

DETERMINANTS OF LEASING DECISION IN NIGERIAN QUOTED MANUFACTURING COMPANIES

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ABSTRACT

The study empirically identified determinants of leasing decision in Nigerian quoted manufacturing companies. Secondary (cross sectional and time series) data were collected from seven purposively selected manufacturing companies out of 173 listed manufacturing companies on the Nigeria Stock Exchange (NSE) as at 2014. The data collected were analyzed using Ordinary Least Squares (OLS) methods. The results of the study show that profitability has a significant relationship with leasing decision ($b_4=0.54$; $t=3.8$ and $p<0.05$) and business size has a negative significant relationship with leasing decision ($b_1= -0.48$; $t= -3.38$ and $p<0.05$). The results further show that corporate tax has no significant relation with leasing decision ($b_2=0.16$; $t=0.78$ and $p>0.05$) and debt financing also has no significant relationship with leasing decision ($b_3=0.05$; $t=0.23$ and $p> 0.05$). This implies that debts financing and corporate tax have nothing to do with leasing decision in Nigerian quoted manufacturing companies. The study recommends, among other things, that operators in the manufacturing sector facing asset acquisition problem should focus more on galvanizing profitability.

Key-words: leasing decision, profitability, debt financing, corporate tax and business sizes

1. INTRODUCTION

Every business exists in a competitive environment and therefore, strives for survival and continuity in the market. The quest for good financial management strategy is not contestable because every business needs dependable cash flow to grow and this has necessitated seeking strategies to reduce cost of operations especially when it comes to asset acquisition (Akinbola and Otokiti, 2012). Leasing is a way of purchasing equipment, machinery or other assets without paying the full cost of the asset upfront (Alsayeh, 2009). Osaze (1993) describes leasing as a contract between the owner of an asset and the prospective user and leasing gives lessee the possession and use of an asset on payment of rentals over a period of time. The economic environment in Nigeria has made it a little difficult for business to venture into buying equipment needed for business activities; hence, leasing of equipment has become a better alternative for some of Nigerian manufacturing companies (Osaze, 1993). As

reported by World Development Report (2010), the per capital income in Nigeria is low, majority of citizens live in poverty and as a result several manufacturing companies find it difficult to accumulate fund for capital investment. Due to lack of fund for capital investment, manufacturing companies involve in the adoption of equipment leasing as alternative to outright purchase of assets (Ameziane and Mario 1996). Leasing takes different forms, such as sale and leaseback, operating leases and straight financial or capital leases. While these types of leasing differ in their legal, tax and accounting treatments, they are all viewed, in the theory of finance, as part of the financing decisions of firms (Ameziane and Mario 1996). The distinction between capital and operating leases can be geared towards ensuring that transaction that substantially transfers ownership risk is classified as a capital lease and is non-cancellable agreement. Operating lease is a short-term lease agreement and is cancellable at very short notice. In addition, the lessor provides services under the operating lease agreement and maintains the asset, bears the risks, enjoys the benefits and rewards. Under the sales and lease back arrangement, a firm sells an asset to another party and this party leases it back to the firm. The original owner of the asset, having sold the asset to another party now becomes the lessee. The seller (now the vendor) receives the sales price in cash and economic use of the asset during the basic period and gives up the title to the asset. A firm that partakes in this form of lease agreement does so to improve their liquidity position to provide funds for other investment purposes.

The economic benefits of leasing can be derived from the firm's choice of leasing relative to borrowing and acquiring the asset. Leasing is required more now in Nigeria following the prohibition of off shore guaranteed loan facilities by companies operating in Nigeria, as a means of easing the mounting debts burdens, and the instability of the operational characters of the foreign exchange market; that is currently affecting the price of imported technology and equipment in Nigeria (Oko and Anyanwu 2012). This study centers on determinants of finance lease and exclude operating lease, which is a short-term, cancellable lease. The activity allows the lessee as a marketer to use and derive services of the leased equipment as required for consumer satisfaction and releases fund that could have been tied up to equipment acquisition for improved working capital management (Oko and Nnabuko 2013). Barclay and Smith (1995) and Sharpe and Nguyen (1995) pointed out that determinants of leasing are not homogeneous across firms either quoted or unquoted manufacturing companies. Empirical studies like those of Ameziane and Mario (1996); Oko and Anyanwu (2012); Myers, Dill and Bautista (1976) and Essien (2013) have identified determinants of leasing decision to include growth opportunities, business size, profitability performance, debt financing, taxation and source of finance. Hence, this study seeks to identify the determinants of leasing decision in Nigerian quoted manufacturing companies.

1.2 Statement of Research Problem

The issue of determinants of leasing decision in manufacturing companies is controversial among researchers. Barclay and Smith (1995) and Sharpe and Nguyen (1995) used size as a proxy variable for asset type and the resolution of agency conflicts. They argue that large diversified firms are less likely to rely on leasing than smaller firms because they are less concerned with internal redeployment

possibilities. However, Jensen (1986) argues that agency problems are more likely to prevail in large and well established firms. Thus, if leasing mitigates agency costs, we would expect large firms to lease more than smaller firms. It is also observed that companies that use leasing have higher tax losses (Ameziane and Mario 1996). Previous studies like those of Ameziane and Mario (1996) and Franks and Hodges (1978) have shown that, for small companies, taxation does not have a significant impact on leasing decisions. Small quoted and unquoted companies do not carry larger proportion of tax forward in their accounts and do not report higher relative tax recoverable than non-leased companies (Ameziane and Mario 1996). In addition, for quoted and unquoted small and medium-sized companies, leasing is sometimes considered as substitute for debt financing because both of them influence profitability (Ameziane and Mario 1996). Myers, Dill and Bautista (1976) and Essien (2013) view leasing and long-term debt as capable of reducing profitability. It is a-priory expectation that increased use of lease financing brings about less reliance on debt financing which call for cursory investigation. Finally, Ameziane and Mario (1996) stress that, on the average, companies that lease are significantly more profitable than non-lessee companies because they have much to save from outright purchase of equipment. The results suggest that firms' profitability performance determines firms' tendencies to lease and this implies that firms with sophisticated financial performance are likely to acquire assets. In contrast Myers, Dill and Bautista (1976) assert that less profitable companies may not get financial muscle for outright asset acquisition and then choose to lease required equipment. Akinbola and Otokiti (2012) suggest that leasing contributes to the survival, growth opportunities and profitability of small companies.

Various studies related to Nigerian quoted manufacturing companies (Abashiya 2005; Akinbola and Otokiti, 2012; Iheduru 2003; Kurfi 2009; Lemo 2003; Ndakotsu 2000; Ndu 2003 and Oko 2012) have linked leasing decision to dearth of financial resource to acquire equipment for business use, only relatively few studies specifically link leasing decision to business size, corporate tax, debt financing and profitability. The existence of this gap is the major reason for this cursory investigation to identify determinants of leasing decision in Nigerian quoted manufacturing companies between the periods 2009 to 2013.

1.3 Objective of the Study

The main objective of this study is to identify determinants of leasing decision in Nigerian listed manufacturing companies. The specific objectives of the study are to:

- i. assess relationship that exists between business size and leasing decision in Nigerian quoted manufacturing companies;
- ii. investigate corporate tax as a factor that determine leasing decision in Nigerian quoted manufacturing companies;
- iii. ascertain the extent to which debt financing determine leasing decision in Nigerian quoted manufacturing companies; and

- iv. evaluate the extent to which profitability determine adoption of leasing decision in Nigerian listed manufacturing companies.

1.4 Research Hypotheses

The researcher intends to test the following hypotheses at 0.05 level of significance

Hypothesis One:

H_0 : There is no significant relationship between business sizes and leasing decision in Nigerian quoted manufacturing company.

Hypothesis Two:

H_0 : There is no significant relationship between corporate taxes and leasing decision in Nigerian quoted manufacturing companies.

Hypothesis Three:

H_0 : There is no significant relationship between debt financing and leasing decision in Nigerian quoted manufacturing companies

Hypothesis Four:

H_0 : There is no significant relationship between profitability and leasing decision in Nigerian quoted manufacturing companies.

The rest of this paper is structured as follows: section 2 discusses extant literature; section 3 presents methodological issue, section 4 deals with analysis and interpretation of results while section 5 discusses the findings of the study, recommendations and policy issues.

2.0 LITERATURE REVIEW

2.1 Concept of Leasing

According to Kurfi (2009) as cited in Akinbola and Otokiti (2012) 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 asset by the lessee. The lessee has possession and use of the asset on payment of specified rentals over a period. Akinbola and Otokiti (2012) describe leasing as an alternative mode of financing the acquisition of capital asset. The other alternatives could be an outright purchase with one's resources (equity), debt (borrow and buy) financing, hire purchase, conditional sale or sales in installment. The operations of firms are financed through different means, ranging from fixed income securities debts and preferred stocks, to variable income securities, equities. Corporate capital structure is the firm's mix of different securities involving a choice between risks and expected returns. Lease is a contractual agreement between two parties, the lessee and the lessor, this contract gives the lessee the right to use certain assets for a specific time period owned by the lessor in return for periodic payments paid by the lessee to the lessor (Al-Shami 2008). It implies that leasing provides for the acquisition of equipment and financing channel (Oko and Ogwo, 2012). Leasing may involve the following arrangements; the lessee (user) promise to make a series of payment to the lessor (owner). The lease contract specifies periodic

payment either in advance or in arrears as soon as the contract is signed. The payments are usually level but also their term and pattern can be tailored to the lessee's need. When a lease is terminated, the leased equipment often gives the user the option to purchase equipment or take out a new lease. There are various types of lease, some leases are short term and cancellable during the contract period at the option of the lessee. This study focuses on lease that transfers substantially all benefits and risk incidental to ownership of an asset to the lessee. Equipment leases therefore are sources of medium or long term financing (Oko and Anyanwu, 2012). Lease is a contractual agreement between two parties, the lessee and the lessor, this contract gives the lessee the right to use certain assets for a specific period of time in return for periodic payments by the lessee to the lessor. According to Lemo, (2003) this kind of funding has spread largely due to the advantages offered by the leases as an alternative to outright acquisition of equipment.

2.2 Determinants of Leasing Decision in Nigerian Quoted Manufacturing Companies

This study is anchored on pecking order theory which supports the opinion that leasing leads to tax allowable and thus a high financial performance (Modigliani and Miller, 1958). Lease financing has been a popular means of financing equipment over the years by the entrepreneurs (Simpson, 2000). Globally, leasing is another widely used service for several organizations, although lack of leasing law constrains development of this sector in Nigeria. Although leasing has a tremendous potential to address shortage of medium to long-term finance, in particular organization in Nigeria, it is however underdeveloped. Employment of a large number of skilled manpower at low cost due to high operational capital would result to increased productivity and customer satisfaction. The trade-off theory supports the opinion that leasing leads to tax allowable and thus high financial performance (Negash, 2012). The impact of debt on firm's profitability can be positive or negative. Leverage (debt) is positive when it is used to generate return on assets that is higher than the before-tax cost of debt, thereby enhancing the return on equity and these results in profitability and wealth maximization. Positive leverage usually occurs when a firm operates under favourable conditions, when sales and profit margins are high and when the company is able to generate good return on assets. The final impact of positive leverage is on the return on equity, which increases faster than when firm has no debt. The minimization of the cost of capital and maximization of profitability through the use of debt finance cannot be overemphasized (Oko, 2007).

Iquiapaza, Souza and Amara (2007) as cited in (Sebastine and Kolawole 2013) investigated the relevance of pecking order proposition, through a new method. Their findings reveal flaws in method adopted in literature and the validity of the pecking order theory as a theory that explains the firm's capital structure. Ross (1977) adds that an increased use of debt shows an unambiguous signal to the market that the business financial performance is good. Traditionally, asset leasing has been considered strictly a function of a firm's tax status. Firms with low or zero marginal tax brackets were assumed to favour leasing as a method of transferring unusable tax shields to taxpaying lessors. Within a given capital structure, leases were assumed to substitute for debt financing, although the substitution ratio was not agreed upon. Within the pecking order theory, leasing is predicted to be negatively

related to profitability over time and positively related to asset growth as debt is. Although there are no generally accepted models of the determinants of leasing, most researchers agree on the importance of certain factors which is the tax bracket of the lessee. Thus, tax bracket is predicted to be negatively related to leasing (Essien 2013).

Oven (1993) carried out a study to address the trade-off between contracts for the purchase of capital versus its lease. The objective of the study was to point out the advantages of asset lease financing as an alternative to the purchase of a capital asset. The study also shows that when evaluating the decision that the asset is leased or purchased through borrowing, cash flows often appear in negative value in the early years and therefore the optimal decision is one that reduces costs as it is often used method of net present value and internal rate of return to make a suitable alternative. Parasuraman, Zeithami and Berry (1994) carried out a study to find out whether leasing is an alternative funding source to borrowing. The researcher found that the leasing is a complement to borrowings but not a substitute.

2.2.1 Business size

There is considerable empirical evidence (Barclay and Smith 1995) and (Muhammed, Naveed and Hammed 2012) that firm size plays a key role as determinants of leasing. Barclay and Smith (1995) and Sharpe and Nguyen (1995) used size as a proxy variable for asset type and the resolution of agency conflicts. They argue that large diversified firms are less likely to rely on leasing than smaller firms because they are less concerned with internal redeployment possibilities. This suggests that a firm size is a proxy as one of determinants of leasing. Muhammed, Naveed and Hammad (2012) measured the business size as the natural log of total assets of the leasing company. Considering the firm size as a measure of the extent to which firms have the ability to redeploy assets internally, it is also believed that the determinants of leasing decision are likely to be size dependent because of the differences in the financing opportunities available to small and large companies and potential agency cost (Ameziane and Mario, 1996). A positive relationship between business size and leasing decision in manufacturing companies is expected since the size of the firm gives more favourable position in utilization of its resources efficiently. Therefore, for the purpose of this study, the log of natural total asset firms is used to measure the size of the firm.

2.2.2 Corporate tax

According to the theories stated above, the main advantage of borrowing is the tax advantage of interest payment. Tax benefits arise because the lessor raises funds via debt-financing and effectively pays interest at the after-tax cost of capital (given the tax deductibility of interest) whereas the lessee earns interest at the pre-tax rate (because its tax rate is zero). Previous studies such as (Ameziane and Mario, 1996) have shown that, for small companies, taxation does not have a significant impact on the probability of leasing. Unlike large companies, small quoted and all unquoted companies do not carry a larger proportion of tax forward in their accounts and do not report higher relative tax recoverable than non- lessee companies (Ameziane and Mario 1996). Ameziane and Mario (1996) report also that, tax recoverable differences between lessee and non- lessee companies. Lessee companies exhibit significantly higher levels of tax recoverable than non-lessee firms (Essien, 2013). The significant

contrast is observed for large, medium-sized and small firms and when tax recoverable is deflated by total assets. These results suggest that, when companies are not able to deduct all their allowances from their taxable profits, they prefer to lease, instead of borrowing and buying the assets. Therefore, for the purpose of this study, corporate tax is measured by the ratio of tax to profit before tax.

2.2.3 Debt Financing

Leasing is a substitute for debt financing because both of them reduce debt capacity and influences profitability (Ameziane and Mario 1996). They added that both leasing and debt reduce firm's debt capacity, and influences profitability, consequently, greater use of lease financing should be associated with less reliance on debt. This is contrary to the findings of Parasuraman, Zeithami and Berry (1994) that show that leasing is a complement to borrow (debt financing) but not a substitute. Ameziane and Mario (1996) states that, companies with significantly high gearing and those with substantially lower bank commitments are likely to engage in leasing. This ratio shows the degree to which a business is utilizing borrowed money. This ratio represents the potential impact on capital and surplus of deficiencies in reserves due to financial claims (Adams and Buckle, 2000). According to Muhammed, Naveed and Hammad (2012), leverage is an essential part of the leasing companies since most of the leasing companies borrow money in the shape of long term loans from other financial institutions. Leverage is measured as total debt to equity. Therefore, for the purpose of this study, debt financing is measured by the ratio of total debt to equity (Debt/Equity).

2.2.4 Profitability

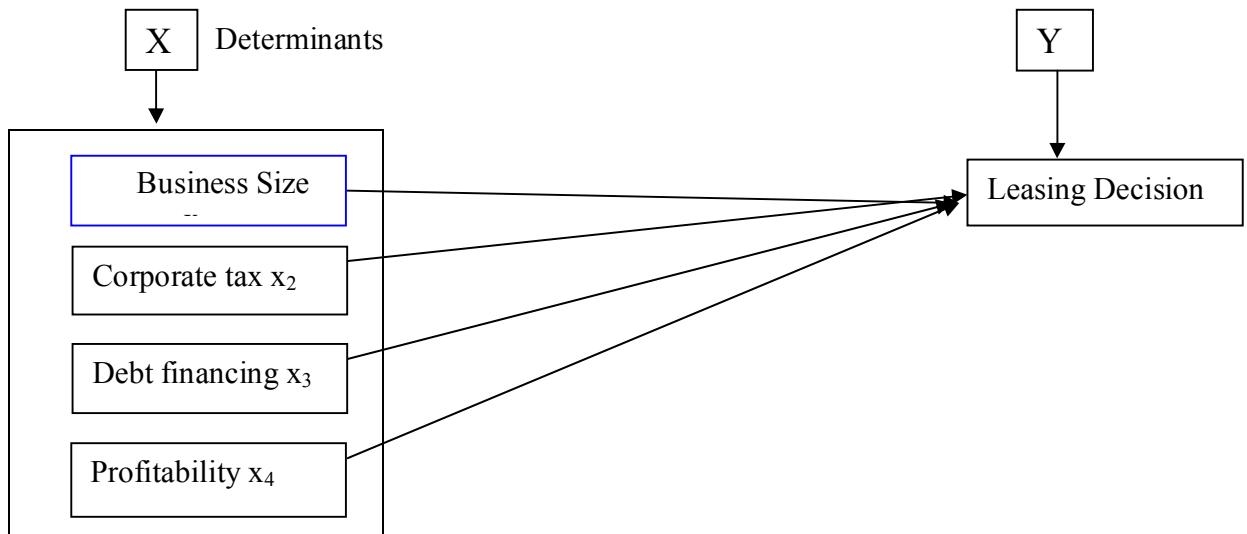
Profitability is considered by many as a major determinant of leasing which can be enhanced by targeting relevant economic of scale (Sabastine and Kolawole, 2013). Profitability is seen as a function of performance (Rappaport, 1986) and a requirement for business survival and a strong determinant for leasing decision (Ameziane and Mario, 1996). Hence, when manufacturing company enhances their profitability they will be able to lease more assets for business growth (Mukherjee, 1991). Therefore, to assess profitability as a determinant of leasing in Nigerian quoted manufacturing companies, return on asset (ROA) was taken into consideration. Ukaegbu and Oino (2013), profitability ratios are used to measure how well a firm is performing in terms of its ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time. Pecking Order Theory believes that the more profitable a business the less is likely to finance its operation through borrowing. However, the Tradeoff Theory contradicts the Pecking Order Theory in that it supports a firm to borrow more when being profitable so that it can lower the amount of tax liability.

3.0 METHODOLOGY

This study employed both historical and descriptive methods to identify the determinants of leasing decision in Nigerian quoted manufacturing companies. The population of this study comprises 173 manufacturing companies as at 2014. A non-probability method in form of purposive sampling technique was adopted to select seven out of 23 manufacturing companies that reported finance lease as at 2014. The selected companies are Dangote Flour Mills Plc, Flour Mills of Nigeria Plc, Berger Paint Nigeria Plc, Guinness Nigeria Plc, May and Baker Nigeria Plc, WAPCO Nigeria Plc and DN

Meyer Plc. Secondary data were collected from the Nigerian Stock Exchange and Annual Reports and Accounts of the selected companies and included the leasing decision-specific determinants in Nigerian quoted manufacturing companies. This involves the use of econometric analysis tool of Ordinary Least-Square (OLS) through SPSS. The period under review covers 2009-2013. The following are the identified determinants of leasing decision Business Size as measured by total assets (BS); Corporate Tax (CT); Debt Financing (DF) and Profitability (π) as measured by return on asset (ROA).

Operationalization of variables



Source: Researcher' conceptual model (2015)

The mathematical model representing the relationship between the dependent and independent variables is given as follows:

LD_{jt} = Leasing decision of Manufacturing companies j at time t

$LD_{jt} = f(BS_{jt} + CT_{jt} + DF_{jt} + \pi_{jt})$

$J=1,2, \dots, 7$ Manufacturing companies; and $t=1, 2 \dots 5$ years;

BS_{jt} = Business size of Manufacturing companies j at time t; (measured by Total Assets)

CT_{jt} = Corporate tax of Manufacturing companies j at time t;

DF_{jt} = Debt financing of Manufacturing companies j at time t; and

π_{jt} = Profitability of Manufacturing companies j at time t.

The econometric models of the relationship can be stated as follows:

$LD_{jt} = \beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4 + \varepsilon_o$

β_0 = a constant

β_{1-4} variable coefficients; and

ε_o = error term

4.0 DATA DESCRIPTION, ANALYSIS AND INTERPRETATION

This section presents the analysis and interpretation of regression results. This involved the use of econometric analysis of Ordinary Least-Square (OLS) through SPSS using seven quoted manufacturing companies. The data collected were from the selected seven Nigerian quoted manufacturing companies and the results of the regression analyses are presented in appendix 1

4.1 Identified Determinants of Leasing Decision

Based on the computer output, the leasing decision for each of the selected manufacturing companies can be determined by the equation:

$$LD_{jt} = 1.078 - 0.144 BS_{jt} + 0.147 CT_{jt} + 0.74 DF_{jt} + 1.828 \pi_{jt} + \varepsilon_o$$

- a. Business size ($b_1 = -0.48$; $t = -3.38$ and $p < 0.05$): These values indicate that a significant negative relationship exists between business size and leasing decision of manufacturing companies. Therefore, if all other independent variables are held constant, every 1% increase in business size will decrease leasing decision by 0.48 points. Since, business size as one of the variables identified as determinants is statistically significant to leasing decision; we conclude that business size is a significant determinant of leasing decision in Nigerian quoted manufacturing companies.
- b. Corporate tax ($b_2 = 0.16$; $t = 0.78$ and $p > 0.05$): These values reveal that no significant relationship exists between corporate tax and leasing decision in manufacturing companies. Therefore, if all other independent variables are held constant, every N1 increase in corporate tax will increase leasing decision by 0.16 points. Since corporation tax as one of the identified determinants is not statistically significant, we conclude that corporate tax is not a significant determinant of leasing decision in Nigerian quoted manufacturing companies.
- c. Debt financing ($b_3 = 0.05$; $t = 0.23$ and $p > 0.05$): These values indicate that there is no significant relationship between debt financing and leasing decision in Nigerian quoted manufacturing companies. Hence, if all other identified determinants (proxies) are held constant, every N1 increase in debt financing will increase leasing decision by 0.05 points. Therefore, debt financing as one of the identified determinants is not statistically significant, we conclude that debt financing is not a significant determinant of leasing decision in Nigerian quoted manufacturing companies.
- d. Profitability ($b_4 = 0.54$; $t = 3.88$ and $p < 0.05$): These results indicate that a significant positive relationship exists between profitability and leasing decision of the selected quoted companies. Therefore, if all other proxies of determinants of leasing decision are held constant, every N1 increase in profitability will bring about an increase in leasing decision by 0.54 points. Since profitability as one of the identified determinants is statistically significant to leasing decision,

we conclude that profitability is one of the major determinants of leasing decision in Nigerian quoted manufacturing companies.

- e. The coefficient of determination R^2 (0.75) shows that 87% of the variation in leasing decision is explained by the four identified determinants (variables) of leasing decision while 13% remains unexplained by the identified variables but variables outside the identified variables.
- f. The F- statistic of 22.41 is statistically significant ($p<0.05$). It shows that the regression model is valid and that the proportion of the variation in leasing decision explained by the regression equation is significant.
- g. Leasing decision has mean and standard deviation of 0.16 and 0.23 respectively.

5.0 DISCUSSION OF FINDINGS

Our findings based on profitability agrees with previous position taken by Ameziane and Mario (1996) that on the average, companies that lease are significantly more liquid and profitable than non-leasing companies because they have more to save from outright purchases of equipment. Contrary to this view is the finding of Myers, Dill and Bautista (1976) that confirm that less profitable companies may not get financial muscle for outright purchase of equipment and then choose to lease required equipment. Ndakotsu (2000) posits that leasing contributes to the survival, growth opportunities and profitability performance of small companies.

Concerning business size, the finding corroborates the findings of Barclay and Smith (1995) and Sharpe and Nguyen (1995) who argue that large diversified firm are less likely to rely on leasing than small because they are less concerned with internal deployment possibilities. The results of this study contradict the agency theory that, agency problems are more likely to prevail in large and well established firms (Jensen 1986). He alludes that if leasing mitigates agency cost, we would expect large firms to lease more than small firms.

Furthermore, the results of test of relationship between corporate tax and leasing decision is in agreement with the study of Ameziane and Mario (1996) and Ndakotsu (2000) who claim that for small companies, taxation does not have a significant impact on leasing decision. They further argue that small quoted and unquoted companies do not carry larger proportion of tax forward in their accounts and do not report higher relative tax recoverable than non-lease companies.

Finally, concerning debt financing, the results of the study is contrary to a-priory expectation that increased use of leasing brings about less reliance on debt financing. The finding takes a distant position from that of Ameziane and Mario (1996) that companies with significant high gearing and with substantially lower bank commitments are likely to engage in leasing. The study clearly reveals no significant relationship between debt financing and leasing decision in Nigerian quoted manufacturing companies. The result of this study is in harmony with the finding of (Parasuraman, Zeithami and Berry, 1994) that leasing is a complement to borrowing and not a substitute. Also, in

line with recent literature about the methodological flaws and validity of the pecking order as theory sufficient to elucidate the firms' capital structure as asserted by Iquiapaza, Souza and Amaral (2007), the result is in disagreement with opinion of Ross (1977) who stresses that an increased use of debt represents unambiguous signal to the market that the business performance has improved and subsequently can acquire more equipment through leasing.

5.1 Conclusion, Recommendations and Policy Issues

Contingent upon the above findings, it behooves the government a responsibility to make policy and put in proper perspective programmes aimed at enticing leasing industry in Nigeria, through an improved manufacturing companies' profitability (using ROA). Giving much attention to profitability objective cannot affect other business objectives since profitability measure (ROA) is significantly related to leasing decision in Nigerian quoted manufacturing companies. Therefore, policy makers and regulators and practitioners should motivate the pursuit of profitability objective and go beyond ordinary to lay and build sustainable policies that will galvanize other financial and non-financial performance elements in addition to profitability.

Secondly, small manufacturing companies both quoted and unquoted should be encouraged to embark on leasing as they may be constrained by financial resources to acquire equipment like big companies. Towards this, the policy makers and regulators in leasing industry should try to remove any encumbrance and restriction to leasing decisions by the small companies as they are the pivots of the economy.

Finally, manufacturing industrial regulators and practitioners desirous of strengthening leasing industry in Nigeria should make effort to improve the non-securities arm of the capital market in order to spur borrowing on long time basis. With this attempt, leasing decision effort will demand policies that make cost of borrowing cheap to complement the leasing decision in Nigerian quoted manufacturing companies because the results of the study has clearly shown that debt financing is not a substitute for leasing in Nigerian quoted manufacturing companies.

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APPENDIX 1

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Leasing	35	0.0046	0.6716	0.160127	0.2251399
BS=Total Assets	35	6.3582	8.3500	7.399576E0	0.7513804
Corporate Tax	35	0.0055	0.9376	0.294785	0.2511062
Debt Financing	35	0.0324	0.5793	0.213877	0.1439687
Profitability	35	0.0005	0.3046	0.048713	0.0665330

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Valid N (List wise)	35				

Source: Research Data (2014)

**Table 2: Regression Result for Model
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.866 ^a	0.749	0.716	0.1200173

(Constant), Profitability, Business Size, Corporate Tax, Debt Financing.

**Table 3: Statistical Test of Hypotheses
ANOVA^b**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.291	4	0.323	22.411	0.000 ^a
	Residual	0.432	30	0.014		
	Total	1.723	34			

a. Predictors: (Constant), Profitability, Corporate Tax, Business Size, Debt Financing

Table 4: Coefficient

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. error			
1(constant)	1.078	0.337		3.194	0,003
Business size	0.144	0.43	-0.481	-3.376	0.002
Corporate tax	0.147	0.189	0.164	0.778	0.443
Debt financing	0.074	0.329	0.048	0.226	0.823
Profitability	1.828	0.481	0.540	3.801	0.001

Dependent Variable: Leasing decision

Result of the Model

R- Square = 0.749
Adjusted R- Square = 0.716
S.E. of Regression = 0.1200173
Sum Square Residual= 0.432