

Vehicles leasing operations in Lagos state, Nigeria

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Abstract - Vehicle is an important element of transport; and its financing especially in road transport comes in 3 ways; outright purchase, hire purchase and lease. Of all these three methods of road transport financing, leasing has attracted little attention in Nigeria transport research. This study was carried out to examine the development, types and form, operating characteristics and problems of vehicle lease in Lagos State, Nigeria. Aggregate number of vehicle leasing companies in Nigeria from inception to 2018 was obtained from corporate affairs commission (CAC). Four prominent vehicle leasing companies: Cashlink Leasing Plc (CLP), NIKKY Taurus Ltd (NTL), C & I Leasing (CIL) and SAMTL Leasing Ltd (SLL) were purposively selected for the operating characteristics and challenges of the leasing companies. 298 structured questionnaires were administered to the staffs of the selected companies seeking the types and forms of lease and challenges encountered in the course of operation using stratified and simple random samplings techniques. Vehicle leasing started in Nigeria from 1986 with the likes of pine hill leasing, Cashlink leasing, VT leasing in Lagos. Within 1986 and 2018, it has spread to 23 different urban cities and the number has increased to 297 companies in 2018. Operating and finance leases exist in the industry with majority of 91.6% of the companies practice operating lease. The staff strength and fleet size level of the leasing companies varies overtime but positively significant to their operations. However, poor pricing of lease service, inadequate finance of vehicle, default in payment of rental charges and high cost of maintenance minimize leasing service efficiency and effectiveness. It is recommended that government should provide subvention for vehicles acquisition, face-off of racketing vehicles from cites and legislate policy to regulate operational activities (entry and exit) of the companies.

Key words: Leasing Companies, Nigeria, Operating Characteristics, Vehicle leasing.

I. INTRODUCTION

Transportation is one of the tools that societies used to bring order to chaos. It reaches into every phase and facet of our existence which can be viewed from its historical, economic, environmental, social and political terms. Aspects of transportation which makes it unique is movement of service, equipment used and cost of transportation service. Movement of service, whether it is door-to-door or terminal-to-terminal, requires speed, reliability and frequency. Equipment used is a major factor for both passengers and freight. For passengers, the equipment affects comfort and safety and for freight equipment affects shipment preparation, the size of the shipment, and loading and unloading cost. On the other hand, cost of transport service could includes a charge or rate quoted by this primary carrier as well as any peripheral costs borne by the user which may include pick-up and delivery costs, packaging requirements, damage charges and special service charges such as refrigeration or heat [9].

The acquisition of these equipments is exorbitant and often beyond average individual, company and even government. This invariably brings about the alternative methods of acquiring an asset (vehicle). In the developing world, due to economic situation, three different methods of acquiring vehicles include purchasing, financing, and leasing [6]. [3], explains that purchase involves exchange of ownership for money. In this form of exchange, ownership of the product goes from provider to the purchaser, and money (cost of product) goes from purchaser to provider.

Financing is a special form of purchasing and sometimes refers to hire purchase and hire purchase distinguishes it from finance lease, hire purchase and finance lease involve a change of ownership.

The buyer owns the vehicle from the beginning of the contract, and owes the leasing company a debt when considering hire purchase while in finance lease; the change of ownership does not occur until the buyer finished all of the payments. The cost of the vehicle is divided into several terms under two payment methods and people pay for the vehicle monthly instead of lump sum.

Leasing is different from the two methods. Leasing involves one party offering an item to another party for a fixed period of time in exchange for money and in which there is no change of ownership [3]. So, lessees are responsible for monthly payments and in return have the right to use the vehicle. It does not involve a change of ownership or lump sum payment. The monthly payment for leasing only covers the vehicle depreciation during the lease [14]. In other words, the money paid represent cost of depreciation of the vehicle during the term, but not cost of the vehicle [14]. More so, change of ownership does not occur. Lessees are actually paying for the "consumption time" of a vehicle, not ownership [3].

"Reference [3]" observed that both purchasing and financing involve change of ownership. In contrast, leasing does not involve a change of ownership. By leasing a product, people are only given the right to use the leased product.

"Reference [20]" suggested that individuals who finance high-cost items tend to differ from those who lease the same items. In this particular study, the authors investigated the economic issues and non-economic issues regarding motor vehicle leasing. For example, income and wealth are economic issues, and personal preference would fall under the non-economic issue. In their research, [18] uncovered five consumer segments of vehicle lessees and financers, based on motives for vehicle leasing/financing. The first two segments are lessees' budget gourmets and automotive pleasantry. The other two segments are utility seekers and basic transportation seekers while the last segment is mature luxury seekers. This group includes an equal amount of lessees and financers.

Two types of lease feature in literature: operating and finance. "[13, 17]" defined operating lease as an agreement in which the asset is not fully amortized during the primary lease and the lessor does not necessarily depend on the lease rentals during the period for his returns but looks to the recovery of the balance of his costs and profits from the resale of the used asset at the expiration of the lease period. Thus operating lease is usually for a period shorter than the economic or service life of the asset after which it can be re-leased to either the same lessee or someone else at a new rental rate. While on the other hand finance lease is also referred to as capital or fully pay-out lease, which involves a situation where lessee is obligated to pay agreed lease rentals periodically to the lessor over the tenure of the lease in return for the possession and use of the asset under lease. Thus, this is a contract involving payment over a period of time (known as the primary or basic period), of specified sums sufficient in total to amortize the capital outlay of the lessor and to provide for the lessor's cost of funds plus a desired return" and usually for a longer period of time [17, 21].

"References [12, 15]" classified leasing according to the type of the leased asset (automotive leases), the volume of the value of the leased asset (small ticket and big ticket leasing), the type of lessor (leasing by manufacturers (direct) or dealers (indirect), the type of lessee (private or institutional), the domicile of lessee and lessor (cross-border-leasing) and particular specifications of the leasing contract (leased asset with specific requirements of the lessee or sale-and-leaseback contracts). The most commonly used classification in the literature is by type of contract and distinction between financial and operating leases. As one faces again the fact of non-standardized definitions of those two leases in different national legislations, the distinction provided in the literature mainly relies on the cancellation of those leases. A financial lease cannot be cancelled during its duration; the lessee has the right to terminate an operating lease during the contract period. Financial lease can further be classified in non-full payout and full payout leases with the latter one guaranteeing the complete return on the initial investment costs for the lessor by the lease payments of the lessee. In the case of non-full payout leases, this amount is covered by the additional guaranteed residual value.

In a car market under adverse-selection where the consumers can either enter a lease contract with a purchase option or buy the car outright. [8] study shows that, leasing attracts consumers who demand higher quality and who respectively have a higher income. Thus, after-lease used cars have a higher average quality and consequently a higher turnover. These observations in the car market are a reflection of the value of the purchase option, if leasing companies are able to segment the market. Consumers with a low demand for quality will rate the price of the purchase option higher, whereas consumers with a high demand for quality will likely not exercise this option and therefore not value it. Hence, consumers with a low quality demand will tend to buy while the others will be inclined to lease. This market can be improved if leasing companies set the purchase option price at the beginning of the leasing term.

"Reference [10]" extended the study of [8] by including costs associated with restrictions in lease contracts. For instance, kilometre restrictions being the most important one. The scholars show that when a new car is leased rather than bought, new car leasing reduces the adverse-selection in the used car market. Besides the prevailing reasons in the literature mentioned and categorized above on why people feel inclined to lease, there are a variety of other reasons which are addressed from different angles.

"Reference [18]" list eight reasons that increase the probability that firms lease. They argue that leasing is more likely to be undertaken when the value of the asset is less sensitive to usage and maintenance decisions; the degree to which the asset is specified to the firm is high; the expected utilization period of the leased asset is short compared to its expected useful life; corporate bond contracts with certain restrictive covenants; management provisions based on the return on capital invested; firm closely held; lessor market power and when the lessor holds a comparative advantage in asset disposal.

"Reference [11]" in vehicle leasing study come to the conclusion that in leasing, one does not need to have large cash outlay in the beginning but get use of the vehicle immediately while buying the equipment outright will reduce your cash flow immediately and also that legislation can impose some restrictions to this general rule. Therefore, anything one cannot own or hold title to cannot be leased, because to act as a lessor one needs to buy the asset first. A lot of equipment dealers and financial institutions have suffered a great deal of financial loss as a result of customers' inability to pay for the equipment under lease or loan. This is because most of these financial institutions and vehicle dealers do not have a well defined and structured mode of granting leases. Therefore in an attempt to increase turnover, sales managers hastily recommend credit facilities to potential buyers without carrying out due diligence, eventually this in most cases leads to bad debt.

Scholars have studied leasing in one form or the other such as access-based consumption and car sharing [7], patrol fleet leasing equal efficient spending [19], equipment leasing and span of control management [16], leasing greener than selling [1]. Also, various observations of the previous studies on leasing and vehicle leasing in particular, are related to consumer leasing behaviour and satisfaction perception. However, vehicle leasing development, vehicle leasing as a method of financing transport asset, staff strength and fleet size of leasing companies has not been given adequate attention in Nigeria transport research. This thus creates some gaps in transport research especially with regards to vehicle leasing.

In other words, the research aims at assessing the vehicle leasing operation by examining its development, types and form of lease involved, operating characteristics and major challenges confronting selected leasing companies in Lagos, Nigeria. It is believed that the outcome of the study will produce relevant information necessary in formulating appropriate policies by the government in order to protect, promote and improve the country transport sector.

II. STUDIED ORGANIZATION

The concept of vehicle leasing in carrying out day to day economic activities is common in major cities of developing countries of which Lagos is one, involve the use of new and state of the art

vehicles in city of Lagos despite the exorbitant cost of the vehicles, can be traced to the activities of some leasing companies.

There are many leasing companies in Nigeria with their head office situated in Lagos state, being the economic nerve centre of the country. Nevertheless, four (4) vehicle leasing companies (Cashlink Leasing Plc (CLP), C & I Leasing Plc (CIL), NIKKY Taurus Nigeria Limited (NTL) and SAMTL Leasing Limited (SLL)) were chosen for the study due to the fact that:

- (i) They have been in the operation of vehicle leasing for a period of 5 to 30 years and above.
- (ii) Vehicular leasing operations of their vehicles lie between 1.4 – 4.2 liter engine capacities.
- (iii) They controlled about 70% of the share of vehicle leasing market services in the country leasing industry.
- (iv) They are the leading and major players in the leasing market because of their fleet capacity, utilization and operational structures.

A. Cashlink Leasing Plc (CLP)

Cashlink Leasing Plc was established in 1987 as Financial Services Company and duly licensed by the Central Bank of Nigeria as a Non-Bank Financial Institution. Cashlink is well known for its customer-centric business strategy, and being one of the earliest financial services companies to offer customer equipment leasing services, has grown its portfolio considerably. It has today become a household name in providing support for small and medium sized businesses in all sectors of the Nigerian economy.

The core focus and strategy is to serve growth sectors by delivering value-driven Leasing services to corporate institutions and entrepreneurs alike. The services offered include Operating Lease, Corporate Lease, Domestic Lease, Leveraged Lease, Sales and Lease back and Lease Syndication. It also offers the following services through its various subsidiaries, Vehicle Rentals and Fleet Management Services, Foreign Exchange Trading (Bureau De Change), and Treasury and Investment Advisory Services and Outsourcing and Logistics.

B. NIKKY Taurus Limited (NTL)

Nikky Taurus Nigeria Limited is a dynamic organization registered in Nigeria to provide transportation services through Vehicle Hire and Leasing, Fleet Management, Logistics Consultancy, Support services and Manpower Recruitment Services. Nikky Taurus commenced operations in 1995 with registered office located at Maryland, Lagos and has consistently positioned itself as a strong and reliable, specializing in Vehicle Hire and Leasing in Nigeria and within the Economic Community of West African States (ECOWAS) sub region. Nikky Taurus targets all its bouquet of service offerings at corporate bodies, embassies, educational institutions, religious institutions and individuals. As an integral part of its products and services, Nikky Taurus values customer convenience, reliability and sustainability. The organization manages a fleet of over 450 vehicles, giving it a broad reach and expertise in the industry.

C. C & I Leasing Plc (CIL)

C & I leasing Plc., primarily started out as a finance leasing company and over the years grown to become the foremost name for support services in Nigeria. The company now has over nine divisions and subsidiaries under its auspices, making up the C&I Leasing group with interests in Marine, Telecommunications, Oil and Gas, Equipment Rentals, Manpower Outsourcing and Transportation. C & I leasing Plc, is listed on the Nigerian Stock Exchange and happen to be the foremost brand for leases and other ancillary services in Nigeria. With staff strength of over 4,000 people and operational offices in key locations in Nigeria and Ghana, the company takes pride in its track record of exceptional and qualitative service delivery. Today, the C & I leasing Plc brand presence can be felt in major sectors in the Nigerian economy, providing specialized services, in Marine, Telecommunications, Oil and Gas, Equipment Rentals, Manpower Outsourcing and Transportation.

D. SAMTL Leasing Limited (SLL)

SAMTL Leasing Limited (a member of the SAMTL Group) was incorporated on December 19th, 2013 as a Limited Liability Company and registered by the corporate Affairs Commission to render services which include operating lease, vehicle rentals, vehicle maintenance and fleet management services to corporate and individual clients in every sector of the economy. The company is located at Victoria Island with an operational office at Ikoyi, Lagos. SAMTL Leasing is equipped with seasoned, proven professionals with core competence in the leasing industry and its objective is distinctive and company believes in being s foremost player in the leasing industry and this is emphasized in the company's mission and vision statement.

III. METHODOLOGY

This study is based on the operations of vehicle leasing companies in Lagos State. Aggregate number of vehicles leasing companies in Nigeria from inception to 2018 was obtained from Corporate Affair Commission [2], staff strength and fleet size of the selected companies were collected from operational records of the companies, to complement the structured questionnaires (Table 1).

Table 1: Questionnaires Distributed to and Retrieved from the Staff of the Companies.

S/N	LEASING COMPANY	Senior	Intermediate	Junior	Distributed	Retrieved
1	CLP	2	4	28	34	34
2	NTL	2	7	97	106	101
3	CIL	5	13	140	158	142
4	SLL	1	2	18	21	21
	TOTAL	10	26	283	319	298

Source: Field survey, (2018)

Three hundred and nineteen structured questionnaires were administered to the staff of the companies based on the number of senior, intermediate and junior staff of the four companies. The senior staffs comprise of head of department, head of sub-business units (SBUs) and directors while intermediate staffs include various supervisors, departmental officers and administrative officers. Meanwhile, the junior staffs are the drivers on the field, clerks, cleaners and securities. However, 298 questionnaires were completed and returned for analysis. The questionnaire seeks the types and form of lease practice from the senior and intermediate staffs while all staffs in the companies (senior, intermediate and junior) were involved in provision of information relating to major challenges confronting the companies. Data obtained were analyzed using Statistical Package for Social Sciences (SPSS 20) software and the results of the analyses are discussed in section four.

IV. RESULTS AND DISCUSSION

This section examines development of vehicle leasing companies, types and forms of lease engaged in by the companies, operating characteristics and major problems encountered during operation as revealed by the data collected.

A. Development of Vehicle Leasing Companies in Nigeria

Vehicle leasing started in 1986 in Nigeria (Table 2). It actually commenced with Pine Hill Leasing Ltd, CLP (formally Cashlink Finance & Investment Plc) and VT Leasing as the pioneer companies in the industry. The industry has witnessed and still witnessing dynamic changes with entry of new companies and extinction of some old companies in Nigeria cities. The aggregate number of vehicle leasing companies from the inception in 1986 to 2018 has increased tremendously (Table 2).

Currently, there are two hundred and ninety seven (297) vehicle leasing companies across 23 cities in Nigeria. The highest registered vehicle leasing companies per city is 61 and they were located in Lagos state while the lowest is 2 and these are located in Makurdi, capital of Benue state. The study revealed that, there is a positive linear relationship between the number of cities and vehicle leasing companies, that is as the number of companies is increasing, the number of cities is also increasing. In 1986, the number vehicle leasing companies are six (6) and all are situated in Lagos state. The number of company increase from 6 to 25 in 1991 while the number of city increase to from 1 to 4

with 13 companies in Lagos alone and 12 in the other 3 cities. Further study revealed that, the number of cities rose to 7 in 1997 which an increment in number of vehicle leasing companies to 57, with 22 companies registered in Lagos state.

However, in 2003 a total of 125 companies were registered and the number of cities where they are operating increase from 7 to 13 urban cities with 38 companies in Lagos. On the average, there were 11 companies recorded for a 5 year interval such that two (2) companies come into existence each year. More so, year 2009 was also seen to be similar to 2003 as 11 companies were recorded for a 5 year interval but difference increment in cities and number of companies. The number of cities increases from 11 to 18 and companies from 125 to 193 companies with 61 companies present in Lagos city.

It is further observed that from 2015 to 2018, operation of vehicle leasing companies have increase from 18 to 23 cities and number of companies increasing from 193 to 297, out of which 59 (20%) companies were situated in Lagos showing a decrease in number

Table 2: Aggregate number of vehicle leasing companies from inception till 2018.

S/N	Year	No. of Company in Lagos	Location	Company base on Location	Total Company
1	1986	6	Lagos	6	6
2	1991	13	Lagos	13	25
			Port Harcourt	5	
			Calabar	3	
			Abuja	4	
3	1997	22	Lagos	22	57
			Port Harcourt	9	
			Kano	6	
			Calabar	5	
			Abuja	11	
			Jos	3	
4	2003	38	Lagos	38	125
			Port Harcourt	18	
			Kano	7	
			Calabar	8	
			Abuja	19	
			Jos	9	
			Benin	4	
			Asaba	3	
			Warri	3	
			Uyo	5	
			Ikot Ekpene	3	
			Maiduguri	6	
Yola	2				
5	2009	61	Lagos	61	193
			Port Harcourt	21	
			Kano	3	
			Benin	2	
			Abuja	32	
			Jos	11	
			Calabar	9	
			Ibadan	3	

			Kaduna	2	
			Asaba	1	
			Warri	7	
			Uyo	9	
			Ikot Ekpene	3	
			Maiduguri	8	
			Yola	5	
			Owerri	6	
			Aba	9	
			Umuahia	1	
6	2015	59	Lagos	59	297
			Port Harcourt	26	
			Kano	8	
			Benin	2	
			Abuja	46	
			Jos	7	
			Calabar	18	
			Ibadan	6	
			Kaduna	3	
			Akure	4	
			Ilorin	3	
			Asaba	4	
			Warri	9	
			Uyo	23	
			Ikot Ekpene	7	
			Maiduguri	16	
			Yola	9	
			Owerri	13	
			Abeokuta	3	
			Aba	17	
			Umuahia	5	
			Awka	7	
			Makurdi	2	

Source: [2]

of companies in Lagos. On an average there were 13 companies for every 4 years (2015 – 2018) and 3 companies per year within this same period.

The study also showed that companies in Lagos state contributed 20% of the total vehicle leasing volume while Abuja contributed 15% and other 21 cities contributed 65%. The high contribution of Lagos could be traced to the fact that Lagos is the economic hub of the nation. It can be concluded that there is tremendous growth in the number of vehicle leasing companies in the country and this is also evident from past available statistics of leasing generally that, as at December 31, 1990, there was over 35 registered member companies of Equipment Leasing Association of Nigeria (ELAN) with outstanding leased assets of over N1.0 billion (\$5.1 million). Consequent upon the development and growth of the leasing, its impact in the economy is notable for instance, the contribution of vehicle leasing to the revenue generation of the country dictates that leasing companies contribute immensely as the industry showed great signs of growth from N869 Billion in 2014 to N1.1 Trillion in 2015 (\$4.4 – 5.6 Billion) [4].

B. Types and Form of Lease Engaged by Leasing Companies

The study showed that operating lease is more practiced than finance lease. Table 3, revealed that 91.6% of the lease practiced by the companies is operating lease, while individual company staff response showed that CLP - 83.3%, NTL – 100%, CIL – 88.9% and SLL – 100% alluded to operating

lease as commonly practice by the companies. Despite the dominance of operating lease, the companies also practiced finance lease except NTL and SLL. The dominance of operating lease can be traced to the fact that, operating lease is exercised for a short period of time and value of the asset (vehicle) is quickly recoup unlike the finance lease which span through a longer period.

Table 3: Types of Lease engaged in by the Companies.

Types of Lease	CLP		NTL		CIL		SLL		TOTAL	
	Freq	%								
Operating Lease	05	83.3	09	100	16	88.9	03	100	33	91.6
Finance Lease	01	16.7	00	-	02	11.1	00	-	03	8.4
Total	06	100	09	100	18	100	03	100	36	100

Source: Field survey, 2018

Forms of lease operated by the companies serve as a way of financing the vehicle on one hand and also as a process and procedure of operations on the other hand. Table 4, shows that operating and financing leases of CLP is in form of direct, leverage and wet and dry leases; NTL operates in lease purchase, sales and leaseback, direct, leverage and wet and dry leases; CIL operates the following lease form such as lease purchase, direct, leverage and wet and dry leases; and SLL only operated two forms of lease plans, direct and leveraged leases.

Table 4: Form of Lease operated by the Companies.

Form of Lease	CLP	NTL	CIL	SLL
Lease purchase		✓	✓	
Sales and leaseback		✓		
Direct lease	✓	✓	✓	✓
Leveraged lease	✓	✓	✓	✓
Wrap lease				
Wet and dry lease	✓	✓	✓	
Swap lease				

Source: Field survey, 2018

This implies that operating lease which takes various forms of lease purchase, sales and leaseback, wet and dry lease and leverage lease are more practiced than finance lease as shown in table 3. This study therefore indicates that, serious and urgent emphasis is needed to sensitize the general public on the benefits and importance of other lease plans such as sales and leaseback, wrap lease, swap lease in order to harness and promote the sector more.

C. Operating Characteristics of Vehicle Leasing Companies in Nigeria

This section further examined the operating characteristics of the companies' base on staff strength and fleet size with the view to establish variations among them. However, staff strength comprises of the employees of the organization ranging from clerical officer to Managing Director. CIL has the largest staff capacity during the period under study with average staff of ($\bar{x} = 442$), followed by NTL ($\bar{x} = 334$). CLP has mean of ($\bar{x} = 239$) and SLL of ($\bar{x} = 69$) (fig. 1).

The Analysis of Variance (ANOVA) results ($F = 6.899 \leq 0.05$) revealed that, there is a significant variation in the staff strength of the vehicle leasing companies understudy. The results of the analysis further affirm the staff strength presented in figure1. From fig. 1, except CLP and SLL whose staff strength started declining and commence respectively in 2012 and 2013, NTL CIL and SLL staff strength though varies but increase progressively.

Regarding fleet size of the companies (vehicles leased out to customers) dictates the share of individual company in the vehicle leasing market. The companies with the high share of the fleet control the market force provided that idle capacity is very minimal and negligible.

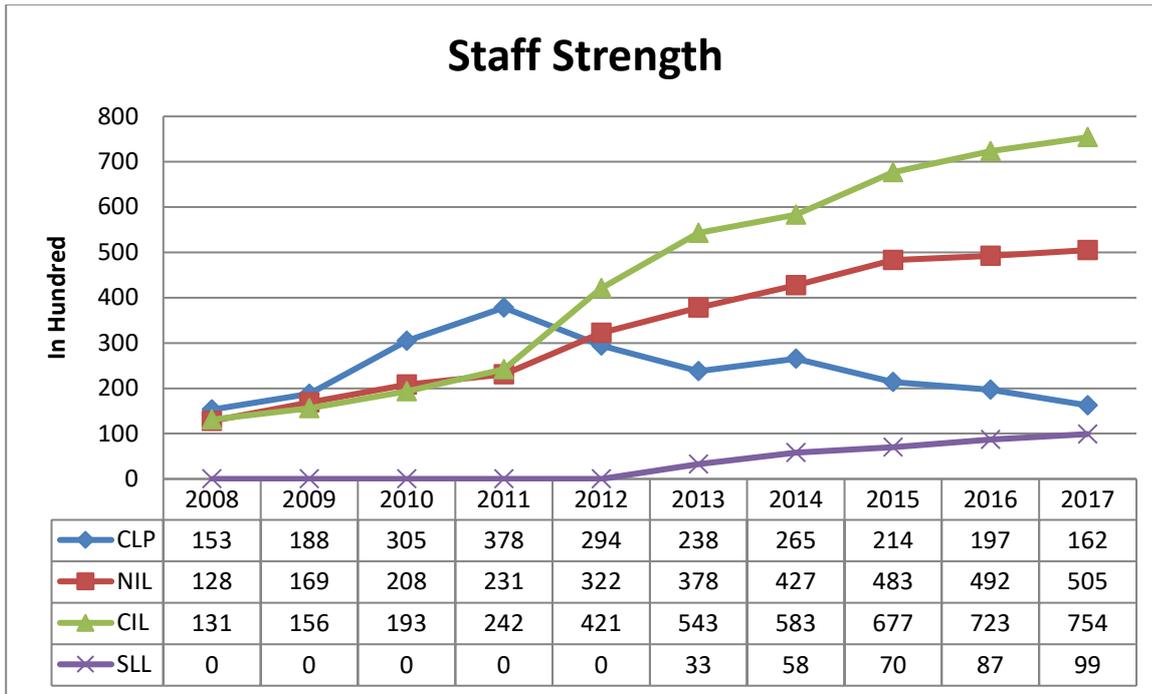


Fig. 1: Staff Strength of the Companies

Although, CIL in fig. 2 showed a consistent lead from 2015 to 2017, unlike the staff strength where CIL has the largest average, the study showed that NTL has the highest average number of vehicles over the years under review with an estimated average of ($\bar{x} = 243$), followed by CIL ($\bar{x} = 241$), CLP ($\bar{x} = 168$), and as expected SLL ($\bar{x} = 37$) base on their young/new status in the industry (fig. 2). For instance the costs of purchasing new vehicles such as Toyota corolla is N21.5 million (\$59,720), Toyota Haice Bus - N24.5 million (\$68,050), Toyota Camry - N33.5 million (\$93,050), Toyota Coaster Bus - N45 million (\$125,000) is very expensive [5]. In spite of the high cost of these vehicles and increase naira to dollar rate, the vehicles are procured by the leasing companies and this confirms the economic viability of leasing business in Lagos state and Nigeria.

The ANOVA results ($F = 7.434 \leq 0.05$) revealed that there is a significant variation in fleet size of the leasing companies understudy which is an extension of the distinctions in average size of the fleet that were presented by the companies over period under review. Fig. 2 also showed that there is a progressive increase in fleet size of CIL, NTL and SLL except CLP that shows reduction in fleet size from 2012 which equally reflected in reduction of their staff strength as shown in fig. 1.

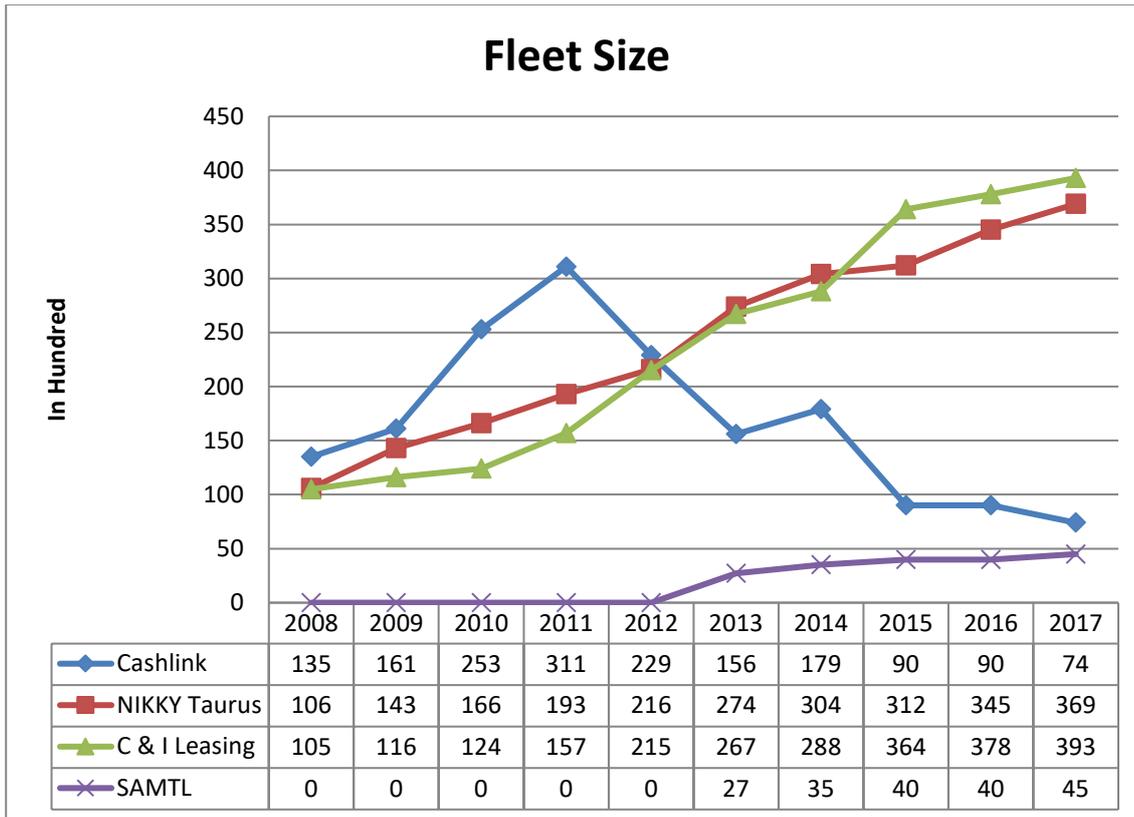


Fig. 2: Fleet size of the Companies

The correlation coefficient between staff strength and fleet size in each of the companies is as follows: CLP($r = 0.90$, $p < 0.01$), NTL ($r = 0.98$, $p < 0.01$), CIL ($r = 0.99$, $p < 0.01$) and SLL ($r = 0.97$, $p < 0.01$). These show a very strong positive relationship between the two variables in each of the leasing companies. These findings show that the higher the fleet size of each of these organizations the higher their staff strength and by implication the higher their performance. To this end acquisition of fleet in leasing organization has an influence on the staff strength and consequently the performance.

Despite the significant variation in the staff strength and number of fleet of the leasing companies in their operation, our further probe into the activities of the companies revealed that the companies are faced with some problems which are discussed in the section D.

D. Major Problems Encountered during Lease Operation by the Leasing Companies

In the course of operation of the leasing companies, our survey showed that, poor pricing of lease service, inadequate financing of vehicles, default in payment of financial obligations and high costs of servicing and maintenance of vehicles are some of the problems encountered by the companies (Table 5).

Poor pricing of the lease service: The study showed that poor pricing of lease service posed serious threat to the companies. In table 5, high proportion of staffs in CLP – 91.2%, NTL - 73.3%, CIL - 63.4% and SLL - 100% alluded to poor pricing of lease service being a problem. In all, 72.5% of the staffs of the companies agreed that poor pricing is a major problem confronting their operation and activities.

Inadequate Financing of Vehicles: The study also showed that inadequate finance of vehicles is another problem plaguing the companies. Proportional responses from the staffs' of the companies (79.4% for CLP, NTL (62.4%), CIL (52.1%) and SLL (76.2%)) show that they agreed that

Table 5: Problems encountered during lease plan

Items	Yes	(%)	No	(%)	Total
Poor pricing of the lease service					
CLP	31	91.2	03	8.8	34
NTL	74	73.3	27	26.7	101
CIL	90	63.4	52	36.4	142
SLL	21	100	00	00	21
Total	216	72.5	82	27.5	298
Inadequate financing of vehicle(s)					
CLP	27	79.4	07	20.6	34
NTL	63	62.4	38	37.6	101
CIL	74	52.1	68	47.9	142
SLL	16	76.2	05	23.8	21
Total	180	60.4	118	39.6	298
Default in payment of rental charges					
CLP	31	91.2	03	8.8	34
NTL	70	69.3	31	30.7	101
CIL	84	59.2	58	40.8	142
SLL	17	70.8	04	29.2	21
Total	202	67.8	96	32.2	298
High cost of Servicing and maintenance of vehicle					
CLP	26	76.5	08	23.5	34
NTL	61	60.4	40	39.6	101
CIL	88	62	54	38	142
SLL	16	76.2	05	23.8	21
Total	191	64.1	107	35.9	298

Source: Field survey 2018

inadequate financing of vehicles is one of problems confronting the companies. In totality, 60.4% of the staffs of the companies (table 5) held their view on this assertion.

Default in Payment of Rental Charges: Responses from the staffs regarding default in payment of financial obligations or rental charges showed a high proportion (67.8%) of the staffs affirmed to the problem. Individual affirmation to the problem by the staffs of the companies in the order magnitude includes CLP (91.2%), NTL (69.3%), CIL (59.2%) and SLL (70.8%).

High Cost of Servicing and Maintenance of Vehicles: The study also showed that 64.1% of the staffs of the companies were of the opinion that high cost of servicing and maintenance is one of the problems that contributed to the challenges encountered in the course of operation in their various companies. Although individual contributions to affirmation of existence of the problems in their company varies (CLP (76.5%), NTL (60.4%), CIL (62%) and SLL (76.2%)), nevertheless, companies staffs individual reaction also affirm the challenge observed. It was observed that some of the company's fleet are rickety and this could have contributed to the costs of servicing maintaining the vehicles.

V. SUMMARY AND CONCLUSION

The main objectives is to examine the trend of development of the companies, types and form of lease practiced, operating characteristics and major problems confronting the companies in Nigeria. The study also covered operating characteristics (staff strength and fleet size) of vehicle leasing companies on one-hand and problems encountered on the other hand. Operational records of the leasing companies in respect to operating characteristics (staff strength and fleet size) and aggregate number of the companies in the leasing industry from corporate affairs commission database of 2018 with 298 structured questionnaires were used for the study.

The findings revealed that, vehicle leasing started operations in Nigeria from 1986 with Pine Hill leasing, Cashlink leasing, VT leasing among others. As at 2018, the number of companies have increased to 297 across 23 urban cities in Nigeria with 59 (20%) located in Lagos state alone. The highest registered number of companies was 61 and situated in Lagos state and the lowest was 2 located in Makurdi, capital of Benue state. The study further observed that, operating lease is more practiced than finance lease with an overwhelming proportion of 91.6%.

The results from the study also showed that CIL has the largest average staff capacity and NTL has the highest average number of vehicles which are statistically significant at 5% level of significant. Interestingly, the staff capacity and fleet number of the leasing companies increase progressively since 2008 except CLP that tends to retrogress in both staff and vehicle capacities in 2012. It can be observed that CLP was becoming unstable in the vehicle leasing industry and the implication is the staff being laid off which has reflected in the reduction of its staff strength. While SLL is establishing itself in the industry, NTL and CIL seem growing stronger in the industry.

The study further showed that high proportion of the staffs of the companies agreed that poor pricing of the lease service, defaults in payment of rental charges are the most pressing issues posing a problem on the survival of the companies in the vehicle leasing industry. Also, inadequate finance, and high cost of servicing and maintenance of vehicles are equally part of challenges faced by the companies. These challenges could have accounted for the reason why the vehicle leasing companies are experiencing unstable growth in the industry. The problems facing these companies can also be attributed to the instability in Nigeria economy. The dollar rate has increased astronomically which equally raised the costs of purchasing vehicles and doing business. We therefore recommend that:

- (i) Companies should strictly adhere and fully utilize the authorized automobile dealership warrantee so as to reduce burden of expenses on repairs and maintenance of vehicles.
- (ii) Companies should face-off rickety vehicles in order to reducing servicing and maintenance costs.
- (iii) Public need to be educated of the importance of vehicle leasing plan and schedules.
- (iv) Vehicle lease forms should be fully harness by the companies in order to explore all aspect of vehicle leasing.
- (v) Bank should provide subvention in term of loans to the companies at moderate interest for the acquisition of assets (vehicles)

- (vi) Government should formulate policy that will assist in subsidizing the purchase of vehicles in order to encourage the entry and encourage exiting companies in the sustenance of vehicle leasing industry and transport sector at large.

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