

THEME: PROMOTING LEASING FOR INCLUSIVE GROWTH

**TOPIC: ENTREPRENEURSHIP, JOB CREATION AND YOUTH
EMPOWERMENT – THE LEASING INITIATIVE**

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OUTLINE

- ▶ Introduction
- ▶ Overview of Nigerian Economy
- ▶ Overview of Leasing Industry in Nigeria
- ▶ Types of Leases
- ▶ Benefits of Equipment Leasing
- ▶ Definition of Entrepreneurship
- ▶ Characteristics of an Entrepreneur
- ▶ Advantages and Disadvantages of Entrepreneurship
- ▶ The Role of Entrepreneurship in an Economy
- ▶ Job creation

Outline Cont'd

- ▶ Challenges to Job Creation in Nigeria
- ▶ Youth Empowerment
- ▶ Employment rate in Nigeria
- ▶ Past efforts made by Government to stimulate Access to Credit by MSMEs
- ▶ BOI – The GEEP Experience
- ▶ The Leasing Initiative
- ▶ Equipment Leasing Table by Sector
- ▶ Conclusion
- ▶ Recommendations

INTRODUCTION

- The Equipment Leasing Association of Nigeria (ELAN) deserves the accolade of all members and every Nigerian for the bold steps the association is taking to promote equipment leasing as a veritable and viable alternative source of asset financing. Since its inception in 1983, the association has been in the vanguard of promoting the business of equipment leasing in Nigeria and has also attracted considerable recognition in the global leasing industry.
- The theme for this 17th Annual Conference: 'PROMOTING LEASING FOR INCLUSIVE GROWTH' is coming at the right time when the Nigerian economy is recovering from negative growth. It is therefore our expectation that the leasing industry would continue to fill the missing gap and act as catalyst that will propel the economy to an enviable height within the global economy.

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INTRODUCTION CONT'D

- Entrepreneurship, job creation and youth empowerment using the leasing initiative would therefore be a step in the right direction to promoting economic growth.

OVERVIEW OF THE NIGERIAN ECONOMY

- ▶ With a population of over 195 million people currently, Nigeria is the largest economy in Africa and accounts for 47 percent of West Africa's population. It is also ranked as the 31st largest economy in the world in terms of nominal GDP and the 23rd largest in terms of purchasing power parity (PPP). The debt-to-GDP ratio is 17.5% in December, 2018.
- ▶ The Nigerian economy recorded a Gross Domestic Product (GDP) of 397.3 billion Dollars in 2018 with an annual growth rate of 1.91% and it is expected that an all inclusive growth in the National economy would translate to a sustainable economic growth and development. The Oil Sector which accounts for about 90% of the country's foreign exchange earnings contributed 9.14% to the national GDP in the 1st quarter of 2019. The economy grew 1.94% year-on-year in the second quarter of 2019, easing from an upwardly revised 2.10% expansion in the 1st quarter of the year.
- ▶ Nigeria is a developing mixed economy with expanding manufacturing, financial, services, communications, oil and gas, technology and entertainment sectors. Its re-emergent manufacturing sector became the largest on the continent in 2013, and it produces a large proportion of goods and services for the West African subcontinent.
- ▶ The years 2014 - 2016 were fairly difficult in the economic history of Nigeria; the economy plunged into a recession in 2016 as it did not demonstrate the resilience to withstand the impact of global macroeconomic headwinds. However, the economic policies and the ease of doing business put in place by the government has put the economy back on the trajectory of growth.

Overview of the Leasing Industry in Nigeria

Definition

- ▶ “Leasing is defined as a contract between the owner of an asset (the Lessor) and the prospective user of that asset (the Lessee); giving the Lessee possession and use of the asset on payment of rentals over a period of time. The Lessor retains ownership title of the asset so that it never becomes the property of the Lessee or any third party during the tenure of the lease”. (ELAN)

- Equipment Leasing is without doubt, the most creative financing alternative of today. It is an imposing industry in terms of scope; size and potential, as more of the world's equipment needs are met through this unique form of financing.
- The Leasing Industry in Nigeria over the years has experienced persistent growth thereby making great contribution to the National economy. The total leased assets increased from N869.02 billion in 2014 to whopping sum of N1.68 trillion in 2018 as contained in ELAN statistics.

TYPES OF LEASES–Finance Lease

Basic features;

- ▶ The Lessor transfers the title of the asset to the Lessee by the end of the lease period;
- ▶ The lease contains an option to purchase the asset at a bargain price;
- ▶ The lease period is equal to, or greater than 75% of the estimated economic life of the asset
- ▶ At the beginning of the lease, the present value of the minimum lease payments equals or exceeds 90% of the fair value on the lease property to the Lessor (minus any investment tax credit by the Lessor).

Types of Lease– Operating Lease

- ▶ An operating lease also known as a service lease would literally be taken to be any type of lease other than a finance lease.
- ▶ The Lessor in an operating lease simply purchases the asset and leases it out at a rate and term which do not entirely cover both cost, interest and profit.
- ▶ An operating lease is considered as a true lease for tax purposes, that is, the Lessor is entitled to all the tax benefits associated with ownership and the Lessee is entitled to deduct the rental payments.

BENEFITS OF EQUIPMENT LEASING

- ▶ Leasing can give access to 100% financing (i.e. no down payment is required).
- ▶ Leasing helps conserve working capital
- ▶ Leasing request generally has a faster response time than bank loan request.
- ▶ No additional Collateral required.
- ▶ The Lessor may provide non-financial services not readily available from other credit sources, such as equipment maintenance and insurance.
- ▶ Leasing offers an edge against technology.

Definition of Entrepreneurship

- ▶ UNDP (2010) defined entrepreneurship as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential.
- ▶ According to *Shane (2010)*, entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing matured organizations in response to a perceived opportunity.

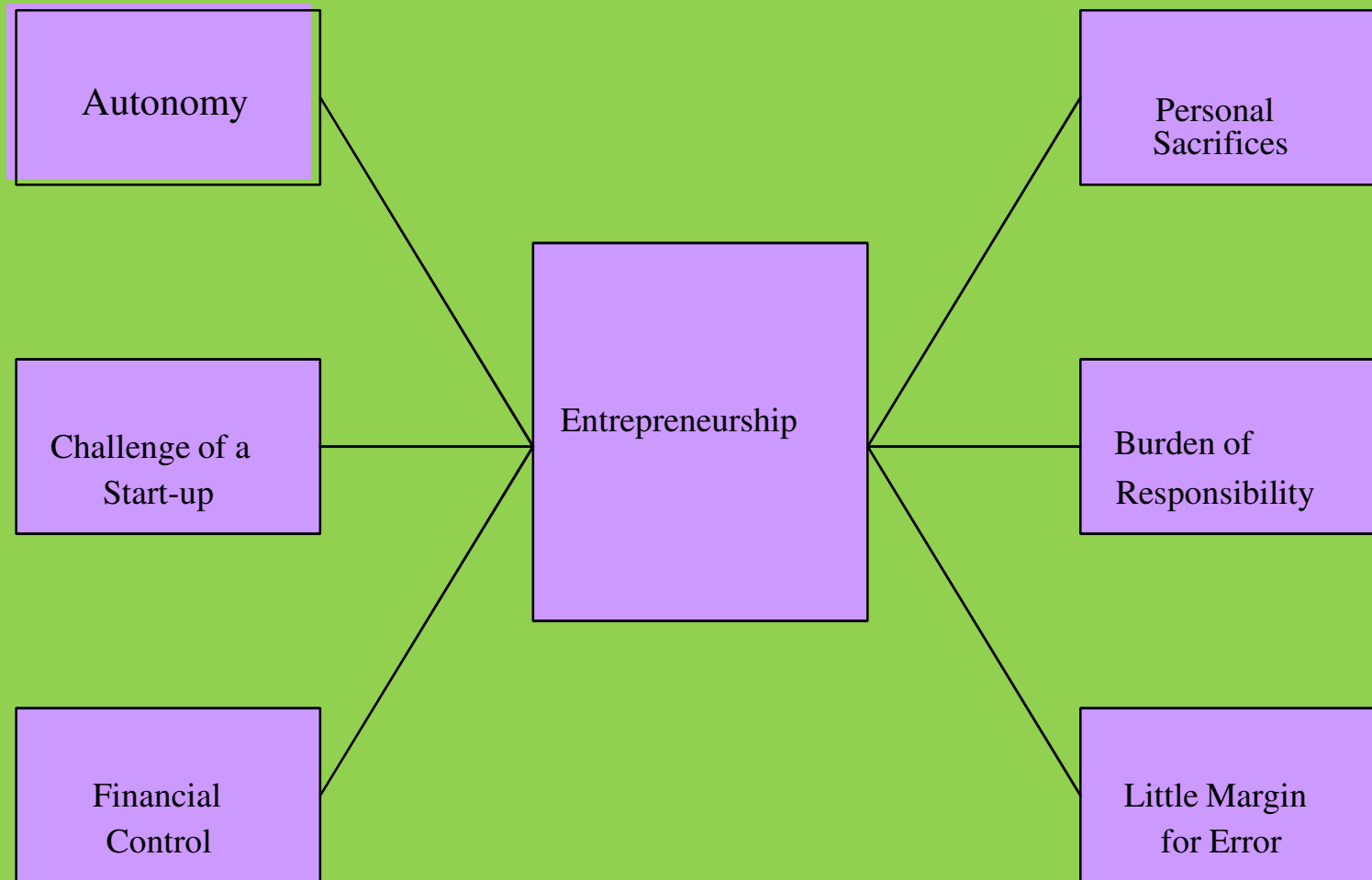
Entrepreneurship

- ▶ Entrepreneurship remains the most reliable option to create jobs, reduce unemployment and poverty as well as promoting youth empowerment.
- ▶ Entrepreneurship contributes to overall productive capacity, national economic growth and development.

Characteristics of an Entrepreneur

- ▶ Brown and Clow (1997, quoted in Koce, 2009) see an entrepreneur as a person who recognizes a business opportunity and who organizes, manages, and assumes the risk of a business enterprise focusing on that business opportunity.
- ▶ According to the authors, an entrepreneur has the following characteristics:
 - ❖ Desire for independence;
 - ❖ Self confidence;
 - ❖ Willingness to take risk; •
 - ❖ Ability to recognize opportunity.

Advantages and Disadvantages of Entrepreneurship



The Role of Entrepreneurship in an Economy

- ▶ Entrepreneurship has been recognized as an important aspect and functioning of organization and economies (Dickson et al, 2008). It contributes in an immeasurable ways towards
 - ▶ creating new jobs
 - ▶ wealth creation
 - ▶ poverty reduction
 - ▶ income generation for both government and individuals.

Job Creation in Nigeria

- ❑ Employment generation has been and remains one of the most complex aspects of social and economic policy-making in Nigeria.
- ❑ Despite the increase in population and the changing dynamics of work and employment, economic growth in Nigeria has become less inclusive and jobless in character.
- ❑ Nigeria is facing serious employment and poverty challenges. Statistics has it that about 94 million Nigerians are living within the poverty level.

Job Creation Cont'd

- ❑ The promotion of gainful employment has become imperative for the eradication of poverty and social exclusion in the country.
- ❑ The reviewed National Employment Policy in Nigeria was approved by the Federal Executive Council on 19th July, 2017. This is in harmony with the Economic Growth and Recovery Plan (ERGP) launched in April, 2017. Part of the goals is to improve the capacity of businesses in the private sector to drive the economy and lead in employment generation in Nigeria.

Challenges to Job Creation In Nigeria

- ▶ Duplication of employment programmes;
- ▶ Skill mismatch resulting in lack of technical skills that are demanded in the labour market;
- ▶ Lack of basic infrastructure essential for entrepreneurial activities;
- ▶ Influx of foreign made goods;
- ▶ Low productivity and value addition for exports (especially in agriculture and solid mineral sectors)

Youth empowerment

- ▶ Youth empowerment is a process where children and young people are encouraged to take charge of their lives.
- ▶ They do this by addressing their situation and then take action in order to improve their access to resources and transform their consciousness through their beliefs, values, and attitudes.
- ▶ Youth empowerment aims to improve quality of life and this is only achievable through active participation in youth empowerment programs.

Youth empowerment (Cont'd.)

- ❑ Youth empowerment is different from youth development because development is centered on developing individuals, while empowerment is focused on creating greater community change relying on the development of individual capacity.
- ❑ **SOME EMPOWERMENT PROGRAMS IN NIGERIA**
 1. N-power
 - ▶ The Federal Government launched this program in 2016 to reduce youth unemployment in Nigeria. This program engaged the massive deployment of 500,000 trained graduates.
 2. Youth Empowerment and Development Initiative (YEDI)
 - ▶ This youth empowerment programme was launched in 2011. The aim of this is to inspire youths of the Nigerian society in such a way as to reduce the rates of HIV and stigma in the lives of youths and young ones.

Some Empowerment Programs (cont'd)

3. Youth Enterprise with Innovation in Nigeria (YouWin)

- ▶ The Youth Enterprise with Innovation in Nigeria (YouWin) was a collaboration of four ministries, namely, the Federal Ministry of Finance, Communication & Technology, Youth Development and Women Affairs was initiated to inspire youths in Nigeria. The scheme was launched in 2011 encouraged enterprise development among youths and enable them to create more jobs.

4. Youth Entrepreneurship Support Program (YES-P)

- ▶ This program is part of BOI's aim to address the disturbing case of youth employment in Nigeria by promoting the capacity of youths and funding their enterprise ideas. The YES program was launched in 2016 and focuses at equipping youths with the proper skills and knowledge to be self employed including micro-credit loans at single digit interest rate.

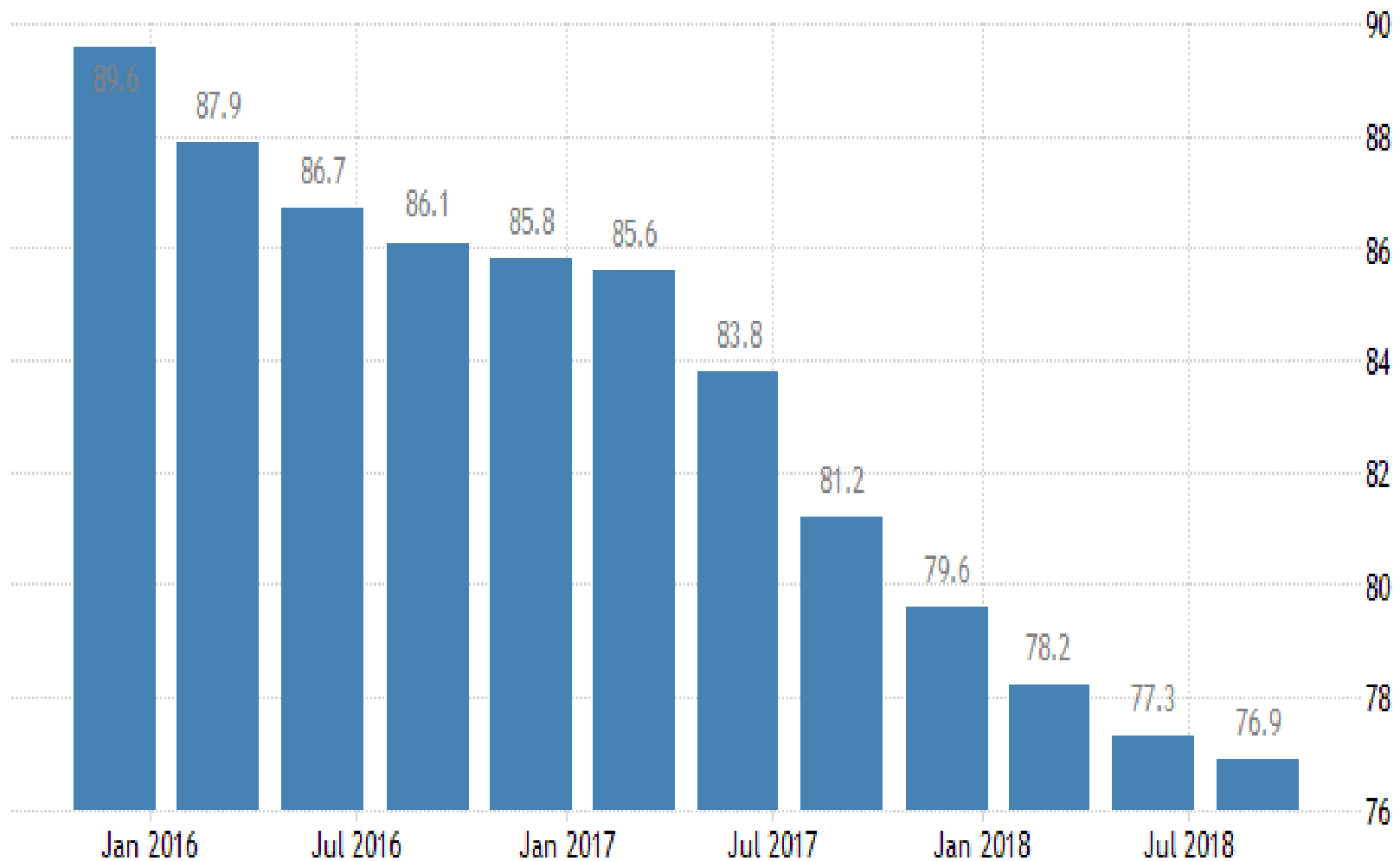
5. National Youth Service Corps (Skill Acquisition)

- ▶ The national program is for graduates and it last for a year. The graduates engage in many vocational activities in order to promote their skills.

Employment Rate in Nigeria

- ▶ Employment Rate in Nigeria averaged 85.42 percent from 2014 until 2018, reaching an all time high of 93.60 percent in the fourth quarter of 2014 and a record low of 76.90 percent in the third quarter of 2018.

Employment Rate Bar-chart in Nigeria Jan.2016–July, 2018



SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS, NIGERIA

PAST EFFORTS MADE BY GOVERNMENT TO STIMULATE ACCESS TO CREDIT BY MSMEs

- ▶ Mandatory Credit Guideline in respect of MSMEs (1970)
- ▶ Small Scale Industries Credit Guarantee Scheme (1971)
- ▶ Agriculture Credit Guarantee Scheme (1973)
- ▶ Nigeria Agriculture and Cooperative Bank (1973)
- ▶ Rural Banking Scheme (1977)
- ▶ The World Bank Assisted SME 1 (1985)/World Bank Assisted SME 2 (1990).
- ▶ Second Tier Security Market/SEC (1985).
- ▶ Peoples Bank of Nigeria (1989).
- ▶ National Economic Reconstruction Fund (1992).
- ▶ Small and Medium Scale Enterprises Loan Scheme (1997).
- ▶ African Development Bank – Export Stimulation Loan Scheme (ADBESL), 1988.
- ▶ Bank of Industry (BoI) – being the merger of Nigeria Industrial Development Bank (NIDB), Nigeria Bank of Commerce and Industry (NBCI) and NERFUND, 2001.
- ▶ Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) being merger of NACB Peoples Bank of Nigeria and Family Economic Advancement Programme (FEAP), 2002.
- ▶ Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), 2003.
- ▶ Establishment of Micro Finance Banks.
- ▶ Small and Medium Enterprises Credit Guarantee Scheme for MSMEs, 2010.

CURRENT EFFORTS BY GOVERNMENT

- ▶ **Establishment of a National Collateral Registry for MSMEs:** The Central Bank of Nigeria (CBN) established the National Collateral to enable MSMEs use movable or personal assets as collateral.
- ▶ **Development Bank of Nigeria (DBN).** The Development Bank of Nigeria (DBN) was conceived by the Federal Government of Nigeria (FGN) in collaboration with global development to address the major financing challenges of MSMEs in Nigeria.
- ▶ **CBN/Bankers Committee AGSMEIS**
The Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), an initiative targeted at start-ups and the expansion of established companies as well as the reviving of ailing companies to enhance job creation and agribusiness for a sustainable economy.

CURRENT EFFORTS BY GOVERNMENT Cont'd

- ▶ **Government Enterprise and Empowerment Programme (GEEP):** This is social investment initiative of the Federal Government of Nigeria executed by the Bank of Industry (BOI). GEEP products level are : **FARMER MONI, MARKET MONI and TRADER MONI**
- ▶ **Anchor Borrowers Programme:** The Central Bank of Nigeria (CBN), in line with its developmental function, established the Anchor Borrowers' Programme (ABP), in November, 2015. The ABP was intended to create a linkage between anchor companies involved in the processing and small holder farmers (SHFs) of the required key agricultural commodities.

CURRENT EFFORTS (Cont'd)

- ❖ **One Local Government One Product Programme (OLOP):** SMEDAN refocused its OLOP programme in 2016, to revitalize the rural economy, improve employment opportunities and alleviate poverty in rural areas. This was based on the One-Village-One-Product (OVOP) movement implemented in the Oita Prefecture in Japan.
- ❖ **Growth and Employment Mobility in States (GEMS - 1, 2 & 3):** Growth and Employment Mobility in States (GEMS) is an employment project supported by Nigeria's Federal Ministry of Trade and Investment (FMTI), with funds from the World Bank and the United Kingdom's Department for International Development (DFID). The project is aimed at job creation and increased non-chain sectors.
- ❖ **National Microfinance Bank (NIRSAL):** A National Microfinance Bank with a mandate to leverage on the locations of NIPOST in all the 774 local government areas of Nigeria has been licensed by CBN to fast track access to credit by MSMEs and facilitate inclusive economic growth.

BOI – THE GEEP EXPERIENCE

- ▶ GEEP stands for Government Enterprise and Empowerment Programme – a Social Investment initiative of the Federal Government of Nigeria, executed by the Bank of Industry (BOI).
- ▶ GEEP was developed for the over 37 million Nigerians at the base of the pyramid who are involved in active commercial activity, but have never had the opportunity to access loans from traditional lending institutions. These include: • Hawkers • Petty Traders • Farmers • Artisans • Okada Riders • Micro– service providers etc.
- ▶ The GEEP Scorecard–https://www.efina.org.ng/wp-content/uploads/2019/07/GEEP-Program-Summary_v1.0.pdf

THE LEASING INITIATIVE

- ❑ While the government continues to make efforts to diversify the economy through entrepreneurship programmes, one key sector which is very vital and central to the Nigerian economy is the leasing industry. This industry has not been given adequate attention.
- ❑ Leasing is vital for economic growth and poverty reduction. The link between leasing, capital investment and economic growth has been established globally.
- ❑ It is an established fact that capital investment stimulates economic growth.

THE LEASING INITIATIVE (Cont'd)

- It is also a fact that leasing stimulates capital investment, especially in countries where it is well developed, for leasing enables businesses and even governments (at the local and national level), to acquire capital assets for production.

THE LEASING INITIATIVE (Cont'd)

- ❑ The acquisition and use of productive assets lead to productivity, income generation as well as job creation.
- ❑ The whole essence of leasing therefore is to enhance the planning, improvement and development of any economy.
- ❑ Equipment leasing is now recognised and established as a creative financing alternative that is being used to meet the world's equipment needs.

THE LEASING INITIATIVE (Cont'd)

- ❑ In the United States of America for instance, leasing remains the single most widely-used method of external finance, representing 30% of investment in capital equipment. Many developing countries such as Brazil, Indonesia, Pakistan, Zambia, South Africa and Ghana, are equally using leasing to stimulate investment and create jobs.
- ❑ In these countries, leasing is at the forefront of investment in the extractive industries, transportation, agriculture, telecommunications, roads and other infrastructure.

THE LEASING INITIATIVE (Cont'd)

- ❑ As Nigerian government and businesses continue to suffer due to scarcity of funds resulting from dwindling oil revenues, leasing can indeed facilitate easy and convenient access to the much needed capital equipment in these challenging times.
- ❑ Essentially, leasing can play a major role in the diversification and other developmental agenda of the government.
- ❑ The planned huge investment in infrastructure, entrepreneurship, youth empowerment and job creation, creates a wider scope for leasing participation in meeting the expected demand for capital equipment.

THE LEASING INITIATIVE (Cont'd)

- ❑ The Nigerian Leasing industry, despite all the challenges facing it has remained a sustained source for growth to all sectors of the economy, facilitating easy access to capital equipment.
- ❑ The Nigerian leasing industry maintained its impressive growth at 16.3 percent in 2018. Outstanding lease volume stood at N1.68trillion as against N1.44trillion in 2017.
- ❑ This growth was significantly facilitated by new entrants into the leasing industry, increased awareness on the ideals of leasing as a unique financing instrument, the relative stability in the macroeconomic environment, increasing demand necessitated by the rising cost of assets due to the depreciation of the Naira.

THE LEASING INITIATIVE (Cont'd)

- ❑ Many industries are relying on leasing as a creative financing alternative for capital assets and this has created increased investments from existing lessors and endeared new entrants into the leasing industry to tap into the opportunities in the market.
- ❑ Leasing has contributed immensely to capital formation in the Nigerian economy and would further make greater impact with the Equipment Leasing Act 2015, especially in driving the diversification policy of the Government in the focus areas of entrepreneurship, job creation, youth empowerment, and employment generation.

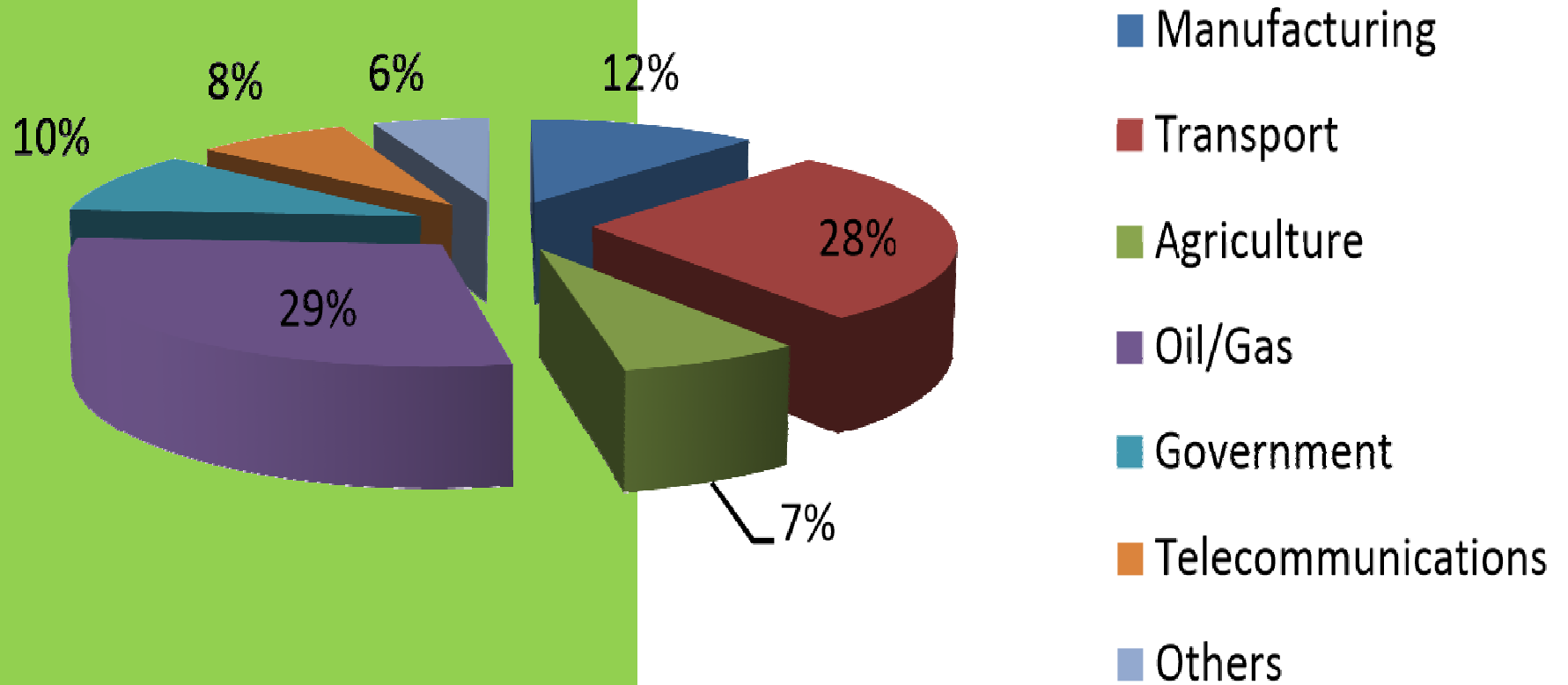
Table 1: Equipment Leasing Table by Sector (2014 – 2018) ('000)

	2018	2017	2016	2015	2014
Manufacturing	245,432,614.52	217,167,991.02	180,569,189.39	158,871,170.21	124,712,434.42
Transport	421,909,188.36	355,958,400.20	319,359,598.57	289,912,286.83	227,578,528.01
Agriculture	133,106,584.08	96,618,887.04	89,299,126.71	73,800,541.58	57,932,758.91
Oil and Gas	518,160,139.98	449,853,966.53	398,615,644.24	361,419,039.94	283,710,683.68
Government	111,697,656.09	88,143,803.18	80,824,042.85	73,074,750.29	57,363,019.30
Telecoms	147,078,818.92	128,235,736.59	120,915,976.26	99,217,957.08	77,885,200.63
Others	123,175,178.30	109,042,866.55	72,444,064.92	50,746,048.74	39,835,190.16
Total	1,680,560,180.25	1,445,021,651.11	1,262,027,642.73	1,107,041,794.67	869,017,815.11

Table 2: Trends in Nigeria Leasing Market (2014 – 2018)

Year	Leasing Volume (N'000)	Growth (%)
2014	869,017,875.10	11
2015	1,107,041,794.67	27
2016	1,262,027,642.73	14
2017	1,445,021,651.11	14.5
2018	1,680,560,180.25	16.3

Distribution of Lease Volume by Sector



CONCLUSION

- ▶ The aim of achieving economic development would be impossible without an all inclusive economic growth in which the various sectors of the economy are positively impacting the gross domestic products (GDP).
- ▶ The issue of inadequate funds for the acquisition of capital assets is one of the major challenges faced by entrepreneurs and leasing is expected to provide the needed succour.
- ▶ The governments at all levels are therefore expected to provide enabling environment for businesses to create jobs, empower youths and eradicate poverty. It should be noted that Nigeria has more youthful population that are unemployed. This upward trend of unemployment if unchecked would become catastrophic in the nearest future.
- ▶ Therefore, the Federal Government having tried other financing options in order to promote entrepreneurship without desired result, leasing should be placed in the front-burner of financing method because it is easy, reliable and convenient for capital asset acquisition.

RECOMMENDATIONS

- ▶ Establishment of Special Intervention Funds domiciled with DFIs to finance leases to MSMEs by Leasing Firms and Co-operative Societies at single digit to promote entrepreneurship.
- ▶ All states of the Federation including FCT should partner with the newly licensed National Microfinance Bank (NIRSAL) to offer leasing services products and establish presence in all the 774 local government areas of Nigeria. This will also promote financial inclusion as the NMB (NIRSAL) would avail individuals and MSMEs capital assets on lease. E.g. Motocyclists, hairdressers, artisans etc.
- ▶ ELAN should embark on advocacy to all the Development Financial Institutions and Deposit Money Banks (DMBs) to establish leasing subsidiaries with emphasis on supporting MSMEs.

RECOMMENDATIONS Cont'd

- ▶ Equipment Leasing facility should be given to young entrepreneurs with bankable ideas using their credentials as additional collateral security. Also, the opportunity of the National Collateral Register should be explored.
- ▶ The government should fast-track the implementation of the Equipment Leasing Act 2015 through the inauguration of the Equipment Leasing Registration Authority that will register lease agreements.
- ▶ The Equipment Leasing Association of Nigeria and other stakeholders in the Leasing Industry should create more awareness on the benefits of leasing as a source of asset financing. We should have a new national slogan “LEASE DON'T BUY”.

■

THANK YOU

Q & A