

Equipment Leasing as a Source of Finance For Small and Medium Scale Entrepreneurs In Nigeria

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Abstract- *The paper is looking into fund raising through leasing of equipments and machineries rather than purchasing them on cash and carry basis as such having much impact and impart on the working capital of the small and medium scale enterprises. The paper looked into relevant and related studies and came up with the ideas like concept of leasing, types of lease arrangement and Central Bank of Nigeria regulations as to lease for small and medium scale enterprises. The study made use of a self designed questionnaire called ELESOF to get information from respondents and came up with certain conclusions that equipment leasing is very paramount to the survival of organisations and that though the CBN gave the rules to encourage of small and medium scale enterprises through equipment leasing via the commercial banks but this is just an illusion as far as the instruction by CBN to commercial banks.*

Keywords- *Lease; Enterprise; Central Bank of Nigeria*

1. INTRODUCTION

It is unquestionably true that the development of a nations' industrial sector hinder greatly on the development of small and medium-scale enterprises operating in that economy. This is because small and medium-scale enterprises are significantly yielding the fruits of developing particularly employment, indigenous technological development, utilization of local resources and lower cost provision of inputs and services for large enterprises. Small and medium scale industries are important not only because they account directly for significant proportion of investment, output and employment in a nation but also even more significantly because they provide vital links in the chain of the economy as a whole, motivating, energizing, and connecting various sectors and sub-sectors for greater overall output of employment and productivity. As proffered in Sule (2013), Small and medium-scale industries had greater potential for stimulating and sustaining technological progress and self reliance through production based adaptation innovation and through programmed link ages with the advance industrial and market sectors. Thus, the indispensability of small and medium-scale enterprises in a country's industrial growth. Plan is a theme that runs through most writings and discussions on small and medium-scale enterprises. Yet, in Nigeria, small and medium-scale enterprises suffer from large constraints. These constraints include inadequate finance, shortage of raw materials, marketing problems, inadequate infrastructural facilities, inappropriate technology and production, labour and inadequate management experiences etc. This researcher, however, believe that their greater problem is inadequate capital to establish on a proper basis and modernize or maintain their

enterprises through periods of temporary adversity. Virtually, all the other problems emanate from inadequate finance. Almost 8 out of 10 energetic small and medium businesses are believed to have shortage of capital as their major problems. With the introduction of the structural adjustment programme in 1986, the problems of inadequate capital were escalated such that small and medium scale enterprises could hardly finance their fixed capital needs like plants and machineries which are mostly imported. This was because of the fluctuating exchange rate system under SAP, which devalued Naira by more than 60% later in 1987, a market determined interest rate structure was introduced and this raised the cost of credit. Besides, banks consider small and medium scale enterprises as highly risky and hence shy away from providing their financing needs, in spite of the Central Banks required annual credit minimum that must be allocated to them. Other financing avenues such as owners' capital retained earnings and direct government assistance are virtually ineffective. In the light of the above circumstances the question that naturally comes up is: How can small and medium scale enterprises adequately finance their fixed capital needs under the structural adjustment programme? Leasing appears to be a viable financing alternative. Thus, this study will attempt to provide the rationale for leasing as a major financing device for small and medium-scale enterprise.

2. LITERATURE REVIEW

2.1 DEFINITION OF SMALL SCALE ENTERPRISE

The definition of small scale industry varies with the culture and peculiar circumstances of the person attempting the definition. Studies on small scale enterprises identify more than fifty different definitions in seventy-five countries. The small scale business act

passed by the United States congress in 1953 state act “A small business is one which is independently owned and operated and not dominant in its field of operation” (Amienghomwan, 2004). In Great Britain, the standard definition of small business is a business with an annual turnover of two million pounds sterling or less with a less than two hundred paid employees. “Small scale business means different thing to different people, and whatever description giving to small scale business tends to suit it. This tends to be a problem as to which business is to be categorized as small scale business and which one is large scale business. But the two main yardsticks for classifying a business small scale are size and government policy. They can again be splinted into the size of the employees, size of market shares, size of the profit, size of capital employed and government policy on the number of employees in the organisation, government policy on the business market shares, government policy on the profit margin and government policy on the capital employed” (Sule, 2013). In Nigeria, the multiplicity of the definition is quite apparent. The Nigeria Bank for Commerce and Industry (1990) defines a small-scale enterprise as one whose capital does not exceed ₦750,000, whereas the Federal Government in 1973 viewed small scale industries to include all trading and manufacturing units with a total capital investment up to ₦60,000 and paid employees up to fifty persons (Ikharehon, 2000). The industry research unit of the Obafemi Awolowo University defines small scale enterprise as one “whose assets in equipment, plant and working capital are less than ₦250,000 and employing fewer than fifty full-time workers (Banmbach, 1992). While, the Central Bank of Nigeria (CBN) operational guidelines in 1988 defined small scale enterprises with reference to two financial areas: the merchant banks and commercial banks; it states, “for lending minimum annual return of ₦500,000”. However, Osazee and Anao (1981) defined a small scale enterprise as any business undertaken, owned, managed and controlled by not more than two entrepreneurs, has no more than twenty employees, has no definite organisational structure (i.e. all employees report to the owners) and has a relatively small shares of its market. In United States, the size of a business is measured using several criteria including the number of employees, total sales in volume and total assets. Any business that employs more than one hundred people or grosses less than one million dollars is considered small in United States. Whereas in Nigeria, this could perfectly fit into medium scale business. This, therefore, makes it relatively difficult to attempt to define small scale enterprise differently from medium scale enterprise. The Nigeria Minister for Industry noted that “Enterprises employing fewer than 500 workers are generally regarded world-wide as Small and Medium Enterprises (SME’s). Based on the structure of manufacturing in Nigeria, SME’s are now defined on the basis of employment. In micro-cottage industries, 1-10 workers; small scale industries, 11-100 workers; medium scale industries, 101-300 workers; and

large scale industries with 301 and above” (Jamodu, 2001). In India, a small business involves a capital investment in plant and machinery not exceeding RS 351Khs. While in Indonesia the central Bureau of statistics classified a unit employing 5 – 6 workers as a small scale enterprise. On the other hand, the Bank of Indonesia defines a small scale enterprise as having net worth in excess of twenty million rupees (Kesavan, 2002). Industry Canada defines a small business as one with fewer than 100 employees (if the business is service based), and a medium-sized business as one with fewer than 500 employees. Based on the foregoing, it is clear that there is no universally accepted definition of what constitute small and medium scale enterprise. What is most important, therefore, is the SME’s annexation of resources and overall contribution to the economic well being of developing nations across the globe.

2.2 FINANCIAL ENEMIES OF SMALL AND MEDIUM SCALE ENTERPRISES

Small scale businesses in Africa takes about 85 percent of the indigenous businesses and large scale takes the remaining share (Sule, 2013). But that notwithstanding, the large scale businesses, mostly multi-nationals, always overshadow the small scale businesses. But, according to Jaja, 2000, the small scale businesses have played an important role in our economy. Talk of employment generation, increase in production or rather total output of a nation, economic development via self-sufficiency, assisting the large scale businesses like in terms of distribution – linking producer with the final or end user, innovation of new products, carrying out repairs and other services. We have also been made to realize that ‘large scale businesses are the arms and legs of the economy, but small scale businesses are the brains (Jaja, 2000). If this is agreed upon that a modern day computer cannot perform without the Central Processing Unit; the question comes to mind why is such neglect and lack of encouragement to the small scale entrepreneurs from governments, the large scale businesses and other relevant industries like the financial/banking houses? This brings us to the issue of those that are the enemies of the small and medium scale entrepreneurs that it is the large scale industries on one part and the financial houses on the other part. It is on this note, that it is paramount that small and medium scale entrepreneur should imbibe the leasing attitude since if they want to raise funds through the banks it will be difficult like the camel passing through the needle eye, then the only available option and more lucrative avenue for them is to lease their equipments and machinery from the leasing companies and later purchase the equipments and machinery without much stress and rigor.

2.3 CONCEPT OF LEASING

Gallardo (1857) said “an agreement between two parties whereby one party allows the other to use his/her property for a certain period of time in exchange for a periodic fee. The property covered in a lease is usually real estate or equipment such as an automobile or machinery. There are

two main kinds of leases. A capital lease is long-term and ownership of the asset transfers to the lessee at the end of the lease. An operating lease, on the other hand, is short-term and the lessor retains all rights of ownership at all times. An agreement that permits one party (the lessee) to use property owned by another party (the lessor). The lease, which may be written either for a short term or for a long term, often results in tax benefits to both parties". Richard and Stephen, (2010) said "a lease is a legal agreement that provides for the use of something -- typically real estate or equipment -- in exchange for payment. Once a lease is signed, its terms, such as the rent, cannot be changed unless both parties agree. A lease is usually legally binding, which means you are held to its terms until it expires. If you break a lease, you could be held liable in court. An oral or written agreement transferring the right to exclusive use and possession of property for some period of time. Some important lease concepts are

- The normal requirement that all contracts having to do with real estate must be in writing does not apply to contracts that are capable of performance in one year or less. In most states, an oral lease for less than one year is enforceable; an oral lease for a longer period is not.
- A tenant is not relieved of responsibility to pay rent if the premises are damaged, destroyed, or partially or totally unusable unless the lease allows it, or unless consumer protection laws applicable to residential leases allow it.
- If a tenant transfers the entire remaining term of a lease to someone else, that is an assignment. If a tenant transfers less than the remaining term, that is a sublease. Either way, the original tenant is still fully responsible for complying with all lease terms, even if the new one does not. In most states, a landlord may require its approval before assignment or subletting, but may not unreasonably withhold its approval.
- A tenant's interest under a lease may be insured, in addition to coverage for the contents. The interest may also be mortgaged, although that would be extremely unusual except in the case of valuable improvements built on leased land under a long-term lease".

Leasing is anchored on the business philosophy that profits are earned through the use-rather than the ownership-of equipment and assets. A basic principle in medium – to long term lending is that cash generated by the investment that has been partly financed should be the primary source of repayment. The collateral that is provided as security for the loan serves as a secondary source of repayment, in the event that the borrower is unable to repay the loan from cash generated by business operations. In contrast, leasing is more intensely focused on the lessee's ability to generate cash flow from business operations to service lease payments, because the lessor – financier retains ownership of the asset during the term of the lease. This would make leasing well-suited to small and medium scale business activities which seldom have historical credit information or formal financial statements. The prime impact of leasing is to increase a business entity's total availability of

capital from an external source, leaving its own sources of capital available for other productive uses. The additional revenue generated by the use of the leased asset should be sufficient to meet the monthly lease rental payments to the lessor.

Conventional asset-based financing from a bank generally requires a borrower to provide up to 40% of the cost of the asset to be acquired, since a loan may cover only 60% of the asset value. In some cases, the bank providing the loan may require the borrower to put up as security another asset in addition to the one being acquired (e.g., real estate in the urban centre). Or, additional security enhancements (e.g., assignment of bank deposits, marketable securities, trade receivables or third-party guarantees) may be required by the bank providing the loan. The collateral provided as direct or additional security very frequently will have a discounted value for loan purposes, in accordance with prevailing banking regulations. The required equity components, alternative security and collateral enhancements increase the effective cost of a financing package and thereby narrows and restricts access of borrowers to financing. Moreover, 3-5 year term financing for equipment acquisition is frequently not available in developing countries, as conventional bank loans are usually structured on a well-secured short-term (i.e., one-year or less) basis. In contrast, a lease arrangement typically requires the owner/borrower to provide and found 10% of the asset cost as up-front security deposit. The asset itself serves as collateral for the transaction since ownership of the asset is retained by the lessor during the term of the lease. Thus, leasing involves simpler and better security arrangements and could potentially reduce collection problems. Additionally, in markets where the leasing industry has developed and specialised in a well-defined range of types of equipment, a lively market for leased equipment has usually developed as well. Certainly, this is not always the case, and a lively market would not be thriving especially if maintenance is deficient on leased equipment (Bernd and Haye, 1996).

2.4 TYPES OF LEASING ARRANGEMENT

Financial leasing is an alternative to bank loan financing for equipment purchases. The lessor buys the equipment chosen by the lessee, who then uses it for a significant period of its useful life. Financial leases are also called full-payout leases because payments during the lease term amortize the lessor's total purchase costs (residual value is typically between 0% - 5% of original acquisition price), cover his interest costs and provide him profit. The lessee carries the risk of obsolescence, and costs of maintaining the asset in good working condition and insuring it. The lessee typically has the right to purchase the asset at the end of the lease contract for a nominal fee. Hire purchase is a hybrid instrument also providing an alternative to bank financing for the purchase of equipment. The instrument is typically used for retail or individual financing of motorcycles, sewing machines, refrigerators, and other small ticket items. The lessee tenders a higher down

payment (sometimes up to 30% of the purchase price) and, with each lease payment an increasingly higher percentage of ownership is transferred to the lessee, thus building up equity. Ownership transfer is automatic once all required payments are made. Compared to a financial lease, this arrangement is judicially less secure for the lessor because the lessee is part owner of the asset. On the other hand, lessees have a sufficiently large stake in the equipment being acquired, to avoid the risk of losing that stake through default. An operating lease is not a means to finance equipment purchase. The lessee contract for short term use of equipment the leasing company has on hand, e.g., car rentals. The lessor recovers capital cost of the equipment from multiple, serial rentals and the final sale of the asset. Maintenance costs and risks of obsolescence are borne by the leasing company (IFC, 1996).

2.5 CENTRAL BANK GUIDELINES AS IT RELATE TO FINANCING OF SME

In order to increase access to credit by the small and medium enterprises, the Central Bank of Nigeria and the Federal Ministry of Finance, on behalf of the Federal Government, obtained a World Bank Loan for small and medium enterprises. The total project cost was US\$451.8 million, of which the World Bank provided US\$270 million or 64 per cent. The CBN established an SME Apex Unit in the Bank in 1990 to administer the credit components and other related activities of the World Bank loan in order to facilitate project implementation. Loans disbursement under the Scheme ceased in 1996. Bothered by the persistent decline in the performance of the industrial sector and with the realization of the fact that the small and medium scale industries hold the key to the revival of the manufacturing sector and the economy, the Bankers' Committee in 1999, initiated the Small and Medium Industries Equity Investment Scheme (SMIEIS) aimed at ensuring assistance to small-scale industries. Under this new scheme, banks are required to set aside 10.0 per cent of their profit before tax for investment in small-scale industries in the country. A bank's investment in the scheme is conceived to be in the form of equity participation, project packaging/monitoring, advisory services and nurturing of specific industries to maturity, as well as equipment leasing. The SMIEIS was renamed Small and Medium Equity Investment Scheme (SMEEIS) in March, 2005, to broaden the scope of activities that can be funded under it. As at 30th May, 2006, the total fund set aside by banks was ₦40.735 billion. During the same period, 16 projects valued at ₦2,665,781,000.00 were verified and confirmed. The cumulative investment made by the banks in 225 projects was ₦14.768 billion. On sectoral basis, the total value of investments recorded in the real sector amounted to ₦7.5 billion (50.79 per cent) in 145 projects, while service related sector accounted for investments amounting to ₦7.268 (49.21 per cent) in projects (CBN Briefs 2006 – 2007 Edition: 8).

3. PRESENTATION OF DATA ANALYSIS AND INTERPRETATION

A total of forty (40) copies of questionnaire were administered to the respondents and all were recovered. The analyses of the data are shown on tables based on the research questions and hypotheses for the study. Table 1 in Appendix shows how questionnaire were administered in the two chosen organisations with 65% (26 copies of questionnaire) distributed at Plantgate and 35% (14 copies of questionnaire) distributed at Shalom. Table 2 in Appendix shows the gender distribution of the questionnaire to the respondents. From the table, 30 copies of the questionnaire were shared among the male while 10 copies were share among the female. That is 75% to the male and 25% to the female. Again, we had 100% nationality from the respondents as all the respondents are from this great country, Nigeria and the respondents held different positions within the organisation. The data shown in Table 3 in Appendix indicates that out of the total respondents, 27.5% are in the lower level cadre, 57.5% are in the Middle level cadre and 15% are at the top level cadre. The indication is that we have more of people in the middle level cadre as respondents and to certain extent, information provided by such group can be relied upon and considered more viable to use.

From Table 4 in Appendix, 15% had worked with the organisations for below 5 years; 55% had worked for between 6 and 10 years; 30% had worked for the organisations between 11 and 15 years while nobody had worked for 16 years and above among the respondents.

Research Question 1: Does a small and medium scale industry obtain adequate institutional credit? Table 5 in Appendix takes care of the needs of research question 1. From Table 5, the analysis revealed that small and medium scale industries did not obtain adequate institutional credit facilities from commercial banks with a total score of 120 and mean score of 3.00 while small and medium scale industries cannot progress without adequate institutional credit from commercial banks and it is very necessary for small and medium scale industry to obtain adequate institutional credit from commercial banks with total score of 123 and mean score of 3.09. From the above, the last two factors are very vital and relevant to the growth of the organisation.

Research Question 2: Are they aware of the lease financing technique whereby companies can procure required plant and machinery without making an outright payment for them? Table 6 in Appendix takes care of the needs of Research Question 2. From Table 6 in Appendix, the analysis revealed that the companies are generally aware of various leasing financing techniques with total score of 134 and mean score of 3.35; companies are aware of the leasing technique that allows one to procure required plant and machinery without outright payment with total score of 174 and mean score of 4.35 and that companies knows where to procure plant and machinery without

outright payment with total score of 130 and mean score of 3.26 while the fact that there are suitable leasing financing techniques for companies are not relevant and not significant with total score of 88 and mean score of 2.20.

Research Question 3: If you are aware; have your company made any effort in order to finance your company through leasing? Table 7 in Appendix takes care of the needs of Research Question 3. From Table 7 in Appendix, the analysis revealed that companies needs finance through leasing techniques; that they are currently making efforts to finance their companies' through equipment leasing and that they have personnel in charge of the company's finance who can handle the situation with their total and mean score above the benchmark.

Research Question 4: If your answer to question three is yes, what has the use of leasing resulted to? Table 8 in Appendix takes care of the need for Research Question 4. Table 8 in Appendix, shows that the leasing allows the business entity to preserve its cash resources to meet working capital needs; leasing can be arranged simpler and quicker than conventional bank loans and simpler security arrangements in combination with less stringent requirements with their total and mean score equal and/or higher than the benchmark.

Research Question 5: Will your company be in the position to advice other companies to resort to leasing as means of finance to their companies? Table 9 in Appendix takes care of the needs of Research Question 5. As revealed by the analysis of Table 9 in Appendix, companies recommends leasing as a source of finance to small and medium scale industries; they also assist other companies to acquire equipment through leasing as a source of finance and that small and medium scale industries that did not use leasing as a source of finance might not be able to fund their business adequately as their total and mean score falls within the range of the benchmark.

Research Question 6: Do commercial banks help small and medium-scale enterprise in getting lease facilities? Table 10 in Appendix takes care of the needs of Research Questions 6. From Table 10 in Appendix, all factors considered formed the assistance on leasing facilities from commercial as they all fall within the benchmark with their total and mean score.

Research Question 7: If your answer to question six is yes; do you feel that commercial banks have granted reasonable leasing facilities in accordance with the Central Bank of Nigeria prescribed ceiling on lease portfolio? Table 11 in Appendix takes care of the needs of Research Question 7. From the analysis of Table 11 in Appendix, all the factors fall below the range of the benchmark calculated, except for the fact that small and medium enterprises do outright purchase more than leasing equipment and machinery notwithstanding the leasing-portfolio management of the commercial banks.

Research Hypothesis 1: There is no significant effect between the small and medium scale enterprises poor leasing attitudes and the organisation funding.

Table 12 takes care of the needs of Research Hypothesis 1 (H_01)

Table 12 Chi-Square Table of significant relationship between

O	E	O-E	(O-E) ²	(O-E) ² ÷E
20	10	10	100	10
10	10	0	0	0
5	10	-5	25	2.5
5	10	-5	25	2.5
$X^2 =$				15

Degree of Freedom = 4 - 1 = 3

X^2 Calculated Value = 15 and

X^2 Critical/Table Value @ 0.05 @ 3 = 7.815

From Table 12, the calculated value of chi-square at 3 (r-1) degree of freedom and of 5% level of significance is 15 higher than the table/critical value of 7.815. Since, the decision rule says that the alternative hypothesis should be accepted if the calculated is more than the critical or table value. Therefore, in this case we accept the alternative hypothesis that says there is significant relationship or effect on the small and medium scale enterprises poor leasing attitudes and their organisation funding. The projection was based on question 1 under the G category of the questionnaire.

Research Hypothesis 2: There is no significant relationship between equipment leasing as a source of finance for small and medium scale business in Nigeria and the company performance.

Table 13 takes care of the needs of Research Hypothesis 2

Table 13 Chi-Square of Relationship between

O	E	O-E	(O-E) ²	(O-E) ² ÷E
19	10	9	81	8.1
19	10	9	81	8.1
1	10	-9	81	8.1
1	10	-9	81	8.1
$X^2 =$				32.4

Degree of Freedom = 4 - 1 = 3

X^2 Calculated Value = 32.4 and

X^2 Critical/Table Value @ 0.05 @ 3 degree of freedom = 7.815

From Table 13, the calculated value of chi-square at 3 (r-1) degree of freedom and of 5% level of significance is 32.4 higher than the table/critical value of 7.815. Since, the decision rule says that the alternative hypothesis should be accepted if the calculated is more than the critical or table value. Therefore, in this case we accept the alternative hypothesis that says there is significant relationship between equipment leasing as a source of finance for small and medium scale business in Nigeria and the company performance. The projection was based on question 3 under the F category of the questionnaire.

4. DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATION

The essential focus of this study is to show another source of funding an organisation through equipment leasing than the usual outright purchase by small and medium scale enterprises. It further tries to show some of the rules as stipulated to commercial banks by the apex bank as to the assisting the small and medium scale enterprises to assess the facility for the sustainability of our economy as shown in Sule (2013) that this sector form the major sector of business in most economy especially that of Nigeria.

4.1 DISCUSSION OF FINDINGS

Findings in this study will be grouped and discussed under following broad sub-headings:

- Financial enemies of small and medium scale businesses
- Concept of leasing
- Types of leasing
- Central bank guidelines as it relates to financing of Small and medium scale enterprises.

4.1.1 FINANCIAL ENEMIES OF SMALL AND MEDIUM SCALE BUSINESSES

This study revealed that the known major enemy of small and medium scale business is the commercial banks as they prefer giving credit facilities to their customers to assisting them in having a lease agreement to procure their equipment and machineries. This is against the instruction by the Central Bank of Nigeria as to lease-portfolio management to small and medium scale enterprises to be able to assess fund for having equipments and machineries on lease rather than outright purchase. Most of these commercial banks divert such fund into loans which to them attract more interest than lease arrangement. Also, most of the companies have the assumption that the transaction will be too lengthy instead they prefer buying such equipment and machineries or entering into a lease agreement without any intermediary like the commercial bank.

4.1.2 CONCEPT OF LEASING

The concept of leasing is mainly to have an equipment or machinery in your possession while you have not yet paid for it. In most cases, you have the option of buying or just paying what can be called a rental fee for the period such equipment is in your care. This will really assist in prudent financial management of the organisation as such fund for the buying of the equipment can quickly be used to take care of other important activities. This study revealed that one of the problems of funds in organisations is that they do not make use of the lease arrangement rather they go for outright purchase of the equipments and machineries and where they make use of the lease arrangement, they do not always take the full advantage of the source of fund.

4.1.3 TYPES OF LEASING

There are two main types of leasing – the operating and the financial leasing. There is much difference between the two types of lease arrangement and as such, seeking for any of the two require much understanding of the leasing arrangement so that one will not enter into a contract that will end up being a problem in the future. It must be noted that most of organisations get confused on which of the lease agreement to enter into and the commercial bank that would have been of assistance are more interested in giving out cash loan than getting involved in leasing. The study revealed that most of these organisations either buy outrightly or buy on the local hire purchase of paying almost 200% of the cost price of the equipment and/or machinery.

4.1.4 CENTRAL BANK GUIDELINES AS IT RELATES TO SME FINANCING

The common saying among Nigerians is that laws are made in this country for a section of people not for everyone. The rule is there for commercial banks to assist small and medium scale enterprises to enjoy funding their organisation with leasing arrangement instead of buying the equipment and machinery with the little funds available to them. The big but over and above this issue is that for law to be followed and adhered to in this country, there must be a continuous monitoring and putting a strong penalty on the defaulter. This study revealed that the laws and guidelines had been set by Central Bank of Nigeria as the apex bank that commercial bank must help the small and medium scale enterprises to assess equipments and machineries on lease arrangements. But the commercial as revealed in this study is that commercial banks enjoy credit facilities on cash basis and they cannot be blamed considering the kind of economy Nigeria is running where everybody wants to survive by all means considering the consolidation and capital increase placed on commercial bank by the central bank.

4.2 SUMMARY OF THE FINDINGS

Some of the findings in this study include:

1. Small and medium scale enterprises do not assess lease but buy the equipment and/or machineries with the little funds available to them.
2. Small and medium scale enterprises are not very conversant with the gains attached to lease arrangements like tax reduction and so on.
3. Small and medium scale enterprises had not exhaust leasing as a source of funds and do much 'damage' to their available meagre fund.
4. Overall performance of the small and medium scale enterprises are usually affected negatively and in most cases affected the continuous existence of such organisations.

4.4 CONCLUSION

The research work was conducted to examine equipment leasing as a source of finance for small and medium scale business in Nigeria and using two organisations in Abeokuta, Ogun State as the case study. Based on the analysis of the responses of the respondents and the major

findings discovered in the analysis, the researcher concluded that equipment leasing as a source of finance for small and medium scale business in Nigeria have a very significant relationship with the company performance, just as it was revealed in Sule (2013) that your organisation investment determine your level of profit and your level of profitability determine where you will be categorized as an organisation. Equipment leasing has a direct impact on the management of the organisation fund which will affect the level of the organisation performance. As a result, every organisation should endeavor to lease equipments and/or machineries rather than purchasing them on cash and carry basis.

4.5 RECOMMENDATIONS

Based on the findings of this research work and the conclusion, the following recommendations will reduce organisational performance.

1. Organisations should have a sole department or Strategic Business Unit in charge of this particular responsibility.
2. The staff in such department or SBU must be well trained, retrained and well motivated adequately.
3. The banker to the organisation should be made to assist in leasing of equipment and/or machineries as a source of finance to them.

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APPENDIX

Table 1: Questionnaire Distribution among the sampled branches

ORGANISATIONS	NO. OF RESPONDENTS	%
PLANTGATE	26	65
SHALOM	14	35
Total	40	100

Source: Survey Data, 2013

Table 2: Gender Distribution Table

SEX	RESPONDENTS	%
Male	30	75
Female	10	25
Total	40	100

Source: Survey Data, 2013

Table 3: Management Level of Respondents in the Organisation

Management Level	Number of Respondents	Percentage (%)
Lower Level	11	27.5

Middle Level	23	57.5
Top Level	5	15
Total	40	100

Source: Survey Data, 2013

Table 4 Length of Service distribution

Number of Service Year	Number of Respondents	Percentage (%)
5 Years below	6	15
6 – 10 Years	22	55
11 – 15 Years	12	30
16 Years and Above	0	0
Total	40	100

Source: Survey Data, 2013

Table 5 Adequate Institutional Credit for Small and Medium scale Industry

Item No	Description	Total Score	Mean Score
1.	Small and medium scale industries do obtain adequate institutional credit from commercial banks.	120	3.00
2.	Small and medium scale industries cannot progress without adequate institutional credit from commercial banks.	125*	3.13*
3.	It is necessary for small and medium scale industry to obtain adequate institutional credit from commercial banks.	125*	3.13*
		375	9.39

Benchmark = 123 3.09

* Significant

Source: Survey Data, 2013

Table 6 Leasing financing techniques for small and medium scale industry

Item No	Description	Total Score	Mean Score
1.	Our company is generally aware of various leasing financing techniques.	134*	3.35*
2.	Our company is aware of the leasing technique that allows one to procure required plant and machinery without outright payment.	174*	4.35*
3.	There are suitable leasing financing techniques for our company.	88	2.20
4.	Our company knows where to procure plant and machinery without outright payment.	125*	3.13*
		609	15.23

Benchmark = 130 3.26

* Significant

Source: Survey Data, 2013

Table 7 Financing Company through leasing

Item No.	Description	Total Score	Mean Score
1.	Our company needs finance through leasing techniques.	174*	4.35*
2.	We are currently making efforts to finance our company through equipment leasing.	174*	4.35*
3.	Our company has personnel in charge of the company's finance who can handle the situation.	174*	4.35*

613	15.34
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Benchmark = 174 4.35

* Significant

Source: Survey Data, 2013

Table 8 Result of leasing techniques

Item No	Description	Total Score	Mean Score
1.	Leasing allows the business entity to preserve its cash resources to meet working capital needs.	149*	3.73*
2.	Expands and increase the production level of workers.	148	3.7
3.	Leasing can be arranged more quickly and simply than conventional bank loans.	149*	3.73*
4.	Availability of tax incentives for business entities.	148	3.7
5.	Simpler security arrangements in combination with less stringent requirements.	149*	3.73*
		743	18.59

Benchmark = 149 3.72

* Significant

Source: Survey Data, 2013

Table 9 Recommendations for small and medium scale industry on equipment leasing as source of finance

Item No.	Description	Total Score	Mean Score
1.	Our company recommends leasing as a source of finance to small and medium scale industries.	125*	3.13*
2.	Our company should assist other companies to acquire equipment through leasing as a source of finance	125*	3.13*
3.	Small and medium scale industries that do not use leasing as a source of finance might not be able to fund their business adequately.	125*	3.13*
		375	9.39

Benchmark = 125 3.13

* Significant

Source: Survey Data, 2013

Table 10 Assistance on leasing facilities from commercial banks

Item No	Description	Total Score	Mean Score
1.	Commercial banks are willing to assist small and medium scale with strong collateral.	134*	3.35*
2.	Commercial banks prefer to assist larger and well established businesses with leasing facilities.	134*	3.35*
3.	Commercial banks are often unable to undertake term lending.	134*	3.35*
		402	10.05

Benchmark 134 3.35

* Significant

Source: Survey Data, 2013

Table 11 Commercial Banks compliance with Central Bank Directive on Lease

Item No.	Description	Total score	Mean Score
1.	Small and medium enterprises buy on cash basis more than leasing equipment and machinery in the last two years.	118*	2.95*
2.	Commercial banks provide more incentives to small and medium enterprises to procure	72	1.80

	more equipment/machineries on lease in the last two years than outright credit facilities.		
3.	Central bank is frowning at commercial banks that did not help to encourage small and medium enterprises to lease.	89	2.23
4.	Small and medium enterprises enjoy lease facilities provided by commercial banks as a result of central bank directive.	81	2.03
		360	9.01

Benchmark = 90 2.25

* Significant

Source: Survey Data, 2013