EFFECTS OF LEASE FINANCE DYNAMICS ON THE FINANCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA

[1]PAULINE MUMBI TANU, [2]DR. OLUOCH OLUOCH

Abstract: Microfinance institutions are the backbone of most economies in the world. Most of these companies use external financing sources like debt and equity capital to finance their activities. However, in general, in the area of Microfinance institutions access to finance, there are market imperfections - not only in times of crisis, but on an on-going basis as a fundamental structural issue, based on uncertainty and asymmetric information between the demand side (entrepreneur) and the supply side (financial intermediary). Various surveys on access to finance show that bank loans and overdrafts are the most widespread debt financing methods for Microfinance institutions, but that alternative sources like leasing and factoring have also a high relevance. The objective of this research is to find out the effect of lease finance conditions on the financial performance of Microfinance institutions in Kenya. In this research the researcher analyzed the effect that various conditions of lease finance have on the financial performance of the Microfinance institutions. This study used descriptive research design as it seeks to establish the relationship between the independent and dependent variables. In descriptive survey design the events or conditions already exist, the researcher just selected the relevant variables and their relationships.Data collection was undertaken by use of questionnaires. The questionnaires comprised closed ended questions.The questions generated data that was analyzed using quantitative techniques. Data collection was done systematically and both primary data and secondary data was collected and analyzed. The study developed its conclusions from the major findings. Conclusions were classified according to the objectives of study. Regarding lease charges flexibility and financial performance, the study concluded that indeed flexibility of lease charges is imperative since it led to balanced cash flows within the Microfinance Institutions. Equally, the study concluded that Microfinance Institutions should practice flexible charges since it attract a wider clientele which will in turn increase profitability and reduced capital expenditure in their operations. On the same note, the study concluded that for the Microfinance Institutions to acquire a good cash flow developed from its increased liquidity, they must embrace flexible lease charges. The study finally concluded that flexible lease charges improves company's budgetary planning and even its control which are the desired ingredients to financial performance of Microfinance Institutions.

Keywords: Lease Charges Flexibility, Lease Term Flexibility and Leased Asset Management.

1. INTRODUCTION

Making finance accessible to the poor is a crucial mechanism for poverty reduction and wealth creation in developing economies where there exists a huge unmet demand for financial services. So far, access to financial services by the poor from financial mainstream institutions is very limited, mainly due to high costs of market contracts and constraints (Demirgüç-Kunt and Klapper2012; World Bank, 2008). Microfinance has emerged as a dedicated pro-poor financial institution to lend uncollateralized and tailored loan terms to the unbanked poor in low-income communities. Through institutional innovations and innovative loan terms, microfinance institutions become able to dispense with information and enforcement costs and generate high repayment rates (Morduch,1999; Banerjee *et al*.,1994). Microfinance institutions demonstrate that the poor can borrow, pay substantial interest rates, and save continuously, which in turn results greater optimism for improving credit markets in developing economies

It is widely recognized that a well-developed financial system is vital to stimulate economic growth through facilitating allocation of resources to its most productive use. Availability of financial services like credit, saving, payment and insurance products trigger investments, spread risks and facilitate ease of exchanges. Broader and inclusive financial system that overcomes price and non-price barriers in particular benefits the poor segment of the population who are often systematically excluded from accessing financial services (Demirgyc-Kunt and Klapper, 2012)

Statement of the problem

Microfinance Institutions form a key part of economies throughout the world. In Kenya, Microfinance Institutions have the potential to contribute significantly to economic growth and poverty reduction through increased production and employment. This role has long been recognized by the Government of Kenya. Vision 2030, Kenya's long-term development plan, places a strong emphasis on the sector. While Microfinance Institutions face many constraints, the lack of appropriate financial products and services invariably appears in surveys and analysis as one the leading hurdles to realizing growth. As in other areas, a broad-based approach is needed to build market driven financial solutions for the Microfinance Institutions segments.

Most entrepreneurs face challenges in finding a mode of financing that will not strain their cash flow and require for collateral because some businesses will require a substantial initial capital outlay. An ideal way to finance small businesses is through leasing as the item leased acts as the collateral and the lessor retains the right to the item. The entrepreneur might prefer leasing option as he has the option to change or return the item after sometime if he realizes that the product is not giving him good value for money.

This study seeks to identify whether leasing as mode of financing affects the financial performance of the Microfinance Institutions to enable the entrepreneur make an informed decision. There are various conditions that are related to leasing and each condition will be fundamental in enabling an entrepreneur take up lease finance. These conditions include the lease charges flexibility, lease term and the lease asset management. The conditions have different merits and as such forms the basis of decision making. Firms that have used leasing have experienced tax advantages, reduced initial cost outlays, increased cash flows, increased solvency, reduced financial distress, increased profitability and leasing has not affected their financial position as it is an off balance sheet mode of financing.

Similar studies on leasing have been conducted in other parts of Africa such as in Nigeria, effects of leasing as a source of finance on the profitability of Microfinance Institutions in Lagos state (Akinibola, 2012). In Uganda, Kampumure (2009) conducted a study on leasing competence, lease structures and perceived performance of Microfinance Institutions in Uganda. However no empirical evidence exists in Kenya correlating lease finance with financial performance of Microfinance Institutions. A knowledge gap therefore exists regarding the effects of lease finance on the financial performance of Microfinance Institutions in Kenya.

This study therefore seeks to establish the effects of lease finance conditions on the financial performance of SMEs in Kenya.

Objectives

i. To determine the effect of Lease Charges Flexibility on the Financial Performance of Microfinance Institutions in Kenya.

ii. To determine the effect of Lease Term Flexibility on the Financial Performance of Microfinance Institutions in Kenya.

iii. To determine the effect of Leased Asset Management on Financial Performance of Microfinance Institutions in Kenya

Theoretical review

Thünen-Series of Applied Economic Theory

Leasing is an alternative to bank loans with growing importance for the financing of small and medium sized enterprises (SMEs) in Europe. In Germany, leasing is the most important source of external finance. Almost half of the externally financed capital investments are financed through leasing, and 85% of leasing customers are small and medium-sized

enterprises (KfW, 2011). The growing use of leasing can be explained by its effects of generating liquidity, releasing equity capital and improving accounting ratios. Firms may thus improve their credit rating, gaining better access to bank loans. Because of the growing use of credit ratings in bank lending in recent years, the equity ratio of a firm has become more and more important for its access to bank loans and loan terms.

Real option theory

Real option theory posits that a discounted cash flow analysis is inadequate for capital budgeting purposes when the choices entail different degrees of ongoing management flexibility (Dixit and Pindyck 1994, Trigeorgis 1996). Any inherent flexibility in the use of an asset has a value separate from the expected cash flows. Many researchers identify a lease as a transaction type containing an embedded option and resulting flexibility to the lessee (Kenyon and Tompaidis 2001, Trigeorgis 1996, Grenadier 1995). This theory comes to assist decision makers in making more robust lease versus purchase decisions through the development and illustration of a model encompassing real option principles. This criterion can be added to other decision relevant factors, such as, relative after-tax discounted cash flows and financial reporting concerns in choosing between a lease and a purchase (Copeland and Weston 1988).

Theory of contractual provisions in leasing

Leasing is an important source of external financing for U.S. corporations. It has been estimated that a third of the capital equipment used by U.S. corporations is leased. However, the motivations for leasing are still not completely understood. While the finance literature has analyzed corporate leasing policy extensively, much of the discussion has been confined to tax-related incentives to lease or buy (Miller and Upton, 1976; Lewellen et al., 1976). These and other papers assume that the real operating cash flows associated with leasing or owning are invariant to the financial contract chosen, thus assuming that it is primarily tax-related incentives which drive the lease or buy decision.
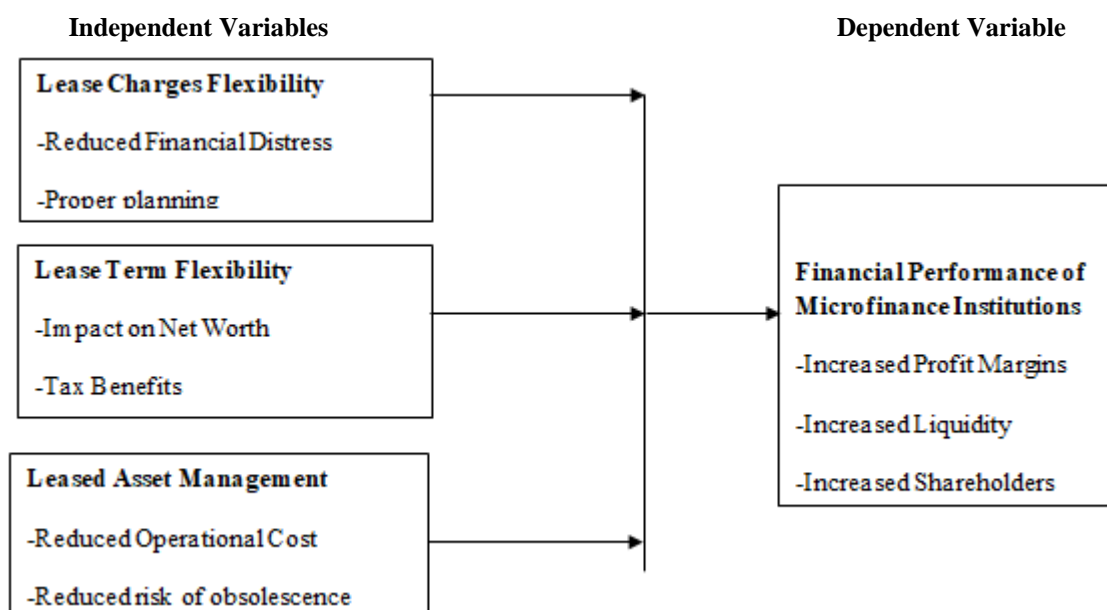
Conceptual Framework

Fig 1: Conceptual Framework

Critical review

Myers et al. (1976) developed a theoretical lease-buy decision model and defined the debt-to-lease displacement ratio (l) that represents the substitution between debt and leases. For Myers et al. (1976), l ranges between 0 and 1 (lease as a substitute to debt); however, they did not consider the possibility that l could be 0 (lease as a complement of debt). The most frequently advanced view is that leases and debt are perfect substitutes (l¼1). That is, an increase in leasing activity reduces borrowing on a same amount.

Other papers (Beattie et al., 2000; Marston and Harris, 1988; Yan, 2006) proposed that although there is a substitution effect, its magnitude is less than a full trade-off because some risk-sharing occurs between the lessee and the lessor (l between 0 and 1).Marston and Harris (1988) used financial statement data and OLS regression approach to examine the changes in debt and lease obligations (finance and operating leases). They found that the estimated coefficient of substitution between leases and debt was significantly positive and between 0 and 1, showing that companies reduced non-lease debt when leases increased, but did so on a less than dollar-for-dollar basis.

Beattie et al. (2000) investigated the degree of substitutability between lease and no lease debt financing using comprehensive measures of leases (finance and operating lease) and debt. To estimate total operating lease liabilities, they used the method of "constructive capitalization" suggested by ImhoffA et al. (1991). They found that lease and debt are partial substitutes, consistent with the argument that lessors bear some risks which are not inherent in debt contracts.

The results found by Yan (2006) and Deloof et al. (2007) yielded evidence that leases and debt substitute each other empirically rather than act as complements. Yan (2006) took the cost of debt into consideration and interpreted rising interest rates paid on outstanding debt with rising leases as evidence of the substitution-theory and argued that this interpretation is in line with the trade-off theory of capital structure. He found that the degree of substitutability is greater for companies that pay no dividends (more asymmetric information), companies that have more investment opportunities (higher agency costs from underinvestment), or companies with higher marginal tax rates (transferring tax shields is less valuable).

Deloof et al. (2007) investigated the lease-debt relationship for Belgian small and medium-sized companies and their results provided support for the substitution hypothesis. However, some of these studies (Bayliss and Diltz, 1986; Beattie et al., 2000; Marston and Harris, 1988; Yan, 2006) are subject to the difficulty of controlling for different asset bases related to leases in cross-sectional tests.

Finally, Klein et al. (1978) argued that leased assets are riskier than other assets, exposing the lessee to additional liquidity and bankruptcy costs and causing the value of the debt-to-lease displacement ratio to exceed one.Although the above studies proved that leases may serve as a substitute for debt financing, the overall empirical evidence is mixed, given that some authors (Adams and Hardwick, 1998; Ang and Peterson, 1984; Bathala and Mukherjee, 1995; Branson, 1995; Finucane, 1988; Kang and Long, 2001; Krishnan and Moyer, 1994; Lewis and Schallheim, 1992) found that leases are a complement to and not a substitute for debt ($\lambda>0$).

Using Standard & Poor's Compustat data on approximately 600 US companies and several different econometric models, Ang and Peterson (1984) demonstrated a positive correlation between leases and debt that led them to conclude that debt and leases appear to be complements, i.e. greater debt is associated with greater leases, even after controlling for the differences in debt capacity. The data used included companies from a number of industries, obviously, with different debt capacities. The addition of the non-debt explanatory variables may not adequately control for diverse debt capacities, which may explain the complementary relation between debt and leases. A second criticism is that Ang and Peterson (1984) failed to include operating leases, focusing exclusively on finance leases. Graham et al. (1998) indicated that this may be a serious omission.

A major critique that can be attributed to these studies is that only a cross-sectional relation was tested. Thus, the findings are consistent with the result that companies with high external financing requirements use debt and leases indifferently and it is not possible to reject the hypothesis that debt and leases are substitutes.

The study by Ang and Peterson (1984) was updated by Branson (1995) using Compustat data and reached the same conclusion. Other studies also reached the same conclusion: Finucane (1988) found that leases are positively related to the company's debt ratio, number of bond issues and bond rating, although he also found that leases are negatively related to the company's ratio of subordinated debt to assets; Kang and Long (2001) found that companies with high levels of regular debt also have higher levels of leases; Mehran et al. (1999) found that the Tobit model estimation suggested that debt and finance leases are complementary, but they did not find evidence of a significant interaction between debt and operating leases.

Lewis and Schallheim (1992) framed the lease choice within the optimal capital structure choice. They showed that lease can actually increase a company's debt capacity by selling excess non-debt tax deductions, and that leases and debt can be

ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 8, Issue 4, pp: (8-17), Month: October - December 2021, Available at: **www.paperpublications.org**

complementary within an optimal capital structure. Eisfeldt and Rampini (2008) presented another justification for increased debt capacity due to lease. They argued that leases provide the lessors with a benefit that consists in the ability to repossess the leased assets. They concluded that it is easier for a lessor to acquire a leased asset than it is to acquire collateral for a secured loan. This means that leases have a proportionate higher debt capacity than secured lending. However, leases can give rise to agency costs because of the separation of ownership and control of the leased assets. For these reasons, they concluded that leases tend to be more frequently used by companies that are more financially constrained.

2. RESEARCH GAPS OF LITERATURE REVIEW

There exists a gap in information on accounting for leases and its effect on a company's overall performance. There is no sufficient research evaluating the winners of the future; whether those leasing companies which are large in size and affect economies of scale or those which are associated with business houses.

Leases involve agency costs due to the separation of ownership and control of capital; a lessee may not have the same incentive as an owner to properly use or maintain the capital. This observation presents a research gap.A characteristic feature of leasing is separation of ownership and control of the leased asset with the lessee receiving the benefits of use and the lessor receiving the value of the lease payments plus the residual value of the asset. In practice this separation is not, however, discrete, but there is a continuum of different types of lease contracts where the degree of control over the asset between the lessor and the lessee varies. This invites a research on the same.

Summary

In summary, there is some evidence that the review of literature presented the need to carry out the study. The studies undertaken in this area of leasing ignore the emerging markets and their specific needs; in fact no study reviewed above considers factors such as institutional and corporate governance which are key to an efficient market in developing countries.

Overall, academic literature underlines the advantages of leasing as an additional source of finance for enterprises. It is an alternative mechanism to facilitate access to finance. Empirical results show that leasing exposures are associated with relatively low risk compared to other forms of financing (Schmit, 2005; De Laurentis & Mattei, 2009). The presence of physical collaterals contributes very largely to this reduced risk profile (Schmit, 2005).

Lease financing is a factor that has been discussed in several studies and also in general literature. We still have gaps in knowledge of effect of lease financing on the financial performance. The area is still being explored by researchers in the context of previous empirical work

3. RESEARCH METHODOLOGY

This study adopted a descriptive and exploratory research design.The target population of this study was 308 Microfinance Institutions from Nairobi County and in different sectors of the economy.The researcher sought to get information from the finance manager of these 308 Microfinance Institutions in Nairobi.This researcher sought to get a client list from Rentworks Ltd which is a leading leasing company in Kenya.For this study stratified random sampling was used. A sample of 33% was drawn from each stratum from which respondents was selected. The stratified random sampling method is best suited for this research because the population is heterogeneous.The researcher divided the population according to the economic sectors from which a representative sample was selected. This research therefore relied on a sample of 102 respondents.Thestudy used structured questionnaires to collect data from respondents. The researcher introduced the objectives of the study to the target respondents.The target respondents was assured of the confidentiality of their information.The questionnaires was pilot tested before the actual data collection.The researcher was interested in testing the reliability of the research instruments, the questionnaire hence validity of data collected. For this research both primary and secondary data collecting methods was used. The information gathered from the respondents was of a qualitative and quantitative nature. The data was summarized and then analyzed by the use of descriptive statistics comprising of tables, graphs and percentages. The MS Excel, statistical software was used to analyze the collected information. This is because the MS Excel provides simplified analysis that is easy to interpret and present.

Model

$Y=\beta_0+\beta_{1X_1}+\beta_{2X_2}+\beta_{3X_3}+\varepsilon$

Where,

Y= Financial Performance

β_0=Constant

X_1= Lease Charges Flexibility

X_2= Lease Term

X_3= Leased Asset Management

β_1, β_2 & β_3= Regression co-efficient

ε =Error term

4. RESULTS

Regression Analysis

Regression analysis was done in order to measure the ability of the independent variables to predict an outcome in the dependent variable where there is a linear relationship between them. In order to test the hypotheses of the of the regression model that there is no significant relationship between lease finance conditions and financial performance of Microfinance Institutions in Kenya. Analysis of Variance (ANOVA) was used (Cooper & Schindler, 2010). According to Anderson *et al*. (2002) Analysis of Variance can be used to test the relationship between independent variables on the financial performance by Microfinance Institutions and to test the goodness of fit of the regression model that is how well the model fits the data.

Cooper and Schindler (2010) claimed that regression analysis can also be used determine the strength of the relationship between the independent and dependent variables and to determine the combined effect of all the independent variables on the dependent variable. The coefficient of determination (R^2) was used to measure the change in dependent variable explained by the change in independent variables. F –test was carried out to estimate the significance of the overall model and to define the relationship between the dependent variable and independent variables; t- test was used to test the significance of the individual independent variables to the dependent variable. In fitting the multiple linear regression model, a regression analysis conducted was summarized in tables 4.1, 4.2 and 4.3

Table 4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.132[a]	0.170	-0.015	3.18752	0.017	0.544

1. Predictors: (Constant), Asset management, Term flexibility, Charges flexibility

Table 4.1 indicated the model summary which indicates the overall model. The R value represents the simple relationship and is 0.132 which indicates a high degree of correlation between the dependent and independent variables. The R Square indicates how much the total variation in the dependent variable can be explained by the independent variable. It is also called the coefficient of determination. In this case, it is 0.170 which means the independent variables determines 17.0% of the dependent variable. The remaining percentage of determination was subject to other variables that contributed to the financial performance of Microfinance Institutions

Table 4.2: ANOVAª

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.587	3	5.529	0.544	.000ᵇ
	Residual	934.746	92	10.160		
	Total	951.333	95			

Dependent Variable: Financial performance

Predictors: (Constant), Asset management, Term flexibility, Charges flexibility

Table 4.3 was the ANOVA table, which reports how well the regression model fitted the data which indicated that it predicted the dependent variable. This table indicated that the regression model predicted the dependent variable significantly well. The sig of .000 indicated the statistical significance of the regression model that was run. Here, $p = 0.000$, which is less than 0.05, and indicates that, overall, the regression model significantly predicted the outcome variable and therefore it was a good fit for the data. In fitting the regression model, the researcher determined the regression coefficients which showed the extent to which each independent variable contributed to the dependent variable and the results were shown in table 4.3

Table 4.3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25.015	3.223		7.763	0.000
	Charges flexibility	-0.077	0.109	-0.074	-0.711	0.479
	Term flexibility	0.078	0.114	0.070	0.681	0.497
	Asset management	0.079	0.101	0.081	0.785	0.435

    a.   *Dependent Variable: Financial performance*

The fitted model was as shown below

$Y = 25.015 - 0.077X_1 + 0.078X_2 + 0.079X_3 + \varepsilon$

Where:

        Y = Financial Performance

        X_1 = Lease charges flexibility

        X_2 = Lease term flexibility

        X_3 = Lease Asset Management

5. CONCLUSION

The study developed its conclusions from the major findings. Conclusions were classified according to the objectives of study. Regarding lease charges flexibility and financial performance, the study concluded that indeed flexibility of lease charges is imperative since it led to balanced cash flows within the Microfinance Institutions. Equally, the study concluded that Microfinance Institutions should practice flexible charges since it will attract a wider clientele which will in turn increase profitability and reduced capital expenditure in their operations. On the same note, the study concluded that for the Microfinance Institutions to acquire a good cash flow developed from its increased liquidity, they must embrace flexible lease charges. The study finally concluded that flexible lease charges improves company's budgetary planning and even its control which are the desired ingredients to financial performance of Microfinance Institutions

REFERENCES

[1]   Akinbola. (2012). Effects of Lease Options as a source of Finance on the Profitability. *Investment Journal , 3*(3), 15-30.

[2]   Ali, B. (2010). *Leasing in the Middle East and North Africa (MENA) Region.* Basel: Office of the Publisher,World Bank.

[3]   Bank, K. I. (2011). *Report on adjustment for commitments madein export and project financing.* Cairo: KFW .

[4]   Bank, W. (2008). International Finance Corporation. *Access to Finance Advisory*, 1-10.

[5]   Bank, W. (2017). *Ghana Agriculture Sector Policy Note.* Washington, DC: World Bank.

[6]   Barasinska and Schafer. (2010). DIW Discussion Paper. (pp. 10-15). Harmburg: German Institute of Economic Research.

[7]   Barker, R. (2004). Accounting Horizon. *Reporting Financial Performance*, 157-172.

[8]   Blanchflower. (2003, March 5). Entrepreneurship in the UK. *Availability of credit to minority and female owned small businesses*, pp. 15-25.

[9]   Blanchflower. (2003). International Handbook on the Economics of Migration. *University of Sussex,United Kingdom Journal*, 88-97.

[10] Braund, D. a. (1990). *The Role of Asset Leasing.* London: UK Corporate Financing Publishers.

[11] Bruder. (2011). Qualitative Analysis of the Lease buy decision. *Journal of Business,Finance and Accounting, 40*, 646-672.

[12] Carhart. (1997). Finance for Growth. *Journal on expanding finance for growth*, 5-6.

[13] Cavalluzzo. (2002). Small Business Loan Turndows,Personal Wealth and Discrimination in setting interest rate. In Cavalluzzo, *Foundations and Trends in Accounting* (pp. 1-70). UK Entrepreneur Press.

[14] Chemmanur. (2009). The corporate mediums of exchange. *Journal of Corporate Finance doi:10.1016/j.jcorpfin. 2009.08.004*, 80-98.

[15] Communities, C. o. (2002-2003). Demographic characteristics of the Entrepreneur. In C. o. Communities, *Entrepreneurship Manual* (pp. 89-135). London: The House of Lords.

[16] CPA, H. K. (2011). *Small and Medium Sized Entity Financial Reporting Framework and Financial Reporting Standard.* Claytown: The Society of Publishers in Asia.

[17] Dictionary, F. F. (2012). *Farlex Financial Dictionary.* Dublin: Farlex International Publisher.

[18] Fama. (1993). *Lease Valuation by Discounted Cash Flow Model.* Columbia: Columbia Business School.

[19] Finan. (2009). *Global Financial Stability Report.* Washington DC: International Monetary Fund.

[20] Gredair. (1995). Estate Financeand Economics. *The Journal of Real Estate Finance and Economics, 10*(2), 95-119.

[21] Hardwick, A. a. (1998). *Determinants of the leasing decision in United Kingdom listed companies.* London: London Publishers.

[22] Haunschild. (2004, October 26). Leasing. *Multivariante Analysis on Leasing*, pp. 50-60.

[23] Herbst, K. a. (1990). *The Roleof Leasing.* London: UK Corporate Financing Publishers.

[24] Herzegovina, C. B. (2002). *Classification of Lease.* Miltk: Leaseurope Publication.

[25] Hubbard, H. a. (1980). Lease Evaluation in the UK. *Current Lease Theory and Practice Journal*, 102-186.

[26] Jennergren, L. P. (2004). Forecasting of Lease Expense in Firm Valuation. *International Business & Economics Research Journal, 15*, 45-70.

[27] Kampurume. (2009). Leasing Competence,lease structures and Percived Perfomance of SMEs in Uganda. *Journal of Accounting and Public Policy*, 33-103.

[28] Kothari. (2004). *Research Methodology & Techniques.* Nairobi: New Age International Publishers.

[29] Levis, L. a. (1998). *Corporate Debt Management.* London: UK Corporate Financing Publishers.

[30] Levis, L. a. (1998). *The Motivation for Paying Scrip Dividends* (Vol. 4). Blackpool: Blackwell Publishers.

[31] Lewis, B. R. (1989). Quality in the Service Sector. *International Journal of Bank Marketing, 7*(5), 4-12.

[32] Majluf, M. a. (1984). The pecking order theory of optimum capital structure. *Journal of Financial Economics*, 187-221.

[33] Merton, G. a. (2008, November 28). Business Administration. *Working Paper Series in Business Administration*, pp. 8-21.

[34] Miller, U. a. (1976). Leasing decision and Capital Budgeting. *Leasing decision from a capital budgeting perspective using perfect capital market assumptions*, 6-32.

[35] Mishkin. (1983). An Intergrated view of tests of rationality,market efficiency and the short run neutrality. *London School of Economics Monetary Policy Journal*, 455-683.

[36] Moyer, K. a. (1994). Bankruptcy Costs and the Financial Leasing Decision. *Financial Management Journal, 23*, 31-42.

[37] Mugenda, M. A. (2003). *Research Methods.* Nairobi: Nairobi Focus.

[38] Nguyen, S. a. (1995). Capital Market Imperfections and the incentive to lease. *Journal of Financial Economics*, 2-3.

[39] Nguyen, S. a. (1995). Capital Market Inperfections aand the incentive to lease. *Journal of Financial Economics 39.2-3*, 271-294.

[40] Nicholas, M. a. (1988). *The Economic Impact of Leasing.* Basingstoke: Macmillan Publishers.

[41] Obure. (2002). *Data Analysis Using SPSS for Windows.* Nairobi: Nairobi M&O Data Expert Training and Consultants.

[42] Odhiambo, O. a. (2013). *SMEs Development in the Devolved Governance System.* Nairobi: Discovery Publishing House.

[43] OECD. (2005, December 02). OECD SME and Entrepreneurship Outlook. *OECD SME and Entrepreneurship Outlook*, p. 17.

[44] Ondiek. (2010). Capital Structure & Financial Perfomance. *Relationship between Capital Structure and Financial Perfomance of Listed Firms at the NSE*, 6-8.

[45] Orodho. (2003). *Essentials of educational and social sciences research methods.* Nairobi: Masola Publishers.

[46] Pindyck, D. a. (1994). *Investment under uncertainity.* London: R.S Princeton University Press.

[47] Rampini, E. a. (2009, July 2). Leasing,ability to repossess and debt capacity. *Review of Financial Studies*, pp. 8-14.

[48] Scholes, B. a. (1973). The Pricing of Options and Corporate Liabilities. *Journal of Political Economy, 81*(3), 37-54.

[49] Smaci, S. (2013). Financial Performance. *Financial Performance Analysis*, 9-13.

[50] Sternquist, B. (1998). South Korean retail industry. *International Journal of Retail & Distribution Management, 26*(9), 345-353.

[51] Sydnor, P. a. (2008, May 30). Prosper Market. *An analysis of the evolution of the prosper market and the profitability of loans*, pp. 19-28.

[52] Taylor, E. (1988). *Samoling Program Development and Evaluation.* Texas: Texas A&M University System.

[53] Temitope, O. a. (2013, February 2). Small and Medium Sized Enterprises. *Performance of Small and Medium Sized Enterprises*, pp. 1-5.

[54] Terry, F. a. (1975). *Corporate Financing Decisions.* Cambridge: Uk Survey Evidence.

[55] Thomas, I. a. (1988, March). European Journal of Operational Research. *European Journal of Operational Research, 185*(3), 1548-1563.

[56] Titman, J. a. (1993). Production Economics. *Internation Journal of Production Economics, 87*(1), 1-15.

[57] Trigeorgis. (1996). Managerial Flexibility and Strategic Resource Allocation. In C. a. Weston, *Strategic Resource Allocation* (pp. 55-78). Cambridge: MIT Press.

[58] University, N. D. (2010). *Leasing as an Alternative Method of Financing for Agricultural Co-Operatives.* Dakota: ABDO Publishing.

[59] Vancil, R. (2004, September 18). Private sector welcomes government leasing route. *Private sector welcomes government leasing route*, p. 5.

[60] Verschueren, D. a. (1999). Famility Business Succession and its Impact on Financial Structure. *Financial Management Journal*, 28-95.

[61] W, M. F. (2002). *Sampling in Research.* University of Nairobi Website.

[62] Wakeman, S. a. (1985). Determinants of Corporate Leasing Policy. *Journal of Finance, 40*(3), 895-908.

[63] Wanjau. (2007). Growth of Small and Medium Sized Enterprises. *The role of quality in growth of Small and Medium Sized Enterprises*, 25-30.

[64] Weston, C. a. (1988). *Financial Theory and Corporate Policy.* Hull: Addison Wesley Publication Company.

[65] Young, E. &. (2012). Applying IFRS & IASB. *Lease Project on the brink of re-exposure*, 5-8.