LEASING IN EMERGING ECONOMIES: THE NIGERIAN PERSPECTIVE

Daferighe Emmanuel E. and Aje, Samuel O.

Abstract

Some business organizations often lack access to long-term credit needed to acquire equipment because they do not have the required collateral. Leasing is a financing tool that overcomes this constraint. Leasing offers several advantages over loans and it is significantly beneficial both to the lessor and to the lessee. The paper assesses the sectoral significantly or market volume as well as the trends of the Nigeria leasing market from 1995 to 2005. It highlights the need for reforms in the industry by adopting appropriate enabling regulatory framework, accommodation of specialized foreign firms and collaboration with international associations such as IFC as a means of increasing service delivery capacity of leasing firms through transfer of knowledge of technology and products used in developed leasing markets.

Introduction

In developing or emerging economies of the world where there is scarcity of capital for investment, increasing cost of acquiring the required productive assets, low disposable income resulting in low saving and high cost of credit/interest rates; business organizations, institutions and individuals have to find an alternative means of getting assets instead of outright purchase. One of such means is leasing.

Financing a business venture is an important issue that calls for continuous attention in the management of the business, hence it is the "pivot" on which the business revolves and the 'conduit' from which flowe its "life". A survey by Daferighe (1999), revealed that, 94% of business in Nigeria, especially, the small and Medium Scale Enterprises (SMEs), are faced with the problem of raising funds to finance their operations for they do not have the collaterals required by financial institutions to obtain loans.

Leasing as an alternative source of financing should be embraced by business operators to enable them make use of productive assets without necessarily acquiring them, thus improving their profit generating capabilities and cash flow statement, leasing therefore, is an important economic activity that is significant to the growth of business enterprises vis-a-vis the economy.

The main thrust of this paper is to highlight the importance of leasing as an alternative source of finance. We shall therefore, determine the extent to which leasing has been embraced as an alternative means of financing in Nigeria, examine the benefits of equipment leasing in Nigeria, educate readers about leasing as a form of finance, and examine the possibility of introducing leasing in the public sector of the economy.

The problem of selecting the source of finance that will bring optimum benefit to an organization arises when:

a) There is the need to replace old and obsolete equipment for efficient performance or to acquire new and modern equipment for necessary expansion.
b) There is non-availability of cash for the purchase of the needed equipment.
c) There is a problem of raising enough capital by the owners of the business.
d) The business owners are unable provide the required collateral to obtain the needed loan for the purchase of necessary equipment.
e) There is the fear of increasing the gearing level, when loan is sought to raise funds for the procurement of new equipment.

The global leasing market was worth US$ 476.6 billion in 2001. (World Leasing Yearbook, 2003). Leasing is widely used in western countries to finance investment. Europe and North America account for 82.7 percent of this market volume. Modern leasing emerged in the 1959's as a specialized financial service industry in the United States. The industry expanded to Europe and Japan in the 1960s and to the developing countries in the 1970s.

Leasing- An Overview

In most emerging economic, equipment leasing is in its infancy. However, in countries where it has developed significantly its development impact is estimated to be significant. (Nair et al, 2004).

Brealey and Myers (2003), define a lease a tease as a rental agreement that extends for a year or more and involves a series of fixed payments. More formally, leasing is a contract between two parties, where the party that owns an asset (the lessor) lets the other party (the lessee) use of the asset, for a predetermined time in exchange for periodic payments.

According to the Equipment Leasing Association of Nigeria (ELAN), leasing is a contract between a lessor and lessee, giving the lessee possession and use of a specific assel on payment of rentals over a period. The lessor retains ownership of the asset so that it never becomes the property of the lessee or any other related third party during the tenure of the lease.

In leasing as in the case of simple rentals, legal ownership and use of an asset are separated. Leasing allows enterprises either do not wish to purchase equipment (because leasing is cheaper) or cannot do so (because they do not have the required funds or lack access to bank finance) the opportunity to use the equipment without having to own it. The business philosophy that underlies is that profits are earned through the use ralher than the ownership of assets. (Galiardo, 1997).

Lease, the lease period extends for a significant period of the economic life of the equipment and risks of obsolescence, insurance and maintenance are borne by the lessee. Finance leases are non-cancelable, making (hem similar' to (enu loans. Some various of finance lease according to Os<i7,e (1993), are: Leveraged, Sales-Type Lease- and- Lease- back. Wrap Lease and Syndicated Lease.

In operating lease, the lease is over a period that is substantially less lhan the economic life of the asset. The lessee does not intend to purchase the asset, however, the lessor recovers the assets cost through multiple leases and the final sale of (he equipments. The lessor apart from proving for additional infrastructure such as warehouses and maintenance personnel, also bears the risks".of" obsolescence, insurance and maintenance costs. Thus, the operating leasing bears additional risks over and above financial leasing.

The impact of leasing in developing economies like Nigeria should be carefully considered especially, where large amounts of cash requirement are difficult to come by for acquisition of capital equipment. Leasing is therefore, popular with companies experiencing cash problems. The major companies that lease out assets in Nigeria include finance houses and investment companies as well as equipment dealers. Leasing is a significant source of finance for business of all sizes in the United Kingdom and makes significant contribution to the economy. (Javis. Collis and Bainbridge, 2000).

According to Amembal (2000), the type of lease available in a market depends on the level of maturity of the leasing sector in that market. At (he early stage; (he major type is usually a simple finance lease, however, as the market develops, creatively designed finance leases and operating leases become more common, while operating leases are used for only large and costly items (Ships and Airplanes.), in emerging markets, leasing of equipment and vehicles becomes common as the sector matures.

Amembal (2000), and Carter (1996), identified some beneficial impacts of leasing to include:

- **Access to Finance and Increase in Capital Investments:** lessors are often willing to lease to entities that cannot access bank credit. Legal ownership of leased assets allows the lessor to require lesser equity and no additional collateral as demanded by lenders. Since leasing supports acquisitions of equipment, it enhances capital investments in an economy.

- **Increase in Capital Base and Capital Market Development:** Growth of leasing sector requires that leasing companies have access to capital. This leads to increased borrowing from banks as well as from the capital market (from pension funds, insurance companies, bonds etc.) thereby, increasing the gross capital base of a country.

- , **Competition in the Financial Market:** Leasing is an effective mechanism to help business without credit history and collateral by lenders to finance investment in equipment as an alternative source of investment financing. Leasing competes with bank financing, this provides incentive for both banks and lessors to become more efficient and innovative, leading to better productions and lower spread in interest rates.

In several developing and emerging economies, the leasing sector has contributed significantly to deepening financial markets and overcoming legal and regulatory problems-particularly relating to properly right and secured in collaleral. International Finance Corporation (IFC) considers leasing as a high impact development activity in deepening financial markets and supporting SMES (IFC Corporate Strategy, cited IFC, 2003).

Myths and Strengths of Leasing

Brealey et al. (2003), State that, some myths about leasing are that:

i. Leasing provide 100% financing for the assel as the lessee can avoid payment for acquiring the asset. The truth however, is that leasing like borrowing commits the company for a stream of payments in future.

ii. The belief that leasing provides off-balance sheet financing leaving the firms debt raising ability intact is a fallacy. Leasing can certainly help companies, which have enough debt servicing ability, but cannot borrow from banks or other financial institutions, it does not enhance firm's debt capacity.

iii. Leasing improves Return on Investment (R.OI) since lease does not appear as an investment in the books Owing to the illusory nature of accounting profit, it is not a good means of performance evaluation, rather, lease will create value to the firm only if the benefits from it are more than its costs.

iv. Another misconception about leasing is that capital expenditure screening is irrelevant. Long-term lease involves long-term financial commitments, hence the need for proper screening. If not cautiously done may add to the firms risk and endanger its survival.

Inspite of these myths expressed above, are a lot of benefits derivable from leasing.

1. Equipment leasing enables you to pay as you use. It smoothens out cash flow by ensuing payments of yearly rentals only over a known period of lime as against the need to commit; substantial sum of money to a fixed asset at a time.
2. These fixed monthly or yearly payments enable you to know in advance what your payments will be, thus, enabling you to budget for same and make for easier cash flow forecasting.
3. Lease financing is easier than bank loans. It also provides the opportunity to combat any statutory restriction placed by Ihe Memorandum and Articles of Association on the borrowing power of the company.
4. Most lease arrangements allow the lessee the option to either purchase at a stated amount or at a fair market value or to renew the lease at reduced monthly payments. State of the art equipment or newer equipment can conveniently be acquired through leasing.
5. Lease payment has tax advantage over outright purchase of asset as full rental payment on lease is an allowable expense for tax purpose, that is, a lessee can usually deduct his monthly payment as an operating expense.
6. Lease helps lo conserve capital money that could be used to buy inventory, advertise and hire-personnel. 11 is better spent doing just lhat rather than spent purchasing equipment that is worth less and less with the passage of time. If one is in business where you have important alternative uses for money on hand, leasing is the best option.
7. It reduces risk of bankruptcy. In leasing only the asset is lost on default as against the case where a company borrowed lo buy and defaults.
8. It improves leverage since leases do not appear in the balance sheet but often as footnote.

Historical Perspective of Leasing in Nigeria

Equipment leasing is relatively new in Nigeria. Leasing was first introduced to the country as a means of financing by British Lessor Companies. Ms introduction came shortly after the country's independence in 1960. during this period the Nigerian subsidiaries of the British companies enjoyed offshore leasing arrangement direct from British lessor companies.

Economic activities in the country at that time centred on agriculture, which was at a low ebb, hence the best use of equipment leasing could not be achieved owing to low scale volume of business.

The increase in economic activities in the post independence era saw the emergence of some local companies involved in the business of leasing. The notable local companies were Benthworth Finance Limited and NAL securities Limited, a subsidiary of NAL Merchant Bank Limited. These companies however, offered limited leasing arrangements. After the Nigeria civil war (1967-1970), the country embarked on reconstruction and this period was followed by the era of oil boom that resulted in industrialization, which required high capita! outlay assets. Hence, the need for equipment leasing.

Many companies, particularly the foreign owned, chose to lease these assets rather than outright purchase resulting in increase in leasing programme. Fortunately, most merchant banks come into existence, which provided the medium and long-term finances and lease to these companies. The volume and value of assets on lease thus, increased; statistics shows that the value of asset on lease increased from N7.7 million in 1977 to N26.3 million in 1981 and was further increased to N61 million in 1983 when Equipment Leasing Association of Nigeria (ELAN) was founded.

During this period, virtually only merchant banks were statutorily allowed to operate leasing arrangements. However, the deregulation and liberalization of the economy, Structural Adjustment Programme (SAP) and the removal of other restrictions of credit expansion accelerated the growth of leasing contracts in Nigeria. Commercial banks, finance houses, securities organization were now allowed to operate leases. At present, there are over 200 established companies engaged in diverse forms of leasing. Apart from the traditional players, the industry has attracted new investors cutting across the various sectors of the economy.

Today, leasing has become an important means of acquiring assets, both at corporate and individuals levels. The past few years have witnessed the financing of assets or equipment by banks and other finance institution through leasing at spectacular rate most of these banks and other finance houses advertise leasing as their strength.

The statistics in Tables 1 and 2, show the trends in the Nigeria leasing market and the equipment leasing volumes by sector respectively.

Table 1 Trends in Nigerian Leasing Market (19990-2005)

Year	Leasing Volume	% Growth
1990	654,839	16
1991	895,806	37
1992	2,324,877	16
1993	1,704,109	(27)
1994	1,356,075	(20)
1995	4,765,589	251
1996	4,170,411	(12)
1997	10,300,000	147
1998	11,240,000	9
1999	14,836,800	32
2000	19,645,315	32
2001	32,166,425	64
2002	48,267,580	50.6
2003	59,848,798	24
2004	78,863,068	31.77
2005	115,140,079.01	46

Source Equipment Leasing Association of Nigeria (ELAN)

Source Equipment Leasing Association of Nigeria (ELAN)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sectors	₦'000	₦'000	₦'000	₦'000	₦'000	N'000	₦'000	₦'000	₦'000	₦'000	₦'000
Manufacturing	1,068,295	1,443,236	3,820,000	4,2000,000	5,544,000	6,996,320	12,129,194	16,410,977	17,955,539	24,143,855	33,451,437.47
Transport	502,765	447,745	2,060,000	2,240,000	2,956,800	4,348,235	5,827,231	8,688,164	12,568,877	16,850,348	27,775,441.23
Agriculture	365,647	325,633	410,000	400,000	528,000	674,840	794,540	965,352	2,394,071	2,570,643	2,755,452.57
Oil and Gas	1,471,177	1,221,124	3,300,000	3,600,000	4,752,000	6,336,000	11,473,562	18,459,004	19,152,575	26,607,987	34,630,314.30
Government	223,529	203,520	200,000	200,000	264,000	238,920	476,724	482,676	1,197,035	1,314,573	1,307,223.91
Telecom	-	-	-	-	-	-	-	965,352	5,982,179	6,9994,958	14,213,206.23
Others	594,176	529,153	510,000	600,000	792,000	220,000	317,816	365,352	598,519	650,705	1,007,113.30
Total	4,765,589	4,170,411	10,300,000	11,240,000	14,836,800	19,645,315	32,166,425	48,267,580	59,848,798	78,863,068	115,140,179.01

It is worthy to note that ELAN has created a serious awareness among Nigerians of the benefits of leasing rather than outright purchases of asset. The impact of leasing is becoming more pronounced in all sectors of the economy. The leasing industry has maintained steady growth in the last five years despite the difficult operating terrain. Returns from ELAN members in 2005, indicate a leasing volume of N 115. 1 billion representing an increase of 46% over the 2004 figure of N78.9 billion. In terms of sectoral ranking, in 2001 the top two sectors remained the same as in previous years with manufacturing holding on to the number one spot followed by oil and gas that was experiencing an impressive recovery after the slump the oil prices. Transport and agriculture made some strong showing. Transportation sector is also becoming very active as many lessors are venturing into leasing of luxury buses to commercial transport operators.

The increase in the number of lessors has brought competition into the market. More creativity is being employed to make leasing attractive to lessees. However, this competition, though healthy is not as vigorous as it should be.

The ELAN 2002 returns, showed, an outstanding leasing volume of N48.3 billion, representing an increase of N 16.1 billion over the previous year. The annual total was up by 50.6% on the 2001 figure.

The telecommunication sector for the first time came into the chart in 2002 and has risen from

NO.96 billion to NI4.2 billion in 2005. this robust increase in the sector resulted from present development in the sector such as introduction of the Global System of Mobile Telecommunication (G. S. M). however, the Oil and Gas sector still maintained its dominance as it is dominated by cross border transactions.

The agricultural sector has not showed impressive performance. This may not be unconnected with the long time neglect of that sector. However, in 2003, the sectoral leasing volume rose to N2.39 billion from NO.96 billion, which was 148% increase. This was as a result of the improved political situation and emphasis on agriculture by the present administration. The volume was N2.75 Billion in 2005, ranking behind Oil and Gas, Manufacturing Transportation and Telecommunications sectors.

The government sector showed the lowest leasing volume of all the sectors listed, there is therefore, the need for introducing leasing into the public sector of the economy.

The dearth of investible funds and technical expertise has prevented Nigerian lessors from participating effectively in big-ticket transactions, which are usually highly specialized and capital intensive.

The domestic leasing terrain is thus, centred on the provision of computers, air conditioners etc. however, some lessors are beginning to seek foreign partnership as a strategy for financing major equipment. Presently, C and I Leasing Nigeria is planning to enter the offshore market as it is negotiating to acquire at least 48% equity in Leaseafric Ghana Ltd.

Current Status of Leasing in Nigeria

The current status of leasing in Nigeria will be discussed in terms of the following industry drivers namely; economic environment, trends and market penetration, enabling environment and influence of continental and national leasing associations.

Economic Environment

In development or emerging economic like Nigeria, agriculture continues to be the most dominant sector but provides very little opportunity for leasing because it is not fully mechanized. For example, although agriculture contributes about 4% to Nigeria's Gross Domestic Product (GDP) it also contributed 4% to lease volume in 2003 which has dropped to less than 3% in 2005. Oil and gas and manufacturing sectors are the main drives of lease volume in Nigeria.

Trends and Market Penetration

The trends of lease volume in Nigeria from 1990- 2005 is presented in Table 2. The global leasing market was worth US$476. Billion in 2001 (World Leasing Yearbook, 2003). Europe and North America Account for 82.7 percent of this market volume. Nigeria market volume in 2001 was worth only US $268.1 Million or 0.06% of the global market and US$639.7 Million in 2005.

In the leasing world, market penetration refers to the aggregate value of assets acquired though a lease expressed as a percentage of the total value of assets acquired in the economy in a year. According to Dorfe (2005), in developed economies such as the United States of America, leasing accounts for about 30% of equipment acquisitions in any year.

In Nigeria, we do not have all the available figures lo cover all the variables required to effectively compute market penetration. There is problem of capturing in-bound cross border leases, that is, assets leased by foreign ;easing companies to companies operating in the domestic economy. However, industry practitioners estimate penetration in Nigeria to be less than 5%.

The average annual growth rates for 2001-2005 is about 43% which is an indication of an industry still in its infant stage with tremendous growth opportunities. Matured leasing economies experience single digit growth rates.

Enabling Environment for Leasing

Leasing dos not have a homogeneous legal framework in Africa except Ghana, which has a specifically, designed legal framework for leasing Nigeria has no specific or comprehensive leasing laws. However, as for any economic activity, an enabling environment is required for the development of leasing. Tow crucial element are, clear legal basis and accounting standards and a tax code that is not biased against leasing would further enhance the development of the sector.

i. Legal Framework

In Nigeria, the civil code provides the legal basis for leasing. However, countries such as USA, Russia and Ghana have specific leasing laws. Whether provided by a specific leasing law or by the general civil code, the effectiveness of the legal framework will depend on the following elements.

- **Clarity in Defining** a Lease **Contract, Leased Assets and Responsibilities and Rights of Parties to a Lease Contract:** The legal framework should define what constitutes a lease transaction, a leased asset and (he responsibility and right of the lessor and leasee. For instance, il should clarify whether or not a lessor can use a leased asset as collateral to obtain loan for the company.
- **Liability:** Classifying responsibility for liability of third party losses arising out of the operation of leased assets, is especially, important because ownership and use of an asset is separated in leasing. This is particularly relevant in the case of an asset, such as a vehicle because the risk of causing third party losses is significant.
- **Priority of Lessor's Claim Over Leased** Assets: This provides the basis for the advantage of leasing over lending under conditions of lessee bankruptcy. As the equipment owner, the lessor's claim to the asset should be superior to any claim creditors may have on the lessee.
- **Repossession:** Easy and fast repossession of leased assets is one of the main advantages the lessor has compared with the lender. The legal framework should permit non-court repossession, so that lessors can repossess leased assets, without going court as long as the lessee does not contest the repossession. According to Carter (1996), when repossession is legally and judicially easy, lessors can lend to risker business and price their leases with a lower risk premium making leasing leasing available more cheaply. However, in Nigeria, industry practitioners said that their experience in the current procedure for repossessing leased equipment through the arbitrage courts could take up to three months.

ii. Regulation

the leasing industry in Nigeria is not subject to prudential regulations. The issue is whether or not leasing warrants prudential regulations. Carmichael and Pomerleano (2002), define prudential regulation as the form of regulation involved in counteracting asymmetric information problems in financial market. Information asymmetry arises where products and services are sufficiently complex that other forms of regulations are insufficient. The general practice is to subject institutions that obtain public deposits to prudential regulations because of the information asymmetry problems faced by the large number of depositors in monitoring the use of their deposits. By this rationals, leasing companies (which do not obtain public deposits) should not be subject to prudential regulations.

The prudential regulations include entry requirements, capital requirements, balance sheel restrictions, liquidity requirements and association among institutions, etc. However, in the USA and UK, which have developed leasing markets, leasing companies are not subject to any prudential regulation.

Amembal (2000), identified the advantages and disadvantages of having prudential regulations for the leasing sector. The advantages are:

(a) Providing an element of credibility that can be useful during the initial stages of the development of the leasing industry; and
(b) Preventing loss of public confidence in the industry that might result in large-scale failure of leasing firms.

The disadvantages include:

i. Stifling growth of the industry through strict prudential norms such as high capital requirements or high levels of reserves.
ii. Hampering the evolution of the industry from just being a simple substitute for loans to a specialized service, serving a natural market for such services.

iii. Inadequate knowledge and capacity of the supervisors in charge of regulation,

iv. Dissuading lessors from taking the risks needed to reach client perceived as high risks SMES and micro-enterprises. This is important as this category of clients does not have adequate access to bank finance.

International Finance Corporation (1FC) advises against prudential regulation for leasing companies that do not obtain public deposits.

iii Accounting

The accounting framework defines how leased assets should be reflected in the accounts of the lessor and tbe lessee. The International Accounting Standards Schedule 17 (IAS 1 7) effective from 1984 and the Statement of Accounting Standards (SAS 1 1) effective from 1992 by the Nigerian Accounting Standards Board (NASB) provides guidelines for categorization of lease into operating and finance lease. These standards have the advantage that lessess can no longer hide financial commitments arising out of non-can eel able lease agreements.

iv Taxation

Income Tax Value Added Taxes (VAT) are two major taxes that have significant implication for leasing. Under income tax, two relevant factors are:

a) Whether lessors are allowed to deduct depreciation (and lessees deduct lease payments) from their taxable income; and
b) Whether accelerated depreciation is permitted.

The driving force is the Substance versus Form argument. We have countries such as US, Denmark, etc. in which the lessor claims the capital allowance for tax depreciation and others in which the lessee takes this benefit. The Nigeria industry practitioners believe that leasing has experienced a down turn since the tax authority in 1993, took away the benefit of capital allowances from the lessor and allocate same to the lessee.

The most common arrangement is for lessor to pay VAT during equipment purchase and for lessee to.pay VAT on lease payment and to the value of the asset, if ownership is transferred at the end of the lease period. Amembal (2000), recommends waiving VAT on lease payments in emerging markets since in these markets most lease are simple finance lease that are close substitutes for term-loans, VAT is typically not charged on loan payments. Weslley (2003), was also of the view that loans and finance lease should be treated similarly for tax purposes.

Influence of Continental and National Leasing Associations

The national leasing association in Nigeria is ELAN. It consists of over 200 established companies engaged in diverse forms of leasing ELAN organizes workshops and seminars and has concentrated on influencing the regulatory environment for leasing in Nigeria.

The national association has worked in collaboration with Afro lease, a continental body, which organizes annual leasing conventions on the continent. This collaborative effort is a potential drive for lifting Africa's share in global leasing market from a dismal 2.03% to an appreciable share in the future

Recommendations and Conclusions

There is no doubt that some of the greatest problems faced by industries, organizations and indeed individuals today in Nigeria are inadequacy, liquidity and high cost of borrowing from banks and other finance houses and high cost of heavy equipments. Leasing therefore, becomes the immediate alternative and best option under the situations mentioned above. This goes a long way to emphasizing the importance of the leasing industry to business and economic development/growth.

Recent reforms in the Nigeria banking industry have been greatly applauded as a step in the right direction. It would be out of place to reform the leasing industry given its significance to economic development. It has evolved into a specialized service for most sectors of the economy.

A well-defined legal and regulatory framework should therefore, be put in place to inspire confidence in the industry. ELAN, for instance, had for sometime now been lobbying government for the passage of specific laws to regulate leasing in the country. The development of leasing requires the adoption of an appropriate enabling regulatory framework including a clear supportive tax treatment and a conducive political environment. There should be openness to entry of specialized foreign firms that can transfer financial services and provide links with foreign manufacturers.

Leasing companies can benefit from preferential tax treatment conferred on investments in fixed assets and capital equipment. They can also apply the accelerated depreciation allowances to profits originating from other business ventures, while sharing some of the tax benefits with lessees.

Leasing companies should employ specialist staff and allow more focused procedures in their dealing with their customers. They can be established as joint ventures between equipment manufacturers and financial institutions, making it pertinent to have appropriate regulatory framework. On the issue of funding, since a leasing company's raw material is cash, they should begin to think in terms of mergers as a means of developing the image that cannot be easily ignored in the economy. Leasing companies need to have access to capital markets that can supply medium-arid long-term finding at competitive rates.

Those who need to lease dominate the customer base of Nigeria leasing companies. One big challenge for the industry is therefore, how to reach those customers who will lease because they have to do so. Therefore, the industry has to progress from selling "interest rates" to selling bundle of benefits that meet the needs of more sophisticated customers.

Amembal (2000), suggested a desirable regulatory model for leasing. His model prescribes licensing minimum capital requirements, mild offsite supervision and light prudential norms as the main ingredients. It is therefore, suggested and hoped that while ELAN lobbies government for the passage of specific laws to regulate leasing in Nigeria, those ingredients suggested by Amembal should be include.

Another issue of interest is the repossession mechanism. The procedure for repossessing leased equipment in cases of lease default through the arbitrage court is slow. To have a healthy leasing industry, a lessor should legally repossess equipment in default without turning to the court system at all. The challenge for ELAN and other stakeholders therefore, is to lobby legislators so that the laws will allow repossession to be effected without recourse to the courts. Having recourse to such a procedure allows leasing companies to feel more comfortable in extending credit to small and medium scale enterprises that banks may not want to service.

ELAN, should collaborate with IFC owing to the latter's significant experience in leasing and SME development. Technical assistance from IFC in form of training or advisory services to existing or start-up leasing or start-put leasing institutions is necessary for developing new products, or for increasing the general service-delivery capacity of leasing firms, by transferring knowledge of technology and products used in developed leasing markets such facilities could help upgrade the technology used in emerging economies.

It is hoped that the adoption of these suggestions would go a long way in promoting leasing business in all sectors of the economy with is attendant positive effect of development and growth of the economy.

References

Amembal, S. P. (2000). *International Leasing the Complete Guide* salt lake city, Ut, Amembal and associates.

Brealey, R. and Myers, S. C. (2003). *Principles of Corporate Finance* boston, mass Mcgraw hill.

Carter, L. (1996). *Leasing in Emerging Markets* Washington DC the world bank and international finance corporation.

Daferighe, E. E. (1999). Financing and managing small business in Nigeria a case study of selected enterprises in Benin City. An unpublished B. Sc Project. University of Benin.

Dorfe, (2005). *Current Status of Leasing in west Africa* leasafric presentation at world leasing convention.

Equipment leasing association of Nigeria (2006). *Leasing Today* Lagos ELAN.

Gallardo, J. S. (1997). *Leasing to Support small Business and Micro-Enterprises* Washington DC. World Bank Financial sector development department.

IFC (2003). OEG leasing Brief Washington DC, international finance corporation.

Javis, Collis, and Bainbridge, (2000). The finance leasing market in the 1990s a chronological review ACCA occasional research paper No. 28, pp. 75-81.

Nair, A. Kloeppinger- Todd, R. and Mulder, A (2004). *Leasing an underutilized tool in Rural Finance* Washington DC the world bank and international bank for reconstruction and development.

Osaze, B. E (1993). *Lease Financing in Nigeria*, lagos, ELAN

Westley, G. D. (2003). *Equipment Leasing and Lending: A Guide for Micro-finance.*

Washington DC: sustainable Development inter American development Bank