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Small-scale enterprises like Hapel Nigeria limited generally suffer from lack of adequate finance. The introduction of the structural adjustment programme compounded the problem such that the enterprise could hardly finance the fixed capital requirements.

In this circumstance, small-scale enterprise like Hapel Nigeria Limited would seek for a financing device that would enable them to obtain the use of required equipment without making outright payment. Leasing seems to be the answer. This study therefore, attempts to establish a case for leasing as a major financing device for small-scale enterprise by assessing the effectiveness of the source of finance available to them.

In terms of review of related literature, financing means for small-scale enterprise like Hapel Nigeria Limited was discussed and the Nigerian bank for commerce and industry was seen as the greatest supplier of credit to small-scale enterprise. The concept and evolution of leasing was looked into and thus leasing was seen as a contract between a lessor and lessee giving lessee possession and use of a specific asset on payment of rentals over a period.

In terms of methodology, the descriptive and historical research method is used. Data generated from the questionnaire administered and interviews were analyzed.

Based on the analysis of data, some interesting findings were made. In the first place, it was found that many small-scale enterprises engage in manufacturing business and most of the small-scale enterprises about 99.9% of them were aware of leasing financing technique. Most of the small-scale enterprises acquire the use of their required equipments through lease transactions. It was also found that the levels of awareness among small-scale enterprise acquire the use of their required equipments through lease transitions.

It was also found that the level of awareness among small scale enterprise like Hapel Nigeria Limited make effort to use lease financing techniques in their business transactions and this leasing has brought a lot of increase in their level of productivity.

The conclusion based on the findings was that leasing should be increasingly used by small-scale enterprise to activate the problem of financing burden in small-scale enterprises.

The researcher made some recommendations viz:

The Central Bank should effect changes in its credit guidelines with respect to leasing. Secondly, adequate publicity should be mounted to maintain and increase the level of awareness of leasing among small-scale enterprises.

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INTRODUCTION

1.1 BACKGROUND OF THE STUDY

It is unquestionably true that the development of a nation's industrial sector hinders greatly on the development of small-scale enterprises operating in that economy. This is because small-scale enterprises are significantly yielding the fruits of developing particularly employment, indigenous technological development, utilization of local resources and lower cost provision of inputs and services for large enterprises.

Small scale industries are important not only because they account directly for significant proportion of investment, output and employment in a nation but also even more significantly because they provide vital links in the chain in the economy as a whole, motivating, energizing, and connecting various sectors and sub sectors for greater overall output of employment and productivity.

Small-scale industries have an even greater potential for stimulating and sustaining technological progress and self reliance through production based adaptation innovation and through programmed link ages with the advanced industrial and market sectors. The indispensability of small-scale enterprises in a country's industrial growth.

Plan is a theme that runs through most writings and discussions on small-scale enterprises.

Yet, in Nigeria, small-scale enterprises suffer from a large potential. These constraints include inadequate finance, shortage of raw materials, marketing problems, inadequate infrastructural facilities, inappropriate technology and production, labour and inadequate management experiences etc.

This researcher, however believe that their greater problem is inadequate capital to establish on a proper basis and modernize or maintain their enterprises through periods of temporary adversity. Virtually, all the other problems emanate from inadequate finance. Almost 8 out of every 10 small businesses, are believed to have shortage of capital as their major problems.

With the introduction of the structural adjustment programme in 1986, the problems of inadequate capital was escalated such that small scale enterprise could hardly finance their fixed capital needs like plant and machineries which are mostly imported. This was because of the fluctuating exchange rate system under SAP, which devalued Naira by more than 60% later in 1987, a market determined interest rate structure was introduced and this raised the cost of credit. Besides, banks consider small scale enterprise as highly risky

and hence shy away from providing their financing needs, in spite of the Central Banks required annual credit minimum that must be allocated to them. Other financing, avenues such as owners capital retained earnings and direct government assistance are virtually ineffective. In the light of the above circumstances the question that naturally comes up is:

How can Hapel Nigeria limited adequately finance their fixed capital needs under the structural adjustment programme?

Leasing appears to be a viable financing alternative. Thus, this study will attempt to provide the rationale for leasing as a major financing device for small- scale enterprise.

1.2 STATEMENT OF THE PROBLEMS

A glance at the existing literature on financing avenues for small scale enterprises shows that small scale enterprise experience a chronic shortage of institutional, credit some of the problems emanated in Hapel Nigeria Limited are:

1. Hapel Nigeria Limited has not been executing jobs on scheduled because of lack of necessary machinery.
2. Hapel Nigeria Limited had lost contracts or projects because of availability of technical depths.
3. Hapel Nigeria Limited has loosed a lot of staffs due to unavailability of job to be done because of lost of contracts.

The situation calls for a remedy and this researcher believes that leasing could be promoted to satisfy to a great extent the financing needs of Hapel Nigeria Limited. This study therefore seeks to buttress the arguments for leasing.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

1. To find if small scale enterprise obtain adequate institutional credit
2. To accretion whether the fixed and working needs of small scale enterprises satisfied with retained earnings.
3. To find out if small-scale enterprises are aware of leasing as a financial device.
4. To accretion whether the merchant banks grant 'reasonable' leasing facilities in accordance with Central Bank prescribed ceiling on lease portfolio.
5. To make recommendations based on the finding

1.4 SCOPE OF THE STUDY

This study essentially covers only leasing as a source of credit to small-scale enterprises. This, it seeks to assess the effectiveness or adequacy of this source of finance of small scale enterprises including some other factors that constraint the scope and validity of this project.

1.5 RESEARCH QUESTIONS

1. Does small scale industries obtain adequate institutional credit?
2. Are you aware of the lease financing technique whereby companies can procure required plant and machinery without making an outright payment for them?
3. If you are aware, have your company made any effort in order to finance your company though leasing?
4. If your answer to question three is yes, what has the use of leasing resulted to?
5. Will your company be in the position to advice other companies to resort to leasing as means of finance to their companies?

6. Does merchant banks help small-scale enterprise in getting lease facilities?

7. If your answer to question 6 is Yes; do you feel that merchant banks have granted reasonable leasing facilities in accordance with the Central Bank prescribed ceiling on lease portfolio?

1.6 SIGNIFICANCE OF THE STUDY

This study will be relevant to the policy maker, small-scale enterpriser and future researchers. To the policy maker, this study exposes the ineffectiveness of the conventional sources of finance for small-scale enterprises.

To some the small-scale enterprises from denials, it must be adequately financed. Leasing is proposed as a viable alternative financing device and this can be optimally utilized by making appropriate policies concerning it. For the small-scale enterprises, this study is an attempt at increasing awareness of this indigenous financing option among them.

Finally, future researchers in this area of study will need this research work for reference purposes.

Chapter Two

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