

LEASING FOCUS

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PROMOTING ENTREPRENEURSHIP IN NIGERIA: THE LEASING INITIATIVE





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From the Editor's desk

Welcome to this edition of the Leasing Focus Journal!

This edition focuses on the vital role equipment leasing plays in promoting entrepreneurship in Nigeria, which is crucial for job creation, economic growth, and youth empowerment. However, numerous challenges especially to Small and Medium Scale Enterprises (MSMEs) have continued to limit their effective contribution to the nation's development, over the years, which include insufficient business knowledge, limited access to funding, poor infrastructure, multiple taxation, inconsistent government policies, access to market, lack of access to the right technology, and so on.

The Federal Government on its part, has put in place several measures to facilitate entrepreneurship development in Nigeria, These include support through institutions such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Investment Promotion Commission (NIPC), Central Bank of Nigeria (CBN) and setting up specific schemes to attend basically to entrepreneurs financial needs, such as finance and skills development.

While these efforts are commendable, the various challenges persist, requiring a more proactive approach and initiative. This is where equipment leasing comes into play. No doubt, equipment leasing is a very significant tool in promoting entrepreneurship development in Nigeria.

As a financing alternative, Leasing is unique as it facilitates easy and convenient access to desired equipment needed for productive purposes, contributing to economic capital formation. Leasing reaches out and meets the diverse equipment needs of various categories of customers, be it large corporate organisations or small venture owners, providing them with affordable and quality services tailored to their needs. The essence of leasing is to enhance the planning, improvement, and development of any economy by building and supporting productive ventures.

Indeed, the beauty of leasing can be brought to bear by supporting various government and private sector initiatives to stimulate the development of entrepreneurship in Nigeria. Our cover story takes the discussion further under the caption, PROMOTING ENTREPRENEURSHIP IN NIGERIA: THE LEASING INITIATIVE.

Beyond the cover story, we have included exciting and informative content in other sections. As usual, we hope you find this edition an important source of documentation and research, even as we also appreciate your continued support through advert placement and supplements.



YEMI ENIOLAWUN



Nigerian Leasing Industry Sustains Its Growth Trajectory, Achieves 28.7 Percent In 2023

The Nigerian leasing industry continued to sustain its growth trajectory, notwithstanding the prevailing headwinds in the economy. Outstanding leases stood at N4.19 trillion as against N3.25 trillion in 2022, representing a 28.7 percent increase, while new leases peaked at N935.6 billion against N672 billion in 2022, recording a remarkable 39.2 percent growth. Leasing contribution to the economy over the last decade is estimated at N20.4 trillion.

The statistics indicate that the oil and gas sector held 25 percent of the outstanding leases with N1.1trillion; followed by Transportation & Logistics at 23 percent having N977 billion; Manufacturing had 14 percent with N607bn; Telecoms took 8 percent with N374bn; Others (including Consumer leases, Healthcare and Education) had 14 percent with N504bn. Other notable sectors are Agriculture 9 percent with N300bn and Government equally making positive growth at N267bn (7 percent).

This growth was driven basically by the attraction of new entrants and more investment into the industry; increasing innovations and strong resilience by the industry's players; and increasing level of awareness of the benefits of leasing - which continue to be more compelling given the increasing cost of assets. These activities were buoyed by the relative stability in the

operating environment, following the peaceful general elections, and the continued recovery from the effect of the Covid-19 pandemic. The astronomical rise in the cost of assets from the second half of the year occasioned mainly by the floating of the Naira, also impacted the figure as more money was required to finance leases.

Finance leasing remained dominant notwithstanding the increasing market share of operating leasing, which is getting popular beyond the oil and gas sector. Operating leasing is increasingly being used as a risk-mitigating strategy by many lessors and for large corporate organisations, a means to achieving convenience that allows them to focus on their core activities. In recent times, the industry has been witnessing a total shift from finance leasing to operating leasing by some major lessors to balance their risk appetite and meet the outsourcing needs of customers. Operating leases remain the main attraction and dominant in the Oil and Gas and Maritime sectors for the financing of large ticket transactions involving operational assets like vessels, barges, and other heavy-duty equipment.



Vehicles constituted the largest leased asset segment representing about 50% of the leased assets. These vehicles cut across commercial and corporate applications - staff shuttles, commercial buses and taxis, trucks for haulage, and operational vehicles. Other assets include generators; construction equipment, agricultural equipment, and facilities, Health care equipment for diagnosis and treatment, as well as office and household and other heavy-duty and specialised equipment.

Indeed, the Nigerian leasing industry is expected to remain resilient, while growing in the face of perennial economic challenges and making significant contributions to capital formation in the economy. No

doubt, the wide financing gap in various sectors of the economy presents immense opportunities for leasing. Also, the economic agenda (Renewed Hope) of the Government if implemented is another major area of interest to watch. Essentially, equipment leasing is very significant to achieving the various developmental initiatives of the Government. Also, the growing appetite for asset finance by consumers in the face of tight cash squeeze and rising cost of assets, present immense opportunities for leasing. The point to stress is the capacity of leasing to fully exploit these opportunities and the willingness of the government and other stakeholders to constantly be committed to the development of the industry.

Table 1: Equipment Leasing Table by Sector (2019– 2023) (N' 000)

	2023	2022	2021	2020	2019
Manufacturing	607,750,636.51	476,771,571.40	375,965,188	279,725,073	269,254,555
Transport/ Logistic	977,075,892	761,895,999.32	614,046,637	490,720,981	469,779,945
Agriculture	300,750,531.93	216,549,704.36	176,227,151	148,565,322	145,130,992
Oil & Gas	1,127,737,577.58	893,846,389.89	739,276,602	602,120,031	577,828,429
Government	267,400,734.48	201,911,201.92	154,868,223	127,206,394	123,772,064
Telecoms	374,649,989.66	299,804,809.60	232,600,554	177,853,183	170,900,759
Others	540,006,880.63	409,027,815.52	294,780,581	185,285,839	171,045,935
Total	4,195,372,242.79	3,259,807,494.01	2,587,764,938	2,011,476,831	1,927,712,680

NB: Others include Education, Healthcare, Construction and Consumers sectors

Table 2: Trends in Nigerian Leasing Market (2009 – 2023) (N'000)

Year	Leasing Volume ('000)	Growth (%)
2009	445,265,650.00	28
2010	537,907,637.75	21
2011	622,907,637.75	16
2012	671,494,433.53	8
2013	780,661,932.99	16
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
2019	1,927,712,680.21	14.5
2020	2,011,476,831.90	4.3
2021	2,587,764,938.20	28.6
2022	3,259,807,494.01	25.97
2023	4,195,372,242.79	28.7

Fig. 1: Distribution of Lease Volume by Sector (2023)

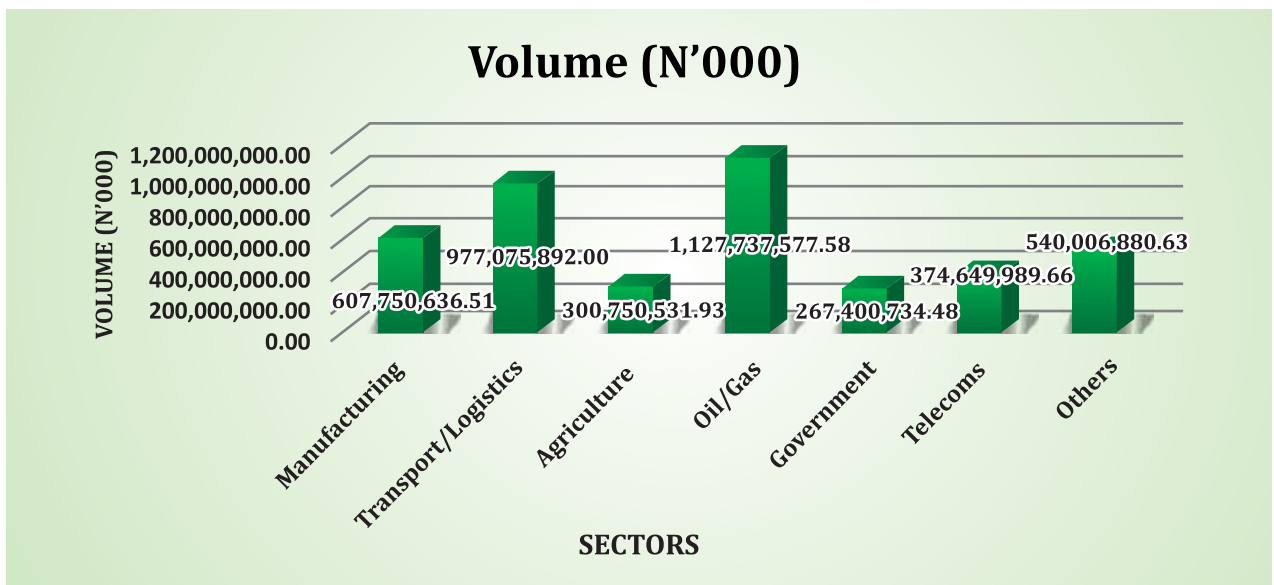


Fig. 2: Distribution of Lease Volume by Sector (2023)

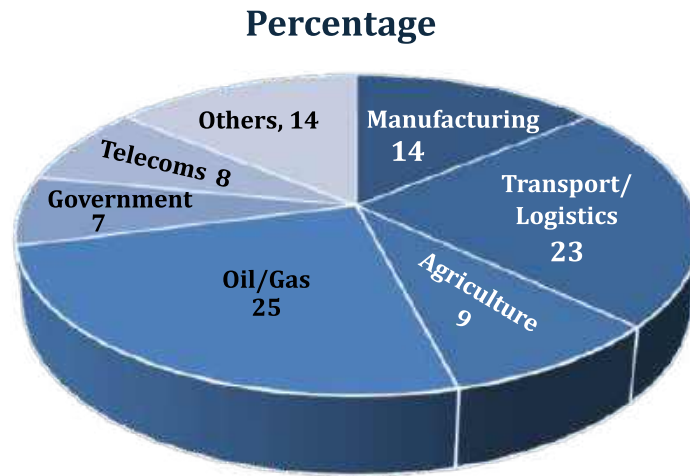


Fig. 3: Analysis by types of Asset (2023)

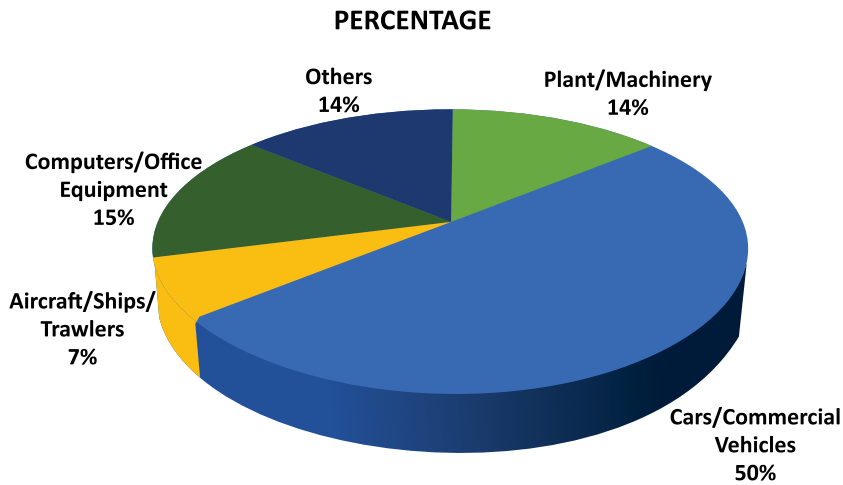
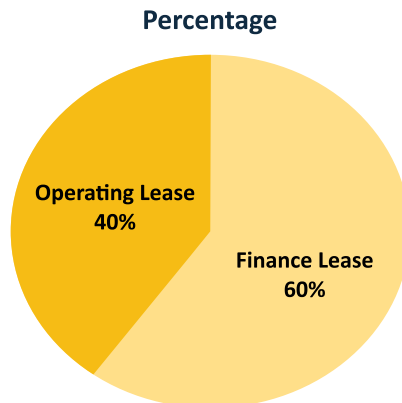


Fig. 4: Analysis by types of Leases

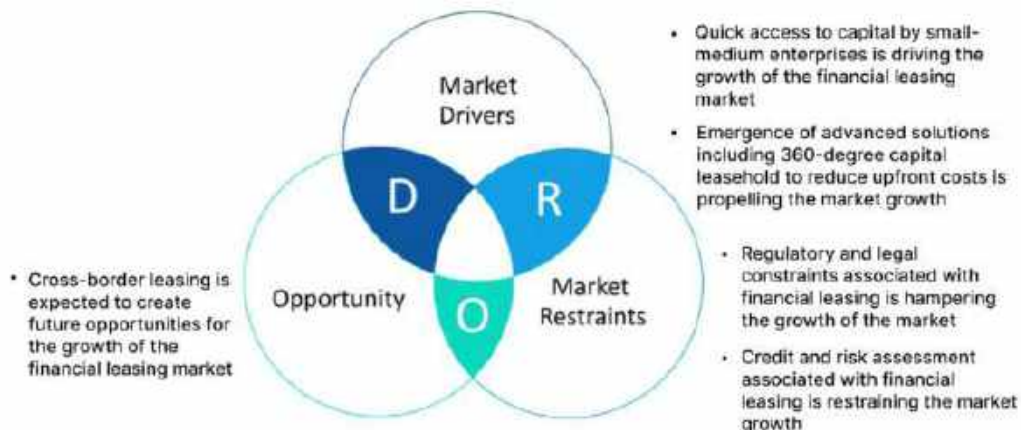


Financial Leasing market size to reach over USD 316.71 Million by 2030

Financial Leasing Market size is estimated to reach over USD 316.71 Million by 2030 from a value of USD 209.69 Million in 2022, growing at a CAGR of 5.4% from 2023 to 2030.

Financial leasing is defined as a financial arrangement in which a finance company termed as a lessor provides an asset to another party called a lessee for a specific period and the lessee will pay a series of installments to the lessor. The lessor recovers the complete cost or a large part of the asset and also earns interest from the rentals paid by the lessee.

Financial Leasing Market



<https://www.consegicbusinessintelligence.com/>

Key Drivers:

Quick access to capital by small-medium enterprises is driving the financial leasing market

Businesses, particularly small and medium-sized enterprises (SMEs), face capital constraints that prevent SMEs from investing and acquiring assets. Financial leasing provides a viable alternative by allowing businesses to access the necessary equipment, machinery, vehicles, and services without the need for significant capital outlays. Additionally, by providing a means to overcome capital limitations, it enables businesses to expand their operations, enhance productivity, and pursue expansion. For instance, according to the International Finance Corporation, 40% of small-medium enterprises, or 65 million enterprises in developing countries, require approximately USD 5.2 trillion of financial support every year. Hence, the market trends analysis shows that the rising adoption of financial support among SMEs, particularly in developing countries, thus contributes significantly to driving the financial leasing market growth.



The emergence of advanced solutions including 360-degree capital leasehold to reduce upfront costs is propelling the market

The widespread adoption of the internet and digital platforms has revolutionized the industry. Online platforms offer convenience for lessors and lessees to

connect and transact, facilitating efficient and streamlined lease processes. In addition, digital platforms including 360-degree capital leaseholds provide a convenient and transparent way for businesses to search for leasing options, compare rates, submit applications, and manage lease agreements. Moreover, they also offer greater tax benefits as payments are 100% tax-deductible, further driving the market. For instance, in May 2021, Skootr introduced a 360-degree leasing solution model Skootr FinSave for large and medium-sized enterprises. The solution integrates additional tax benefits, effective stock management, fleet operations, warranty, and equipment compliance solutions to reduce the upfront costs, hence contributing remarkably to accelerating the financial leasing market growth.

Key Restraints :

Regulatory and legal constraints associated are hampering the market

Accounting standards including the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP) are among the regulatory bodies regulating standards for financial leasing. Any changes in the standards create a significant impact on the balance sheet and financial ratios of both lessors and lessees. In addition, changes in accounting standards necessitate businesses to re-evaluate lease agreements to focus on the net gain or loss. For instance, in January 2019, the IFRS Foundation changed the accounting for lessees by eliminating the lessee's classification of leases as either operating leases or finance leases to improve the economic status of the market. Thus, the market trends analysis shows that the aforementioned factors drive the financial leasing market demand.



Credit and risk assessment associated is restraining the market

Credit and risk assessment challenges make lessors more cautious about extending lease financing to businesses. Lessors need to evaluate the creditworthiness and financial stability of lessees to assess the risk of defaults or late payments. Limited access to accurate financial information, particularly for small businesses, makes the risk assessment process more challenging, resulting in higher interest rates by the lessor to mitigate the perceived risks. Additionally, credit and risk assessment create limited financing prospects for lessees with poor credit histories or high-risk profiles. Lessors are reluctant to provide leasing options to businesses with a higher probability of financial instability, thus impeding the financial leasing market trends.



Future Opportunities:

Cross-border leasing is expected to create future opportunities for the market

Cross-border leasing enables businesses to expand their operations into new markets and countries and financial leasing provides a flexible and cost-effective solution to acquire assets without committing to long-term ownership. It creates new prospects for lessors, to cater to the equipment needs of multinational corporations and businesses. Additionally, it allows businesses to mitigate foreign exchange risks associated with asset acquisition. Businesses avoid the challenges of currency fluctuations and exchange rate risks by leasing assets in local currencies. Lessors offer lease contracts denominated in the local currency of the lessee, providing stability and predictability in lease payments. The risk mitigation aspect makes it an attractive option for businesses expanding into foreign markets and is expected to create potential financial leasing market opportunities.

(Source: Consegic Business Intelligence)

PROMOTING ENTREPRENEURSHIP IN NIGERIA: THE LEASING INITIATIVE

Introduction

Entrepreneurship is the process of starting and owning a business that provides goods or services to people in exchange for money. A person who has created and owns a business is known as an entrepreneur. Indeed, entrepreneurship is more than just starting a business, it is a mindset, a way of thinking and acting, involving constant thinking of new ways to solve problems and create value. An entrepreneurial spirit is said to be characterised by innovation and risk-taking.

Nigeria boasts a vibrant and dynamic entrepreneurial landscape, characterised by resilience, innovation, and significant economic potential, with diverse markets pulsating with entrepreneurial energy. From the bustling streets of Lagos to the bustling markets of Kano, entrepreneurs across the country are seizing opportunities and carving out niches in a multitude of industries.

Entrepreneurs are the bedrock of the Nigerian economy. Micro, Small, and Medium Enterprises (MSMEs) account for about 96% of all businesses in Nigeria; contributing 49% of the national Gross Domestic Product (GDP); and employ 84% of the country's workforce (PwC MSME Survey 2020). The sustenance of Nigeria's economy relies heavily on these enterprises. These businesses have been instrumental in providing creative solutions, innovative ideas, and value creation in the sectors where they operate.

In addition to their high economic value, MSMEs have been drivers of social change in Nigeria. Several innovative solutions have been in key sectors such as education and healthcare in the last few years. These solutions have leveraged technology to link consumers/clients to markets / service providers, thereby breaking traditional barriers of infrastructure

deficit, communication gaps, and logistics bottlenecks. The Nigerian Entrepreneurship can boast of the following characteristics:

- **Resilience:** Nigerian entrepreneurs often demonstrate exceptional resilience in overcoming various challenges, including economic instability, infrastructure deficits, and regulatory hurdles
- **Innovation:** The need to find solutions to local problems has fostered a culture of innovation among Nigerian entrepreneurs, leading to the development of unique business models.
- **Youth-driven:** Nigeria has a large and youthful population, with a significant portion actively engaged in entrepreneurial pursuits.
- **Diverse sectors:** Entrepreneurship spans across various sectors, including agriculture, technology, fashion, entertainment, and services.



Despite the important contribution of entrepreneurs, the business environment has not been fully supportive of their potential. Business owners continue to grapple with numerous challenges that limit their productivity, expansion potential, and employment capacity. Traditionally, limited access to capital, high interest rates, infrastructure deficit, inadequate power supply, and policy and regulatory inconsistency top the list of challenges. More recently, insecurity has become a major barrier to the growth of businesses in Nigeria. In addition, these businesses operate in a highly volatile, uncertain, complex, and ambiguous (VUCA) environment characterised by unpredictable policy changes.

Challenges Facing Entrepreneurs in Nigeria

1. Lack of Capital: Numerous business ideas could be turned into viable businesses, which are however stalled by the lack of capital to push their ideas into reality. The lack of capital is the number one reason the development of entrepreneurship has not improved over the years.

2. Limited Access to finance: Access to capital remains a major obstacle for entrepreneurs, both new and established. When self-funding options prove insufficient, they seek alternative solutions to cure the necessary financing. However, getting a loan is exceedingly difficult and most times impossible for entrepreneurs, as the banks and financial institutions feel it is a huge risk lending money to them. The huge collateral demands cum high-interest rates, which most entrepreneurs cannot afford.

3. Poor state of infrastructure: Poor infrastructure including electricity, transportation, and telecommunications, hinders business operations. Mostly, entrepreneurs rely on generating sets to power their businesses, spending lots of money on fuel to run these generators. Also, the deplorable state of roads continues to hinder easy movement of goods and services, leading to delays and higher transportation

costs, Limited internet access and unreliable telecommunications can hamper business efficiency. All these make the cost of running a business extremely high, which most businesses and start-ups cannot afford.

4. Unstable economy: The state of the Nigerian economy is also a major challenge for entrepreneurs in Nigeria. The state of a country and its economy significantly impact the level of entrepreneurship in any country. The socioeconomic problems and the unstable economy of Nigeria, make it difficult to survive and sustain operations, these issues include increasing inflation; the Naira's volatility, and the high cost of doing business in terms of taxes, fees, and operational costs such as energy, making it challenging to maintain profitability. These issues, coupled with perennial insecurity, continue to hamper the development of entrepreneurship in the country.

5. Skills gap: A lack of skilled labor can hinder businesses' ability to compete and innovate.



6. Regulatory environment: The regulatory environment poses a significant challenge for businesses, especially small and medium-sized enterprises (SMEs). Complex and inconsistent regulations, combined with cumbersome bureaucratic procedures, hinder business operations and drive up costs.

The Government on its part, has established various institutions (Small and Medium Enterprises Development Agency of Nigeria (SMEDAN); National Information Technology Development Agency (NITDA), Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), Nigerian Investment Promotion Commission (NIPC), Bank of Industry (BOI) etc, and implemented several initiatives and policies to promote entrepreneurship in the country, essentially, fostering entrepreneurship by providing financial support, training, regulatory guidance, and market access.



Similarly, with recent policy pronouncements, it appears that the Federal Government is taking giant strides to promote entrepreneurship in the country. In the 2024 budget, there are several programmes and policies specifically targeted towards supporting Micro, Small, and Medium Enterprises (MSMEs) which include, the Micro, Small and Medium Enterprises Development Fund N250 billion (MSMEDF) aimed at providing financial assistance to MSMEs in various sectors, including agriculture, manufacturing, services, and trade; Youth Entrepreneurship Development Programme N50billion (YEDP) to empower young entrepreneurs through training, mentorship and

access to finance; Government Enterprise and Empowerment Programme (GEEP) N100 billion, to provide micro-loans to petty traders, artisans, and other micro-enterprises; Women Entrepreneurship Fund (WEF) N50billion to provide financial support to women-owned businesses across various sectors and Infrastructure Development For MSMEs (N150 billion), to improve infrastructure and access to utilities for MSMEs, such as electricity, roads, and internet connectivity.



Others are N50 billion Skill Acquisition And Vocational Training for MSMEs to enhance the skills and competencies of MSMEs through training and vocational programmes; Industrial Clusters Development Initiative (ICDI) to promote the development of industrial clusters, fostering collaboration and innovation among MSMEs; Tax Incentives for MSMEs including reduced tax rates and exemptions and access to market for MSMEs. The government will facilitate access to markets for MSMEs through trade fairs, exhibitions, and online platforms. Aside from all these, on July 11th, during the commemoration of World Population Day, the federal government announced its plan to establish a Presidential Initiative on Youth Enterprise Clusters, with an allocation of N110 billion. This initiative aims to engage young people and women actively in governance and economic activities, foster entrepreneurship, and provide opportunities for youth engagement.

While these initiatives demonstrate the government's efforts to support entrepreneurship, the challenges persist. Indeed, entrepreneurship flourishes within a robust ecosystem, where aspiring business owners can tap into a diverse array of resources, guidance, and support. This ecosystem enables them to navigate the complexities of launching and scaling a successful venture, ultimately driving innovation, job creation, and economic growth. Entrepreneurship remains the most reliable option to create jobs, reduce unemployment and poverty as well as promote youth empowerment.

No doubt, the provision of capital assets is crucial to the success of any productive venture and in our peculiar circumstances, reasonable access to finance must be at least guaranteed. A major way of achieving this is through Equipment Leasing, a financing option that can be utilised to enhance capital formation in the economy and stimulate production.

It is obvious that a meaningful encouragement of the Micro, Small and Medium Enterprises (MSMEs), will bring about a significant increase in the nation's Gross Domestic Product (GDP) which will automatically lead to employment generation, wealth creation, and overall growth in the economy.

Promoting Entrepreneurship in Nigeria through Leasing

While the government continues diversifying the economy through entrepreneurship programmes, leasing is one key instrument vital to the Nigerian economy. The link between leasing, capital investment, and economic growth has been established globally.

Over the years, equipment leasing has paved its way into the world's capital markets. Globally, equipment leasing is recognised and established as a creative

financing alternative that is being used to meet the world's equipment needs, generating an average annual turnover of about US\$1,470bn. 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 whole essence of leasing, therefore, is to enhance the planning, improvement and development of any economy. The acceptability of leasing as a suitable and creative financing source for the acquisition of capital equipment lies in its essential feature of providing flexible access to productive assets, especially to those that do not have a significant asset base. Thus, a company can conserve its funds for other productive purposes rather than spending heavily on the purchase of assets. The fact that leasing facilitates long and convenient access to capital equipment goes to show the unique role of leasing in building and supporting productive ventures. Indeed, leasing has become the single most important source of external finance for micro, small and medium enterprises and has been regarded in most quarters as the last resort to MSMEs.



2025

LEASING
FOCUS

TRAINING CALENDAR

₦89,500 FEBRUARY

MODERN MARKETING SOLUTIONS
AND NEGOTIATION STRATEGIES
20TH - 21ST FEBRUARY, 2025

₦89,500 MARCH

LEASE PRICING
& STRUCTURING
27TH - 28TH MARCH, 2025

₦130,500 APRIL

FLEET MANAGEMENT
23RD - 25TH APRIL, 2025

₦190,500 MAY

LEASING SCHOOL
27TH - 30TH MAY, 2025

JUNE

RISK MANAGEMENT
PROGRAMME
26TH - 27TH JUNE, 2025

₦89,500 JULY

OPERATING LEASE
24TH - 25TH JULY, 2025

₦89,500 AUGUST

MODERN APPROACH TO LEASE
ACCOUNTING AND TAXATION
PROGRAMME
21ST - 22ND AUGUST, 2025

₦130,500 SEPTEMBER

FLEET MANAGEMENT
24TH - 26TH SEPTEMBER, 2025

₦89,500 OCTOBER

LEASE DOCUMENTATION
CONSIDERATIONS
23RD - 24TH OCTOBER, 2025

₦69,500 NOVEMBER

CONFERENCE
13TH NOVEMBER, 2024

₦89,500 DECEMBER

LEASE ADMINISTRATION
11TH - 12TH DECEMBER, 2025

The Basic Concept of Leasing

Leasing is a contract between an owner of an asset (lessor) and the user of the asset (lessee), whereby the lessor gives an asset to the lessee to use for a specific period and in return the lessee pays specified amounts (rentals) for the usage of the asset during the duration of the lease. Leasing in effect separates the legal ownership of an asset from its economic use. It is a creative financing instrument for the acquisition of assets - machinery, vehicles, etc. Leasing finances the acquisition of assets rather than direct capital. 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 tenor of the lease.

Lessors (banks, finance houses, leasing companies, etc.) purchase the asset, usually as selected by the lessee, providing the equipment to businesses for a set period. For the duration of the lease, the lessee makes periodic payments and at the end depending on the arrangement, the lessee may own the asset.

Leasing is based on the proposition that profit is earned through the use of assets rather than their ownership, it focuses on the lessee's ability to generate cash flow to service the lease payment. This is why leasing is particularly advantageous to the MSMEs that do not usually have a lengthy credit history or significant asset base for collateral and therefore not surprising to be regarded as the last resort to MSMEs.

There are two main types of lease contracts, and it is important to understand the difference between them because they frequently have a major effect on accounting treatments, legal rights and the price of rentals. The two types are:

Finance Lease - Here, the intention is to own the asset at the end of the lease period. The lessor will act as a financier of the asset. Ordinarily, the lessee will specify the equipment needed, and get an invoice from the seller. The lessor is interested in the equipment as its legally owned asset, to which it has recourse if the lessee fails to pay his rentals. The lessor will raise the money, accept the invoice from the supplier and pay accordingly. Over the primary term, the rentals cover the full cost of the equipment, plus the lessor's targeted profit, and eventually, the asset is owned by the lessee if all the terms of the lease have been met.

Operating Lease - Here, the primary intention is usage. The lessor purchases the equipment, and leases it out to the lessee, but at a rate and term which does not cover the equipment cost, and profit of the lessor. To fully amortise and write down the equipment on the books, further lease terms have to be written; it may only be necessary to write one secondary term, or many terms may be written. Vehicles are frequently leased under operating leases. The lessor relies on its expertise to re-market the asset after the primary term.



BENEFITS OF LEASING TO THE MSMEs

Benefits of Leasing to the Lessee (Equipment User)

Leasing is less burdensome on liquidity. This is perhaps the most important reason for leasing, particularly in a developing country like Nigeria where the means of acquiring productive assets through outright purchase is almost impossible due mainly to high cost, especially to MSMEs.

The advantages of leasing include:

- **Cash management**, Leasing is an effective cash management tool. There are several cash management considerations, one of which is affordability to the lessee. Acquiring assets through leasing as opposed to purchasing, becomes even more desirable given the high cost of equipment particularly in a cash-strapped economy like Nigeria where outright purchase is becoming increasingly difficult, especially for Medium, Small, and Medium Enterprises (MSMEs).



- **Conservation of working capital** by freeing up cash for other productive ventures through financing assets that would have otherwise been purchased through cash.
- **Little or no capital outlay** is required from the lessee which makes it affordable.
- **Longer payment terms** that allow the lessee the opportunity of reducing financial commitments, particularly in times of distress and stabilising his equipment usage cost over several years.
- **Greater flexibility than other forms of asset financing in the structuring of rental payments.** Payments can be structured in such a way as to suit the peculiarities of the lessee including his cash flow pattern and any seasonal or cyclical business conditions to which it is exposed. These payments may be level/even, skipped, stepped-up, or stepped-down plans that may not be available with other financing alternatives.
- **Hedge against obsolescence**, particularly in an industry that is vulnerable to rapid technological change. Leasing helps the lessee avoid the risk of obsolescence associated with the leased asset by initially transferring the risk to the lessor. This is a major advantage in cases where the lease is cancelable before the expiration of the lease tenor.

- **Easier to arrange than a conventional term loan** in terms of the time and costs involved in negotiating the terms and conditions of each financing alternative.
- **Feasible method of acquiring the use of assets** either because such assets are too expensive, not available for purchase at all, or cannot be bought piecemeal. Such assets include earth satellite stations, transmitters, or large-scale IT systems. Since a firm needs only a fraction of the services of this equipment, its best option will be to lease a part for a period at a stretch.
- **Generally, no additional collateral** is required as the leased equipment, serves as security for the transaction.
- **Convenience in terms of additional services** which are bundled into the lease to provide a "one-stop shopping" for the lessee to procure all services including financing under one roof.
- **Favourable Financial Reporting**, Leasing may be the only means of acquiring the long-term use of major equipment required by a business without increasing its capital base. If an asset is leased under an operating lease, the asset does not need to be capitalised and the liabilities are not required to be shown, except in some cases as footnotes. The only expense or movement that may be included in the lessee's profit and loss statement is the lease rental expense. This gives improved financial ratios and results in a less leveraged enterprise with easier access to other credit facilities. This process is known as "off-balance sheet financing".



To the MSMEs, the specific benefits as highlighted will include:

- Rental is structured to suit the cash flow of the user
- Conserve cash that would otherwise be tied up in purchasing asset
- Less restrictive form of financing
- Easy to arrange – not requiring collateral
- End-of-term options - buy, return, or re-lease the asset
- Last resort as the only available medium-term financing in developing countries
- Leasing as a financing option requires little or no capital outlay by the lessee, which makes it affordable.

How does Leasing play a role in fostering the growth of Entrepreneurship in Nigeria?

Leasing, a viable financing alternative, has a wide range of innovative products that can address the burgeoning challenges of entrepreneurship in Nigeria. One such product is MSME leasing. Its attributes include:

- MSME leasing is an innovative product that follows from the basic premise of leasing, that business profits arise from equipment use, not equipment ownership.



- It has evolved as an economic development approach intended to benefit self-employed, low-income entrepreneurs across the entire nation.
- It seeks to proactively find opportunities in the sectors of the economy, where the deployment of productive assets is capable of generating sufficient revenue to cover rental payments to the lessor.
- MSME leasing, self-collateralising attribute, is now widely considered a viable option to loans.

Over the years, leasing has been contributing to MSMEs, through its innovative products. For instance, a large chunk of ELAN members have been servicing MSMEs across major sectors of the economy.

As businesses continue to seek ways to navigate the challenging economic terrain, leasing can provide a bailout. Indeed, leasing can facilitate easy and convenient access to much-needed capital equipment in these challenging times.

For the government, leasing can be brought to bear in driving various initiatives, targeted at developing entrepreneurship, for a more robust contribution to the economy, in terms of employment generation, wealth creation, and

poverty reduction, among others. No doubt, equipment leasing is very significant to achieving the Government's economic agenda of access to credit and youth empowerment.

In all, leasing has demonstrated its capacity to support capital formation, through easy access to productive assets in all sectors of the economy and can be a game changer in promoting entrepreneurship in Nigeria.



However, effective engagement of stakeholders is critical to achieving this. The government, for instance, should deepen its support for the development of the leasing industry, strengthening its capacity to effectively perform its developmental role. This support framework should include, ensuring appropriate funding mechanisms, to ease the burden and increase the appetite of lessors in deepening financing to the entrepreneur. Incorporating leasing into the various initiatives like the recent access to credit, can be a starting point, in this regard.

“In all, leasing has demonstrated its capacity to support capital formation, through easy access to productive asset in all sectors of the economy and can be a game changer in promoting Entrepreneurship in Nigeria.”

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Leasing Titbits

VENDOR LEASING PROGRAMME: A WIN-WIN FOR EQUIPMENT LESSORS



Globally, manufacturers viewed leasing as a way to boost sales and potentially retain ownership of their products. This spurred the creation of vendor leasing programs in the latter half of the 20th century. Vendor leasing gained much ground because of its key drivers including, increased sales, competitive advantage, and technological advancements.

Overall, vendor leasing arrangements can be a valuable tool for all parties involved, promoting sales for the vendor, securing financing for the lessee, and generating revenue for the lessor.

The importance of vendor programmes cannot be overemphasised, during uncertain times especially.

Vendor Leasing Programme – A win-win approach?

A vendor leasing programme is a win-win approach as it offers a multitude of benefits to all three parties – the vendor, the lessor, and the lessee.

To the Lessor:

- ◆ **New distribution channel** for lessors who rely solely on their direct and/or third-party sales force to generate new business activities.

- ◆ **Steady and reliable source of new business volume** for the lessor.
- ◆ **Leverage the partner's sales force** – The lessor relies on the partner's sales force to introduce business, or, as usual, the lease application is submitted by the partner's customers online.
- ◆ **Risk sharing with the vendor** – The lessor can engage in various arrangements with the vendor to jointly manage a range of risks. In some vendor leasing programs, for instance, the vendor acts as a guarantor for the lease. This is mostly done through debt guarantees, purchase guarantees, or funding guarantees. These provide a level of financial security for the lessor, reducing their risk exposures in the leasing arrangement while significantly reducing the risk of default for the lessor.
- ◆ **Data gathering and customer retention:** Through partnerships with vendors, lessors gain valuable data on potential customers and their equipment leasing needs. This data can be incredibly useful for developing targeted marketing campaigns and improving customer retention strategies. By understanding customer preferences and buying habits, lessors can tailor their offerings to be more attractive and secure repeat business.

To the Vendor:

- ◆ **Faster deal closure:** In a fast-paced business environment, speed is crucial. A vendor leasing programme can significantly speed up the sales cycle by offering customers a financing option readily available. This eliminates the need

for customers to secure separate financing, allowing them to make quicker decisions and close deals faster.

- ◆ **Improved customer acquisition:** Vendor leasing programmes can help vendors reach a wider range of customers, especially those who might not have the upfront capital to purchase the equipment outright. By offering financing options, vendors can attract budget-conscious customers and expand their market reach.
- ◆ **Enhanced customer retention:** Leasing arrangements can foster stronger relationships with customers. Since the vendor plays a role in facilitating the lease, it creates an opportunity for ongoing communication and support throughout the lease term. This can lead to increased customer loyalty and potentially turn them into repeat buyers in the future.
- ◆ **Competitive advantage:** In a crowded market, offering financing options can be a significant advantage. By showcasing leasing as an alternative to traditional purchases, vendors can stand out from competitors who might not offer such flexibility. This can be particularly crucial for attracting customers who are considering multiple vendors.
- ◆ **Improved cash flow management:** The seller is usually paid when the customer signs delivery or within a few days, depending on how the programme agreement is negotiated between the two parties. This results in improved cash flows as the terms offered by the lessor may be better than the commercial terms offered to the customer. This immediate influx of cash can be used to reinvest in the business, expand operations, or simply improve overall financial health.

- ◆ **Volume up, increased sales** – supporting sales of vendors' products through leasing, will help increase sales.

Leveraging vendor leasing programmes

During uncertain times characterised by rising interest rates, lessors need to cash in on various tools that can ameliorate the impact of these hazards. Working with Vendors can be very beneficial to lessors in the current operating environment. However, the lessor must look out for the following qualities before engaging any vendor while equally, discharging certain responsibilities to create a win-win deal.

Qualities to look at in selecting a Vendor

- ✓ Acceptable attitude toward leasing
- ✓ Top management buy-in and cooperation
- ✓ Good experience with lessors
- ✓ Reputation in market place
- ✓ Good quality products and services
- ✓ Strong marketing capabilities
- ✓ Financial stability and sales growth
- ✓ Reasonable gross profit margin

Lessor Responsibilities

- ✓ Provide training
- ✓ Perform credit due diligence of transactions
- ✓ Fund transactions
- ✓ Service customers at inception, during, and termination
- ✓ Submit periodic report
- ✓ Refer and/or provide transactions
- ✓ Assign relationship managers

ADOPTING A GROWTH MINDSET

What is a Growth Mindset?

The growth mindset is a belief system that promotes the idea that abilities and intelligence can be developed with time, effort, and dedication. These are all aspects of yourself that can grow, evolve, and improve with perseverance and over time. A growth mindset is a perspective that welcomes and embraces learning, resilience, and growth from failures.

The world can be a competitive place. To keep up, it is not just about working harder, it is about working smarter. That is where the growth mindset comes in. Typically, when someone in a competitive, high-speed industry is not reaching their goals or figuring out the right priorities, it is not reflective of their efforts or skills. A lot of the time it's due to an absence of a growth mindset. With a growth mindset, you can steadily reach new heights in your profession.

The concept of a "growth mindset" is a revolutionary shift from the traditional "fixed mindset." Individuals with a fixed mindset believe their abilities are static and unchangeable. This can create self-imposed barriers and limit personal growth. In contrast, people with a growth mindset embrace challenges, see failure as a stepping stone to mastery, and believe that their potential is unlimited. They are not deterred by setbacks, but see them as stepping stones to growth and mastery. They understand that intelligence and skill can be developed. It is not just about what you are born with; it is about the effort you are willing to put in to improve and grow. That is the magic of a growth mindset, it empowers you to become the best version of yourself, no matter where you are starting from.

But how do you actually cultivate a growth mindset? Shifting from a fixed mindset to a growth mindset is not like flipping a light switch. It is a journey that requires conscious effort, practice, and self-reflection. But the good news? It is entirely possible, and if you feel that you have adopted a fixed mindset, know that it is never too late to cultivate new habits to shift your mindset using a few simple strategies.

1) Believe in yourself

Self-growth is possible when you are willing to develop the skills you need to succeed. Begin by building the confidence that you can do it. Remember, you are worthy of great things. When you choose to have a growth mindset, this fosters your ability to unlock untapped capabilities and bring them to fruition.

2) Be mindful of your self-talk

Making statements such as "I am not a leader," "I am not good with money," or even something as meek as "I am shy" can hinder your growth. Remember,



you can acquire newfound skills and traits. You can become a great leader, learn how to manage your money, and break out of the shy shell, but telling yourself otherwise can disrupt future achievements.

3) Welcome feedback

Constructive criticism allows us to see ourselves through a new lens. We may not always be aware of our weak spots, but proper feedback may help us address those weaknesses. Learn to utilize valuable input from others. However, this is not to be confused with criticism in general, such as put-downs or belittling. Instead, look for productive feedback, not personal attacks.

4) Embrace failure

Failure is part of the learning curve. It is essential to allow yourself to be vulnerable, have a willingness to embrace change, and stretch outside the warm feeling of your comfort zone. A few setbacks may surface, but your energy needs to stay focused on the lessons you will acquire during moments of growth.

5) Persevere

Change takes effort and consistency. The most important thing is to show up for yourself and remain consistent. If you fall off the growth track, pick yourself back up. It is essential to keep moving forward.

6) Embrace Challenges

An important step on your journey is to welcome challenges into your life. A person with a growth mindset views and responds to challenges by recognizing that they are not roadblocks on your path but they are opportunities to learn and grow. Change your perspective. See each challenge as a puzzle to solve, a mystery to unravel, or a game to win. It is about shifting from "I can't do this" to "I can't do this, yet." Remember, growth comes from stretching your abilities, stepping out of your comfort zone, and daring to do what you once thought impossible.



7) Continue to Learn

The desire to learn is a fundamental pillar of a growth mindset. It is about being endlessly curious, constantly seeking out new knowledge, and relentlessly striving to improve. Try to view each day as an opportunity to learn something new. Whether it is mastering a new skill at work, delving into a subject you have always been interested in, or even learning a fun new recipe, embrace the joy of learning.

By implementing these strategies, you are setting the stage for limitless personal and professional growth. Individuals and organisations have an opportunity to understand what it means to develop a growth mindset. The practice must then be implemented. It is, of course, a practice, as it needs to remain consistent over time. We must commit to this exercise to see purposeful changes in our lives.

Remember that it takes effort to cultivate and keep a growth mindset. This journey is not always easy, but it is one of the most rewarding adventures you can embark on. So take a deep breath, step out of your comfort zone, and dive into the world of growth mindset. Your future self will thank you.

Article by:

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