distinguished from hire purchase and conditional sale in that B has neither the option nor the obligation to purchase the goods, but is required to return them to A, or deal with them as A directs, when bailment comes to an end. The above definition confines itself only to the legal title of the assets involved, without considering the risk exposure and productive use of the assets.

According to Equipment Leasing Association of Nigeria (ELAN), as cited in Osaze (1993,p.l), leasing is defined as a contract between the owner of an asset, the lessor, and the prospective user of that asset, the lessee, giving the lessee possession and use of the asset on payment of rentals over a period of time. The lessor retains ownership title of the asset so that it never becomes the property of the lessee or any third party during the tenure of the lease. The above definition also emphasis more on separation of usage from ownership without articulating the risk exposure involve in the contract. Araga (1996 cited in Adewumi, 1991), asserts that the concept of leasing has been described by the Equipment Leasing Association of Great Britain as a contract between lessor and lessee for the hire of a specific asset selected from a manufacturer or vendor of such an asset. The lessor retains ownership of the asset. The lessee has possession and use of the asset on payment of specified rentals over a period. This definition also emphasizes the separation of usage from ownership without articulating the risk exposure involved in the contract. However, a more comprehensive definition of leasing was given by Likhachova (1999), where leasing is described as a

complex of property relations that arise when property (the asset to be leased) is acquired - and is subsequently assigned for temporary use. Under a lease contract, one party (the lessee) can use property belonging to the leasing company (the lessor), in return for rental payments. The most important part of this agreement is that the property ownership (sustained by the leasing company) is separated from the economic use of the asset (in the lessee's possession). The leasing company is concerned with lessee's ability to generate cash flow sufficient to cover the leasing fees, and not with his credit standing, asset or capital. This kind of contract is especially convenient for new, small or medium-sized enterprises, which usually do not have a credit history. The leased property serves as collateral (guarantee) in the deal. In this definition, the separation of usage from ownership, the productive use of the asset as well as the risk exposure of the lessor are emphasized.

All these defmitions revolve around one theme, that is, a productive asset that brings two, parties together in order to exchange mutual benefits from the usage of the asset. Thus, the lessor, owner of the asset, agrees to part with his asset to the lessee, user of the asset, for a considerable period of time, but ownership title remains with the lessor throughout that period. Leasing is an alternative mode of financing the acquisition of capital assets. Other alternatives are an outright purchase with one's resources; debt (borrow and buy) financing; hire purchase; conditional sale or installment sales (Olusoga, 2003).

Growth of the Leasing Industry in Nigeria

Modern leasing which started barely four decades ago in Nigeria has become an important financing alternative in the country. Over the years leasing has been contributing to economic development through the provision of the much-needed capital assets for productive ventures. Today, the impact of leasing is becoming more pronounced in all sectors of the economy. Returns from ELAN members in 2006 indicate a leasing volume of N185 billion, representing an increase of 65. The bulk of this volume lies in manufacturing and oil and gas sectors. The transportation sector is also becoming very attractive as many lessors are venturing into leasing of luxury buses to commercial transport operators. The number of new entrants into the leasing business has continued to increase over the years. From six members of ELAN in 1983, when the association was formed, to about 250 in 2006 made up of established companies (mostly banks) engaged in diverse forms of leasing. The increase in the number of lessors has brought about competition in the market. As a result, lessors are becoming more innovative in the leasing of almost every item of equipment, ranging from heavy machinery for production and exploration of petroleum to light office equipment. The most popular types of equipment leased in Nigeria include power generators, vehicles and computers. Leasing transactions in

Nigeria are mainly finance leased despite the non-availability of capital allowances for lessors. The main reason for the predominance of finance lease is that majority of practitioners are banks who are neither manufacturers nor vendors of the equipment. Finance lease is attractive to the lessee who is interested in owning the asset at the end of the primary period of lease. Operating leases, on the other hand are very attractive to other types of leases, mostly oil companies. Between 1960 and 1972, some leasing businesses were credited to the Nigerian Acceptance Limited now NAL Bank PIc. Increase in the number of Merchant Banks from I to 6 between 1972 and 1978 created an impetus for a considerable growth in the leasing business. By 1982, Nigerian-American Merchant Bank Limited (NAMBL) lease financed an entire soft drink plant company. In 1983, Equipment Leasing Association was established as a non-profit organization to focus on the promotion of leasing business in the country. A year after establishing ELAN, the leasing business grew by 180 against the decline of 33 in 1982 and 1983. And for the first time in the Nigerian leasing industry, International Merchant Bank Limited (IMB) leased a Trawler in 1986, while Continental Merchant Bank Limited (CMB) in the same year provided lease facilities to Kabo Air to procure a Boeing 747 from Eastern Airlines USA and also to Sky Power Express Limited to procure five Brazilian Embracer passenger aircrafts. These were apparently the beginning of the big figures in Nigeria when the exchange rate was less than N5.00 to a dollar. In 1987, IMB recorded its first lease transaction on aircraft HS 125 600 series, while CMB booked' its first leasing syndication in Nigeria the same year in the sum ofN20 million lease syndication in favour of United Spinners Limited in 1987 (Adetunbi,2002).

Table2.l shows that the leasing industry had mixed trends of growth from 1994-2010. The leasing market showed a steady growth from 1994-1996 of 16 percent, 37 percent and 16 percent respectively, in naira volume of lease.. However, in 1999, the leasing market showed astronomical growth of 251 percent from N1.36 billion in 1996 to N4.77 billion in 1997). This was as a result of the relative political stability of the then Federal Ministry Government, coupled with stability in some macroeconomic policies like fixed exchange rate for the naira and peaking of the interest rate charged by banks. In 1996, the market had a small negative growth of 12 percent but the succeeding year 1997 and a spectacular growth of 147 percent from N4.17 billion in 1998 to NI0.30 billion in 1999. This exceptional growth was attributed to the then government +economic policies of emphasis on the development of the productive sectors. Thus, all productive assets requirements of these sectors provided ample opportunities for the expansion of the leasing industry. However, the leasing industry has maintained a steady growth from 2000 to 2004 of 9%, 32% , 32%, 64%,50%, and from 2005 to 2010 with 24%, 31% , 46% and 65% respectively, during those years.

Table 1: Trends in Nigeria Leasing Market from 1994 to 2010 (N'Billion)

YEAR	LEASING VOLUME	GROWTH(%)
1994	654,839	-16
1995	859,806	37
1996	2,324,877	16
1997	1,704,109	(27)
1998	1,356,075	(20)
1999	4,765,589	251
	4,170,411	(12)
2001	10,300,000	147
2002	11,240,000	9
2003	14,836,800	32
2004	19,645,315	32
2005	32,166,425	64
2006	48,267,580	50.6
2007	59,848,798	24
2008	78,863,068	31.77
2009	115,140,079.01	46
2010	189,881,130	65

Sources: Osaze, E. B.(2011), Lease Financing in Nigeria, ELAN Publication
Impact of Equipment Leasing on the Manufacturing Sector

The manufacturing sector in Nigeria has maintained the lead in terms of the volume of assets leased to the sector over the years, for instance, the sectoral had N80 million, N120 million, N185 million, N270 million, N340 million and N1.6 billion for the years, 1994, 1995, 1996, 1997, 1998, and 1999 respectively. The sector also had Nl.44 billion, N3.82 billion, N4.20 billion, N5.54 billion, N6,99 billion, N12.12 billion, N16.41 billion, N17.95 billion, N24.14 billion, N33.45 billion and N39.99 billion which was the volume of assets leased by Equipment Association of Nigerian (ELAN) members for the years 2000,2001,2002,2003,2004,2005,2006,2007,2008,2009 and 2010 respectively.

Table 2: Trends in Lease Volume to the Manufacturing Sector (N'Biliions)

YEAR	LEASING VOLUME
1994	800,000
1995	120,000
1996	185,000
1997	270,000
1998	340,000
1999	1,600,000
2000	1,440,000
2001	3,820,000
2002	4,200,000
2003	5,544,000
2004	6,996,000
2005	12,129,000
2006	16,410,000
2007	17,955,000
2008	24,143,000
2009	33,451,000
2010	39,996,000

Sources: Leasing Today (2011), Newsletter of Equipment Leasing Association (ELAN), Methodology

In line with the approach adopted by Myer (1976) and Smith and Wakeem (1985), in their work on optimum level of lease financing for the firm, this work made use of secondary data. Source data were sourced from aggregate data from the Central Bank of Nigeria Publications. Data was extracted from the Equipment Leasing Association of Nigeria (ELAN) Journal. To this end, a model that is most relevant and peculiar to the nature and structure of the manufacturing sector output is used with some notifications that consider the perculiarities of our country. This also considers the neo-classical growth theory of Solow (1956), which explains economic growth in terms of employment, capital and technical change leading to manufacturing,

Robertson's (1938) exports as engine of growth theory, endogenous growth theory of Lucas (1988) and it also borrows a leaf from the manufacturing sector model of Ekpo, Ndebbio, Akpakpan and Nyong (2003).

Model Specification

Given the study conducted by Ekpo, Ndebbio, Akpakpan and Nyong (2003), who estimated the manufacturing sector output model for Nigeria and augmenting with variables for volume of lease to the manufacturing sector, the following econometric model is used:

Manufacturing sector output equations;

MANU-GDP=f(EXCH, YYt, EXP, LEASE, MAN-GDP(-1))

Econometrically:

MANU-GDP= (Xo+ XI EXCH +X2YYt + X3 EXPORT + X4 LEASES + MAN-GDP(-1) +Ut)...(1)

Where

MANU-GDP= Manufacturing sector output to GDP ratio

EXCH = Exchange rate which affects the ability to import raw materials and other factors of production and also affect the productivity of export.

YYt = ratio growth rate ofGDP

EXP = export

LEASE = the total amount of equipment that was leased to the manufacturing sector.

MANGDP(-1) = One-lagged manufacturing sector performance

Xo = Regression constant

I -X4 = Regression coefficients

t = Stochastic error term

esentation and Analysis of Data

ıe data presented below are those deemed necessary for the analysis of the rious objectives specified in the study. Table 3.1 shows data for both the pendent and independent variables.

YEAR	MAN-GDP	EXCH	YYt	EXPORTS	LEASE
1994	0.032754.	8.0378	0.06	109,886.1	800,000
1995	0.031013	9.9095	0.07	121,535.4	120,000
1996	0.018631	17.2984	0.06	205,611.7	185,000
1997	0.012851	22.0511	0.08	218,770.1	270,000
1998	0.009896	21.8861	0.04	206,059.2	340,000
1999	0.004552	21.8861	0.07	950,661.4	1,610,000
2000	0.003354	21.8861	0.03	1,309,543.4	1,440,000
2001	0.003221	21.8861	0.04	1,241,662.7	3,800,000
2002	0.003246	21.8861	0.05	751,856.7	4,200,000
2003	0.002896	92.6934	0.10	1,188,969.8	5,544,000
2004	0.002017	102.1 052	0.10	1,945,723.3	6,996,320
2005	0.002015	111.9433	0.10	1,945,723.3	12,129,194
2006	0.001832	120.9702	0.07	1,744,177.7	16,410,977
2007	0.00146	129.3565	0.06	3,087,886.4	17,955,539
2008	0.001248	133.5004	0.07	4,602,781.5	24,143,855
2009	0.004002	132.1470	0.30	6,372,052.4	33,451,473
2010	0.004002	128.6516	0.34	5,752,747.7	39,996,226

Source: CBN Statistical Bulletin & Leasing Today, Newsletter of Equipment Leasing Association (ELAN),2011.

The generated secondary data were used for regression analysis and the empirical results are reported in this section. The summary of the computer result is presented below.

L(MAN-GDPt-J) = 6.0021- 0.45 L(EXCHr-J) + 0.83 L(yyt-J) - 0.46 L(EXPORTSt-J) - 0.08 L(LEASEt-l)

t- statistic (5.14)* (-2.943)* (5.27)* (-2.94)* (-0.74)

R2 = 0.9535 R2 (Adj) = 0.9366 F0.05 (4, 12) = 56.38 Ser = 0.2673

AIC = 0.4495 Schwarz criterion = 0.6909 DW = 1.5825

*** Significant at 1 level**

The coefficient of multiple determination as depicted by the adjusted R-squared of 0.9366 or 93.7 indicates that the model has a good fit; that means that the data fit the model well and that the observed variations in the dependent variable, manufacturing output GDP ratio (MAN-GDP) is better explained by the combined changes in the independent variables, namely: exchange rate (EXCH), GDP growth rate (YYt), volume of exports (EXPORTS), total volume of lease to the manufacturing sector (LEASE). All the variables are one-period lagged. This good fit is also evidenced by the low standard error of the regression model as well as the low Akaike information criteria (AIC). The high significant F-statistic also confirms that the high adjusted R-squared did not occur by chance. All these confirm the robustness of the estimated manufacturing sector performance model.

The test of statistical significance as depicted by the significance of the individual estimates (using the probability values), indicates that three of the four independent variables were statistically significant at various conventional levels of significance. Specifically, the exchange rate variable was significant at 5level, and negative, GDP growth rate was significant at 1 level, and positive, while lease to manufacturing sector was negative and insignificant. Export was significant at 1 level although it was negative. The significant variables are considered to be true determinants of manufacturing sector performance in Nigeria, given the results of the model. Because the parameters are in log, their estimates are the elasticities. The exchange rate, exports and lease variables show negative relationship with manufacturing sector performance (MAN-GDP) variable and therefore have serious policy implications.

The DW statistic value (1.5825) indicates that the test for autocorrelation is inconclusive. Therefore, the autocorrelation test result should be taken with a caveat.

Test of Research Hypotheses

The entire hypotheses were formally tested in this section. The statistic that is used is the t-statistic which is used to test the hypotheses that were earlier stated in chapter one.' And the decision rule is that if the calculated t-statistic is greater than the table t-distribution, at the given level of significance, and degree of freedom, N-K, and then one should reject the null hypothesis of "no significance" and accept the alternative hypothesis, therefore concluding that such variable is statistically significant for policy.

Test of Hypothesis 1

H0: There is no significant relationship existing between manufacturing output ratio and volume of lease to the manufacturing sector (LEASE).

$H_o: \alpha = 0 \quad H_1: \alpha \ 0$

Statistic used: t-statistic

Calculated t-statistic for lease variable: (-0.7408)

Selected significance level: 5 level or 0.05, in a two-tailed test

Degree offreedom: N-K i.e. 17-5 = 12

Table t- statistic (te/2) = 2.11

Decision: Since the calculated t-statistic (-0.741) is less than the two-tailed table t-distribution (2.11), the null hypothesis of "no significance" of volume of lease to the manufacturing sector is accepted.

Therefore, the variable is statistically insignificant as a determinant of manufacturing sector performance in Nigeria, given the data set.

Test of Hypothesis 2

Hs: There is no significant relationship between manufacturing sector performance (MAN-GDP) and GDP growth rate.

Statistically: $H_0: \alpha = 0 \quad H_1: \alpha \neq 0$

Statistic used: t-distribution

Calculated t-statistic for GDP growth (VY_{t-1}): 5.269

Selected significant level: 5 or 0.05

Degree of freedom: 12

Table t-distribution, two-tailed test (te/2): 2.11

Decision: Since the calculated t-statistic (5.269) is greater than the table t-distribution in a two-tailed test (i.e. 2.11), the null hypothesis of "no significance" of GDP growth rate on manufacturing sector performance is rejected; and it is concluded that the GDP growth rate is a significant determinant of the dependent variable i.e. manufacturing sector performance (MAN-GDP).

Test of Hypothesis 3

H0: There is no significant relationship between the manufacturing sector performance (MAN-GDP) and the volume of exports (EXPORT).

$H_0: \alpha = 0 \quad H_1: \alpha \neq 0$

Statistic used: t-statistic
Calculated t-statistic for volume of exports (EXPORT): (-2.94)
Selected significance level: 5 or 0.05
Degree of freedom: 12
Table t-distribution, two-tailed (tel2): 2.11
Decision: Since the calculated t-statistic (-2.94), in absolute term, is greater than the table t-distribution in a two-tailed test (i.e. 2.11), the null hypothesis of "no significance" of exports on manufacturing sector performance (MAN-GDP) is rejected; and it is concluded that exports is a significant but negative determinant of manufacturing sector performance (MAN-GDP).

Discussion of findings
This study was aimed at examining the impact of leasing on the performance of the manufacturing sector and the historical data for Nigeria was used to test the various hypotheses about lease financing, which has become somewhat revealing.
Firstly, the significance of exchange rate as a determinant of manufacturing sector performance confirms the works of Ekpo, Ndebbio, Akpakpan and Nyong (2003) who found the relationship as negative for Nigeria. The negative relationship between exchange rate and manufacturing sector performance means that the sector relies more on imported inputs for production.
Secondly, the significance of GDP growth and the manufacturing sector contradicts the works of the above authors. They found an insignificant relationship between GDP growth rate and the manufacturing sector. The significance of GDP growth in the present study indicates that productivity or economic activity helps in boosting the growth of the manufacturing sector.
Thirdly, the insignificance of the lease variable in the augmented manufacturing sector performance model is also revealing. The result is statistically insignificant and negative. Most micro firm-specific and macro studies have related lease finance with positive growth. Such studies include Lev and Orgler (1973), Smith and Wakeman (1975), Hawkins (1985), Araga (1996) and Myer (1976). The present study contradicts the above studies. The fact that volume of lease to the manufacturing sector relates negatively to the sectors performance, could be attributable to certain inherent factors in which business data in Nigeria is generated.

The negative impact could be caused by the small sample size. And adequate data to cover many numbers of years was a problem for this study. Statistically, a large sample size improves on the output of the analysis of time series, all other things being equal. It is believed that larger sample size could be used in the future to see whether there would be improvement in the result concerning the lease variable.

Conclusion and Recommendations

In examining the impact of lease financing on the performance of the manufacturing sector in Nigeria, the major conclusion of the study are as follows:

1. The issue of inadequate funds for the acquisition of capital assets is one of the major challenges facing the Nigerian manufacturing sector. Therefore, lease financing is seen as a viable alternative for capital asset acquisition amongst manufacturing firms in the country.
2. Lease financing can help the manufacturing sector scale the hurdle to greater profitability as a result of depreciation, huge overhead cost use of obsolete technology and huge investment in long-term capital intensive projects, like the purchase of costly machines and equipment, which tie down working capital.
3. Most of the lease transactions in the country are finance type. This lease type is attractive to the lessors (who are mostly banks) that are interested in expanding their financing activities with minimal risk. It is also attractive to the lessees who are interested in owning the asset at the end of the primary period of the lease.
4. Lessors in the country are involved in the leasing of almost every item of equipment ranging from heavy machinery such as those required for production and exploration to light office equipment. However, the popular item lease to the manufacturing sector include: power generators, production processing machines, vehicles and computers.
5. Most lessees opt for finance leasing because of the financing benefits derivable. These financial benefits include: tax concessions, conservation of working capital, solving cash flow and liquidity problems; flexibility and convenience terms and unaffordability of the asset from their own resources or through debt capital.
6. Despite the contributions of Nigerian leasing industry to the economy and to the manufacturing sector in particular, there are some observed problems that bedevil its successful operations. The major problems are;

(1) Absence of any specific codified legislation on leasing, leasing transactions are presently governed by common law, some provisions of companies income tax laws, the finance (miscellaneous taxation Provision Amendments) Decree No.3 of 1991 (together with its subsequent amendments). (ii) Some government policies that have negative consequences to the real productive sectors of the economy (that is, manufacturing and agriculture), which impede the progress of lease financing business to these sectors. ill particular, the policy directives of the Central Bank of Nigeria (CBN) for the removal of sectoral allocation and factoring of leases as integral part of banks risk asset portfolio. (iii) The devaluation of the Naira and souring interest rate, brought about by the nationalization of the economy through the Structural

Adjustment Programme (SAP), have made cost of funding assets acquisition by the lessors very dear. (iv)The general economic downturn in the country coupled with corruption, advance fraud fee or 419 syndromes, insecurity and poor condition of our infrastructural facilities. These factors hinder the successful operations of businesses in the country, particularly cross-border leasing between our entrepreneurs and other foreign nationals.

In the light of the above, the study recommends that:

i. The government should put in place policies that will greatly enhance the factors that will improve leasing to the manufacturing sector.
ii. There is a dire need for extensive publicity about leasing business in the country. Both current and potential lessees and lessors in the country need to be sensitized on the mechanics and benefits of leasing. Even though the Equipment Association of Nigeria. (ELAN) has been the vanguard of lease training and education, but its activities are limited to Lagos only. Therefore, there is the need for the association to open many offices in the major industrial/commercialcentres of the country, like Kano, Port Harcourt, Ibadan, Aba, Kaduna, and Onitsha. Also, the association needs to embark on mass campaign about leasing business through both electronics and print media.
iii. There is a dire need for a codified law on lease transactions in the country, for the benefits of all and sundry.
iv. The government should device ways of reducing the high cost of capital asset in the country. The soaring naira exchange rate and the high interest regime do not help matters. Thus, realistic exchange rate for the naira that would take into consideration the developing nature of the economy should be evolved. Even though the recent capitalization of banks to 25billion is meant to reduce the high interest charge by banks among other things, the measure needs to be backed up by other practical actions like the development of infrastructural facilities such as power, communication, road network and security.
v. Effective sanction should be provided for the fraudulent activities of the lessees. Some of these fraudulent acts include tampering with components of the equipment, multiple lease financing and defaults in rental payments. And also the problems without legal process in case of repossession as a result of some of the above fraudulent acts need to be looked at. The government should enact law that will treat and be fair to both lessee and lessor under any condition before, during and after the lease tenure.
vi. As part of the development efforts, the operators should think of more sophisticated leasing types such as leveraged and syndicated leases. When this is achieved, the high-risk areas of equipment leasing would be provided for investors.
vii. The system whereby equipment leasing thrives more in a recession is not desirable. The government and the operators in the leasing do not depend on the state of the economy. Inconsistencies in policy implementation need to be curtailed, as this would favour industrial growth.

viii. There is need to compliment local resources with foreign participation through cross-border leasing. Such foreign participation which could be by way of direct investment, joint ventures or cross-border leasing, will only come if the right regulatory framework is put in place and security of lives and property of the people are assured by the government.

ix. In a composite bid to promote investment in the manufacturing sector, it is imperative for the government to ensure appropriate funding structure that would bring about financial stability within the sector. Thus, channeling funds through leasing from the various financing schemes like Small and Medium Industries, Equity Investment Scheme (SMIEIS) and Bank of Industry (BOI) funds, and government support for the development of the leasing industry in the country will go a long way towards meeting capital asset needs of manufacturers.

x. The government in collaboration with the stake holders in the leasing industry should device ways of boosting the leasing business in the country. For instance, the International Finance Corporation (IFC) has substantial investments in leasing companies in many countries.

xi. On the theoretical aspects, there is need to carry out extensive research on the general impact of lease financing on other sectors and not only on the manufacturing sector, as is the case in this study.

xii. A vibrant leasing industry should be created such that capital assets could be accessible with ease to all the various sectors of all Nigerian economy, to boost more productivity, employment and enhance the economic prosperity of all the citizens though the development of the manufacturing sector and other real productive sector of economy like agriculture.

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