

AN EMPIRICAL ANALYSIS OF LEASE FINANCING AND FINANCIAL PERFORMANCE OF LISTED  
PHARMACEUTICAL COMPANIES IN NIGERIA

Wofuru, Amadi – Robert (Ph.D)

Department of Accounting, Ignatius Ajuru University of Education, Rumuolumeni P.M.B. 5047,  
Port Harcourt, Rivers State, Nigeria

[Amadirobertwofurum@gmail.com](mailto:Amadirobertwofurum@gmail.com)

**Abstract**

This study empirically examined the effect of lease financing on the financial performance of listed pharmaceutical companies in Nigeria over the period 2019–2023. The study was motivated by the persistent capital constraints, high cost of asset acquisition, and regulatory compliance pressures facing pharmaceutical firms, which make traditional financing options less accessible and position leasing as a potential alternative source of finance. Guided by the Trade-off Theory and Agency Theory, the study adopted an ex post facto research design and used secondary data extracted from the published financial statements of the seven (7) pharmaceutical companies listed on the Nigerian Exchange Group. Lease financing was proxied by Operating Lease (OPL) and Financial Lease (FIL), while financial performance was measured using Return on Assets (ROA) and Return on Capital Employed (ROCE). Data were analyzed using descriptive statistics, Pearson correlation, and ordinary least squares (OLS) regression techniques with the aid of E-Views software. The findings revealed that operating lease has a significant effect on both ROA and ROCE, while financial lease has a significant effect on ROA but an insignificant effect on ROCE. Overall, the results indicate that lease financing exerts a significant influence on the financial performance of listed pharmaceutical companies in Nigeria, though the direction and magnitude of the effect vary by lease type and performance measure. The study concludes that leasing remains a strategic financing instrument for pharmaceutical firms but requires careful structuring to enhance financial performance. The study therefore recommends that pharmaceutical companies should prioritize financial lease agreements over operating leases for assets that support long-term growth and profitability, companies should implement detailed cost-benefit analyses for both operating and financial leases to optimize their impact on financial performance, ensuring that leasing decisions align with overall financial goals.

**KEYWORDS:** *Lease Financing, Financial Performance, Operating Lease, Financial Lease, ROA, ROCE*

**Introduction**

The pharmaceutical industry occupies a strategic position in Nigeria's socio-economic and public health architecture, serving as a critical pillar for healthcare delivery, disease control, and national productivity. As a sector that is both capital-intensive and technology-driven, pharmaceutical manufacturing requires continuous investment in modern production equipment, quality control systems, research and development infrastructure, storage facilities, and regulatory-compliant operational processes. However, despite its strategic importance, the Nigerian pharmaceutical industry is confronted with persistent financial, operational, and institutional constraints that limit its growth, competitiveness, and capacity for innovation. One of the most pressing challenges facing pharmaceutical firms in Nigeria is the difficulty in accessing sustainable and affordable financing for asset acquisition and expansion. Traditional sources of finance particularly bank loans and other debt instruments are often characterized by high interest rates, strict collateral requirements, short repayment tenures, and stringent contractual conditions, which make them largely inaccessible to many firms within the sector. These constraints significantly reduce the ability of pharmaceutical companies to invest in modern production technologies, expand operational capacity, and meet global quality standards, thereby weakening their competitive position both locally and internationally.

In this context, lease financing has emerged as a potentially viable alternative source of capital formation. Leasing allows firms to obtain the economic use of assets without outright ownership, thereby reducing the burden of heavy upfront capital expenditure. The economic benefits of leasing are largely derivative of a firm's strategic choice between leasing, borrowing, or direct asset acquisition, each of which carries distinct financial, operational, and risk implications. Leasing, therefore, represents not merely a financing option but a strategic financial decision that shapes capital structure, cash flow management, risk exposure, and long-term financial sustainability. However, despite its theoretical advantages, leasing as an instrument of finance is not without challenges. Many pharmaceutical companies in Nigeria continue to face capital constraints, limiting their ability to scale operations and adopt innovative technologies. The high cost of procuring and maintaining pharmaceutical-grade equipment, coupled with the need for continuous upgrades due to technological obsolescence, places significant financial pressure on firms. Although lease financing can reduce initial acquisition costs, its long-term implications for profitability, asset efficiency, and financial performance remain uncertain, especially in an environment characterized by market volatility and economic instability.

Furthermore, the pharmaceutical sector operates within a highly regulated environment. Firms are required to comply with stringent regulatory and quality standards, which often demand substantial financial investments in infrastructure, documentation systems, and compliance mechanisms. These regulatory and compliance costs further intensify financial pressures on firms, raising critical questions about the role of lease financing in mitigating financial burdens while sustaining regulatory compliance. Despite its potential relevance, the extent to which lease financing supports regulatory adaptation and operational sustainability in the pharmaceutical sector remains largely underexplored.

Empirical studies on lease financing and financial performance have been conducted across various sectors both within and outside Nigeria, including banking, oil and gas, manufacturing, conglomerates, and small and medium-scale enterprises (Atseye et al., 2020; Bello et al., 2016; Khalil et al., 2017; Munene, 2014; Asuquo et al., 2018; Orabi, 2014; Kajirwa & Ikapel, 2016). These studies provide valuable insights into the relationship between leasing and firm performance; however, they are largely sector-specific and context-dependent. A critical review of existing literature reveals a sectoral gap, as no known empirical study in Nigeria has significantly and systematically examined the effect of lease financing on the financial performance of listed pharmaceutical companies. This gap is particularly significant given the unique financial structure, regulatory environment, capital intensity, and operational dynamics of the pharmaceutical industry. The absence of sector-specific empirical evidence limits the ability of policymakers, financial managers, investors, and regulators to make informed decisions regarding the strategic use of leasing as a financing mechanism in the industry. It is against this backdrop that this study is undertaken. The study seeks to provide an empirical examination into the effect of lease financing on the financial performance of listed pharmaceutical companies in Nigeria, using operating lease and financial lease as proxies for lease financing, and return on assets (ROA) and return on capital employed (ROCE) as measures of financial performance. By focusing on listed pharmaceutical firms, the study offers sector-specific evidence that contributes to both theory and practice, enriches the existing body of knowledge, and provides a basis for strategic financial decision-making in the Nigerian pharmaceutical sector.

Ultimately, this research is positioned not only to fill an existing empirical gap in the literature but also to contribute to policy formulation, corporate financial strategy, and sustainable financing practices within Nigeria's healthcare and pharmaceutical ecosystem.

#### Conceptual Framework



**Figure 1.1:** Conceptual framework on the effect of lease financing on financial performance.

**Sources:** Atseye et al., 2020; Bello et al., 2016; Khalil et al., 2017; Munene, 2014; Asuquo et al. (2018).

#### **Aim and Objectives of the Study**

The aim of this study was to determine the effect of lease financing and financial performance of listed pharmaceutical companies in Nigeria. The specific objectives of the study are to:

1. Evaluate the effect of operating lease on return on asset of listed pharmaceutical companies on the Nigerian Exchange Group.
2. Determine the effect of financial lease on return on asset of pharmaceutical companies on the Nigerian Exchange Group.
3. Evaluate the effect of operating lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group.
4. Determine the effect of financial lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group.

#### **Research Questions**

1. What is the effect of operating lease on return on asset of listed pharmaceutical companies on the Nigerian Exchange Group.?
2. What is the effect of financial lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group?
3. What is the effect of operating lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group.?
4. What is the effect of financial lease on return on asset of listed pharmaceutical companies on the Nigerian Exchange Group.?

#### **Research Hypotheses**

**Ho<sub>1</sub>:** There is no significant effect of operating lease on return on asset of listed pharmaceutical companies on the Nigerian Exchange Group.

**Ho<sub>2</sub>:** There is no significant effect of financial lease on return on asset of listed pharmaceutical companies on the Nigerian Exchange Group.

**Ho<sub>3</sub>:** There is no significant effect of operating lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group.

**Ho<sub>4</sub>:** There is no significant effect of financial lease on return on capital employed of listed pharmaceutical companies on the Nigerian Exchange Group.

### **REVIEW OF RELATED LITERATURE**

#### **Conceptual Review**

### **Lease Financing**

Lease is an essential concept in business. Globally, leasing is regarded as an efficient and effective source of finance for capital formation. Start-ups or new small businesses often look for leasing options because their resources are limited, and owners of these businesses don't want to invest so much money in acquiring assets to support the business in the beginning. That's why they lease the assets whenever they require. Leases are a suitable financing option where substantial capital outlay is required for assets as obtains in technology-intensive industries (Abdulkarim et al., 2020). Al- Qaisi (2018) traced the origin of leases to the 1950s in the United States, its extension to Japan and Europe in the 1960s and thereafter, developing countries.

According to IAS 17, a lease agreement is a contract between two parties, the lessor and the lessee. The lessor is the legal owner of the asset, the lessee obtains the right to use the asset in return for rental payments. Under leasing a company acquires the right to make use of an asset without holding title to it a lease, thus, is a written agreement for economic use of assets for a stated period of time. The lease agreement is signed by both the owner of the assets, called the lessor and the user, called the lessee. The lessor permits the lessee to use the asset for a specified payment but retains its title. It sets forth the period covered by the lessee, provides for payment of taxes, insurance, maintenance expenses and the like, and for renewal of the lease or purchase of the asset at the expiry of the agreement and the timing and amounts of periodic rental payments during the lease period.

### **Dimensions of Lease Financing**

#### **Operating Lease**

Operating lease is a lease where the risk and the return stay with the lessor. In other words, it is a commercial contract where the lessor allows the lessee to use an asset in place of periodical payments for a small period. An operational lease involves the lessee only renting an asset over a time period which is substantially less than the asset's economic life. According to Lorigan (2014) as cited by Kajirwa and Ikapel (2016), operating lease is a contract that allows for the use of an asset, but does not convey rights of ownership of the asset. The lessor is usually responsible for maintenance and insurance. The leasing agency retains ownership of the equipment during the lease and recovers its capital costs through multiple rentals and the asset's final sale (Islam et al., 2014).

#### **Financial Lease**

A financial lease is a lease where the risk and the return get transferred to the lessee (the business owners) as they decide lease assets for their businesses. It simply means a commercial contract in which the lessor lets the lessee use an asset instead of periodical payments for the usually long period. This view is in line with the assertion of Orabi (2014) that financial lease depends on the transfer of all the risks and benefits of the underlying asset to the lessee. The determination of the premiums includes rent benefits, so the lessee bears the cost of maintenance and insurance, as well as obsolescence or depreciation.

#### **Financial Performance**

The concept of financial performance and organizational wellbeing is of paramount importance to various stakeholders. In order to meet the expectations of different stakeholders, senior managers continuously strive to improve the performance of their organizations. Performance can be defined as the accomplishment of specified business objectives measured against known standards, completeness and cost (Davis & Cobb, 2012; Thrikawala, 2011). Performance is the function of the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage.

### **Measures of Financial Performance**

#### **Return on Asset (ROA)**

According to Penman (2010), return on assets is a measure that is commonly used to measure

the financial performance of a firm's operations. ROA measures the income available to debt and equity investors per dollar of the firm's total assets (Brealey et al., 2011). That is, it measures financial soundness of the firm in terms of its assets. As mentioned above, it also indicates the overall financial health of a firm (Bodie et al., 2011). Munene (2014) established that leasing had a negative but insignificant effect on Return on Assets. Kibuu (2015) established that there is an insignificant positive relationship between lease financing and ROA. It was therefore used in the regression model as a measure of financial performance. Specifically, it is the ratio of revenues generated over a firm's total assets.

### **Return on Capital Employed**

According to Singh and Yadav (2013) return on capital employed (ROCE) is a measure of efficiency of management in the application or use of the organization's funds or resources in a given financial period. It is a financial ratio that can be used in assessing a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use (Hayes, 2021).

## **Theoretical Review**

### **Agency Theory**

The proponents of the agency theory are Jensen and Meckling in 1976. This theory was corroborated by various researchers (Abata & Migiro, 2016; Alotaibi, 2014; Darussamin et al., 2018; Walid & Ameer, 2013). It is called the agency theory because it involves the principal (shareholder) and the agent (management). As opined by Jensen and Meckling (1976), and Fama and Jensen (1983), an agency relationship occurs when the principal delivers decision-making authority to an agent to perform some services on the behalf of the principal. Shareholders (and debt holders) act as principals in seeking to obtain maximum utility from the actions of management (who serve as the agents). However, both parties in the relationship are utility maximizers and it is reasonable to believe that the managers will not always act in the best interests of the shareholders but will pursue self-interest creating the agency problem. As a result of having conflicting aspirations, both shareholders and managers incur monitoring and bonding costs respectively, known as agency costs.

Agency conflicts can arise between bondholders and shareholders, between managers and Shareholders or between lessor and lessee and can lead to asset substitution and underinvestment. However, in case of short-term operational leases, agency costs may also arise between lessor and lessee due to the separation of ownership from usage of asset. Since the lessees have no right to the residual value of the asset, they have no incentive to take proper care of it. A study by Vasantha (2012) on capital market frictions, leasing and investment, revealed that consistent with the agency theory, lessee firms with higher information asymmetry rely on more lease financing. However, the evidence on agency costs is mixed. Also, firms with significant tax-loss forwards were unable to take full advantage of tax benefits of asset ownership, hence they leased more.

The weakness of this theory is that it assumes that the agent needs to comply with the contractual agreement without considering ethics. This however is not the case in the current business environment as ethics and corporate governance are key issues to be complied with (Zogning, 2017). The theory considers that the agreement is for a defined or undefined period of time without considering the uncertainty of the future, it disregards the competency of the managers by emphasizing the opportunistic nature of the agents and it doesn't consider the many hindrances like fraud, information asymmetry and transactional costs that may still be present with the agency theory. (Panda & Leepsa, 2017). Irrespective of the weakness of the agency theory, it is relevant to this study because entailed that lease financing brings about increase in efficiency on the part of management of the firms, which in turn would likely contribute to the financial performance of the firms.

### **Trade-off theory**

The proponents of this theory are Modigliani and Miller in 1963. This theory was further corroborated by Krans and Litzenberger in 1973. The theory assumed that there is an optimal level of financing while taking into consideration the benefits and costs of debt and equity (Myers & Majluf, 1984). According to the theory, the benefit attributed to debt is the reduction of tax after payment of interest while the costs involved are the agency costs and the bankruptcy costs. (Serrasqueiro & Caetano, 2012).

The two bankruptcy costs are the distress costs and the liquidation costs. The distress costs refer to the costs that a firm would incur in the event that there is a possibility that the firm may be discontinued while the liquidation costs refer to the potential loss where the firm may face loss of value in the event that it sells off all of its assets (Serrasqueiro & Caetano, 2012).

Trade-off theory holds that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. The theory when applied to this study poses a question of how much debt including lease option should be traded for equity to enhance the financial performance of listed construction companies in Nigeria.

### **Anchored Theory**

This study is anchored on the Trade-off theory because the theory when applied to this study poses a question of how much debt including lease option should be traded for equity to enhance the financial performance of listed construction and real estate companies in Nigeria. Also, this theory gives listed construction and real estate companies in Nigeria a clue on how much debt finance and equity finance to use by balancing the costs and benefits.

### **Empirical Review**

Sharma et al. (2025), examined the impact of IFRS 16 lease accounting on corporate ESG scores. Using a difference-in-differences approach on BSE-listed companies, we find that lease-intensive firms experienced a significant improvement in ESG scores following the adoption of IFRS 16. The effect is notably stronger in high-growth firms, suggesting that market dynamics amplify the response to accounting change. To validate our findings, we employ entropy balancing to address potential endogeneity and confirm the robustness of the results. This research contributes to the literature by highlighting how specific accounting reforms can drive sustainability outcomes, particularly in emerging markets, and offers practical implications for investors, regulators, and firms navigating the evolving ESG landscape.

Xue and Kamaruddin (2025) Investigated the effects of IFRS 16 implementation on financial statements and key financial metrics. With the adoption of the new standard, operating leases are capitalized on the balance sheet, increasing both assets and liabilities. This structural change impacts key financial metrics such as debt-to-equity ratio, which rises due to increased liabilities and EBITDA, which increases as operating lease expenses are replaced by depreciation and interest. The study is based on a literature review of existing empirical research focused on European listed companies with attention to differences between industries. Results indicate that the impact of IFRS 16 varies significantly across industries, depending on the number of operating leases in relation to the size of the balance sheet. Sectors such as retail, transportation and consumer goods are the most affected. Overall, IFRS 16 is found to enhance transparency and comparability in financial reporting, supporting stakeholders in making financial decisions.

### **METHODOLOGY**

#### **Research Design**

The research design adopted for this study was the ex post facto research design. The reasons being that the data in respect to lease financing and financial performance are already existing as reported in the financial statement of listed pharmaceutical companies on the Nigerian Exchange

Group. Therefore, they were beyond the manipulations of the researcher.

### **Population for the Study**

The population of this study comprised of seven (7) listed pharmaceutical companies on the Nigeria Exchange Group in 2026.

### **Sample and Sampling Techniques**

The researcher's assumption for this study is that the sample is a representative of the target population, which may or may not be the case. But in this study, since the population was small seven (7) listed pharmaceutical companies, the researcher decided to use census approach whereby the entire population was chosen as the sample size.

### **Source of Data collection**

The source of data collection for this study was through the secondary data. This was possible through the published financial reports of the selected listed pharmaceutical companies from 2019-2023.

### **Instrument for Data Collection**

The instrument for data collection for this study was the financial report of selected listed pharmaceutical companies as obtained from the Nigerian Exchange Group for the period of 2019-2023 which is a secondary data.

### **Method of Data Analysis**

Data analysis has to do with describing the data generated and testing of hypotheses. Therefore, the two types of data analysis are descriptive data analysis and inferential data analysis.

**Descriptive Analysis:** This involves a univariate analysis which is used in analyzing the personal data and research questions in describing the dependent and independent variables in a correlational study. The data for financial performance measured by return on assets and return on capital employed and the data for lease financing operationalized as operating lease and financial lease in this study were analyzed using mean and standard deviation.

**Inferential Analysis:** This entails bivariate and multivariate analyses, which are used in hypotheses testing. In testing the impact of lease financing on financial performance, the ordinary least squares linear regression model was applied, but the impact of lease financing and financial performance was tested with the Pearson product moment coefficient of correlation at 5% level of significance. These statistical techniques seem appropriate considering the parametric nature of the data generated and the nature of the research hypotheses, which are intended to measure the impact of one variable and the other. These analyses were conducted with the aid of the Economic View (E-View).

## **DATA PRESENTATION AND ANALYSIS/RESULTS AND DISCUSSION OF FINDINGS**

**Data Presentation** Table 1 in the Appendix I present trend of lease financing and financial performance of listed pharmaceutical companies in Nigeria. Here, lease financing variables include Operating Lease (OPL) and Financial Lease (FIL) while financial performance is proxy by the return on asset (ROA) and Return on Capital Employed (ROCE) of the listed pharmaceutical manufacturing companies.

### **Data analysis**

#### **Descriptive analysis**

For effective analysis of the data collected for this study, the descriptive statistics was applied to appraise the structure or nature of the data so collected. Presented in table 4.1 below is the result of the descriptive statistics of the data as generated by the Eviews version 10 software. Table 4.1 below presents a descriptive statistics of panel data variables for lease financing variables and financial performance variables. The essence of this is to indicate the level of disparity among the variables.

**Table 1: Result of Descriptive Statistical Analysis**

	LOGFIL	LOGOPL	ROA	ROCE
Mean	1159232.	21814341	1.325143	0.284857
Median	385131.0	1517029.	1.220000	0.220000
Maximum	4780952.	1.34E+08	4.190000	0.930000
Minimum	4594.000	244483.0	0.120000	0.030000
Std. Dev.	1343428.	42299781	1.069454	0.231191
Skewness	1.336143	1.993057	0.780069	0.823220
Kurtosis	3.807197	5.229320	3.025163	2.937629
Jarque-Bera	11.36432	30.41933	3.550554	3.958872
Probability	0.003406	0.000000	0.169437	0.138147
Sum	40573121	7.64E+08	46.38000	9.970000
Sum Sq. Dev.	6.14E+13	6.08E+16	38.88687	1.817274
Observations	35	35	35	35

*Source: Author Computation (2026) Using E-views Version 10*

Table 4.1 reflected the descriptive features of the study variables. Operating Lease cost was one of the measures of lease financing as used in this study and shows a mean of 21814341, with a standard deviation of 42299781 which was high and suggested the presence of volatility in Operating Lease cost behaviour of the distribution of companies. The Operating Lease cost ranged with the minimum of 244483.0 to a maximum of 1.34E+08. The results above on Table 4.1. also showed that Financial Lease (FIL) have an average of 1159232.for the period concerned. Consequently, the standard deviation is 1343428.with minimum and maximum values of 4594.000 and 4780952. respectively

### Summary of Findings

**Table 2: Summary of Results**

HYPOTHESES	COEFFICIENT	STD. ERROR	T. STAT	P. VALUE (0.05)	DECISION	REMARKS
H <sub>01</sub>	-7.77	2.38	-4.10	0.0005	Significant	REJECTED
H <sub>02</sub>	1.43	0.17	8.29	0.0000	Significant	REJECTED
H <sub>03</sub>	-0.58	0.18	-3.26	0.0036	Significant	REJECTED
H <sub>04</sub>	-0.03	0.04	-0.68	0.4993	Insignificant	ACCEPTED

*Source: Author Computation (2026) Using E-views Version 10*  
**Discussion of Findings**

#### **Operating lease and Return on Assets (ROA)**

The study's findings on Hypothesis 1; showing that operating lease has significant effect on Return on Assets (ROA) align with the studies of Olweny and Muthoni (2019) have shown that leasing can support financial performance for SMEs by improving cash flow and budgetary control when lease terms are flexible. The lack of significant influence in our study might reflect variations in firm size, financial structure, and industry context, as larger or more established firms, like those in our sample, may not experience the same cash flow constraints as SMEs.

#### **Financial leasing and Return on Assets (ROA)**

The findings for Hypothesis 2, indicating that financial leasing has significant effect on Return on Assets (ROA), in agreement with Inalegwu (2019) found that lease financing significantly enhanced profitability and liquidity for Nigerian oil and gas companies, suggesting that the financing benefits of leasing, such as conserving working capital and flexibility in asset management, may support performance in certain industries.

#### **Operating leasing and Return on Capital Employed (ROCE)**

Our results, which indicate that operating leases have a significant effect on Return on Capital Employed (ROCE), align with findings in certain studies and diverge in others, suggesting a nuanced relationship between lease financing and capital efficiency. For instance, Onyenenu and Ejoh (2024) determined the effect of lease financing on the corporate financial performance of quoted non-financial companies in Nigeria. The specific objective was to examine the effect of operating leases and capital leases on the return on assets of quoted non-financial companies in Nigeria. Ex-post facto research design was used in the study. The population of the study comprised 63 listed non-financial firms in Nigeria. Data were collected from thirty (30) quoted companies between 2011-2020. The Panel Regression results estimated using Panel Corrected Standard Error (PCSE) revealed the following: Operating leases has significant effect on the Returns on assets (ROA) of quoted non-financial companies in Nigeria at the 0.05 significance levels; capital leases have significant effect on the Returns on assets (ROA) of quoted nonfinancial companies in Nigeria at the 0.05 significance levels. In conclusion, the positive effect of finance leases on ROA of Nigerian non-financial quoted companies is a result of higher contribution of leases to profits, than to assets components. The study recommends that firms should embrace operating leases financing as a method of financing their operations in order to improve operating profits, as such leases do not utilize or deplete existing working capital of firms.

#### **Financial leasing and Return on Capital Employed (ROCE)**

Our findings reveal an insignificant effect of financial leasing on Return on Capital Employed (ROCE), which is in agreement with Moreover, Eric's (2012) study on French SMEs supports the notion that firms with better credit ratings and leverage management are more inclined to use lease financing, which can boost their overall performance. However, the study also does not

specifically link leasing to improvements in ROCE. Instead, it suggests that firms may use leasing strategically to maintain liquidity or manage credit costs, which can enhance certain performance metrics without necessarily impacting capital efficiency.

#### **SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND CONTRIBUTION TO SCHOLARSHIP**

##### **Summary**

This research work examined the relationship between lease financing and financial performance of listed pharmaceutical companies in Nigeria from 2019 to 2023

##### **Conclusions**

Every pharmaceutical company desires to remain in business and have a competitive advantage over others, with a team of hardworking. Pharmaceutical companies are established to achieve some set goals and objectives.

Based on the results as analyzed, the study conclude that Operating Lease has a positive and significant effect with Return on Capital Employed. The results also showed that Financial Lease have a significant and negative effect return on asset and have an insignificant and negative effect Return on Capital Employed of pharmaceutical companies in Nigeria. Operating Lease has a negative and significant effect with return on assets of listed pharmaceutical companies in Nigeria. The study concludes that lease financing has a significant and negative effect on financial performance of listed pharmaceutical companies in Nigeria. This implies that effective lease financing can improve financial performance of listed pharmaceutical companies in Nigeria.

##### **Recommendations**

1. Since financial leases significantly affect return on capital employed (ROCE), pharmaceutical companies should prioritize financial lease agreements over operating leases for assets that support long-term growth and profitability.
2. Companies should implement detailed cost-benefit analyses for both operating and financial leases to optimize their impact on financial performance, ensuring that leasing decisions align with overall financial goals.
3. Pharmaceutical companies should consider the influence of firm size on lease financing decisions by ensuring resources are appropriately scaled and managed to maximize the moderating effect of firm size on performance outcomes.
4. Companies should consistently track key performance indicators such as ROA and ROCE, adjusting leasing strategies accordingly to ensure that financial leasing decisions positively impact these metrics.

##### **Contributions to Knowledge**

**Insight into Lease Financing and Financial Performance:** This study provides empirical evidence on how different lease types—operating and financial—affect the financial performance of pharmaceutical companies, particularly through metrics like Return on Assets (ROA) and Return on Capital Employed (ROCE). This adds to the limited research on lease financing effects in emerging markets, specifically within the Nigerian pharmaceutical sector.

**Enhanced Framework for Lease Decision-Making:** The study provides a framework for pharmaceutical companies and similar industries to make better-informed decisions regarding lease types. It highlights how financial leases, in particular, tend to have a stronger impact on profitability than operating leases, suggesting a strategic focus for firms looking to improve ROCE.

**Application of Financial Ratios as Performance Indicators:** This research reinforces the relevance of specific financial ratios, like ROA and ROCE, as indicators for assessing the impact of lease financing on firm performance. The study emphasizes these metrics as valuable tools for assessing leasing decisions in financial management.

**Implications for Financial Management in Emerging Markets:** The study extends the understanding

of financial leasing's influence in emerging economies, offering context-specific insights that address how lease financing decisions can be optimized within these regions, where capital constraints and market volatility often influence strategic decisions. This provides a basis for future research and for companies in similar markets to benchmark leasing practices.

#### REFERENCES

- Abata, M. A., & Migiro, S. O. (2016). Capital structure and firm performance in Nigerian-listed companies. *Journal of Economics and Behavioral Studies*, 8(3), 54-74.
- Abdulkarim<sup>1</sup>, U. F., Mohammed, L., & Musa-Mubi, A. (2020). Lease finance in Nigeria: Current status, challenges and future prospects. *Journal of Accounting Research, Organization and Economics*, 3(2), 172-181.
- Abiodun, Y., (2013). The effect of firm size on firms' profitability in Nigeria. *Journal of Economics and Sustainable Development*, 4(5), 1-13.
- Adebisi, O. (2024). Relationship Between Tenant Characteristics and Lease Performance Indicators in Nigeria: A Case Study in Ibadan. *International Journal of Real Estate Studies*, 18(1), 54-65.
- Adoke, H. R., & Waziri, A. U. (2023). Factors of Financial Lease and Financial Performance of Lease Manufacturing Companies in Nigeria. *Ife Social Sciences Review*, 31(2), 28-37.
- Akhtar, M. F., Ali, K., & Sadaqat, S. (2011). Liquidity risk management: A comparative study between conventional and Islamic banks of Pakistan. *Interdisciplinary Journal of Research in Business*, 1(1), 35-44.
- Akinadewo, I. S., Ajibola, O. A., Obamoyegun, O. J., Adeosun, O. T., & Akinadewo, J. O. (2023). Determinants of Finance Lease Capitalization Accounting Choice: An Empirical Investigation of Nigeria Listed Firms. *Journal of Harbin Engineering University*, 44(10), 740-754.
- Al-Qaisi, K. M. (2018). Financial leasing in the MENA region: Analysis of the international and legal aspect. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 8(1), 119–130.
- Alazzam, F. A. (2015). Financial leasing in the construction companies in Irbid City. *Business and economic research*, 5(1), 51-60.
- Alkhatib, K. (2012). The determinants of leverage of listed companies. *International Journal of Business and Social Science*, 3(24), 78-83.
- Alkhazaleh, A. M. K., & Al-Dwiry, M. (2018). To what extent does financial leasing have impact on the financial performance of Islamic banks: A case study of Jordan. *Academy of Accounting and Financial Studies Journal*, 2(1), 1-14.
- Amaha, B. (2024). *The effect of lease financing on competitiveness of small and medium enterprises in Nifas Silk Lafto Sub City* (Doctoral dissertation, St. Mary's University).
- Ameziane, M. L., & Mario, L. (1996). *The determinant of leasing decision of small and medium companies*. London Business School.

- Ang, J., & Peterson, P. (1984). The leasing puzzle. *Journal of Finance*, 39(4), 1055-1065.
- Aondoakaa, K. (2015). Sustainability reporting and corporate performance of selected quoted companies in Nigeria (Ph.D. thesis university of Nigeria).
- Arema, A. A., & Ayorinde, Y. O. (2022). Lease Financing and Financial Performance of Listed Manufacturing Companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 10(6), 1-8.
- Asuquo, A.; Anyadike, A., & Chinenyenwa, B. (2018). Effect of lease financing on corporate performance of deposit money banks in Nigeria (2005-2016). *8th International Conference of Accounting and Finance Research Association*, at university of Calabar international conference centre, Cross River state, Nigeria.
- Atseye, F. A., Mbotto, H. W., & Lawal, S. G. (2020). Lease financing and profitability: Evidence from Nigerian quoted conglomerates. *International Journal of Economics and Financial Issues*, 10(1), 132-137.
- Atseye, F. A., Mbotto, H. W., & Lawal, S. G. (2020). Lease financing and profitability: Evidence from Nigerian quoted conglomerates. *International Journal of Economics and Financial Issues*, 10(1), 132-137.
- Aurangzeb, R., & Shujaat, M. M. (2012). Do low profit companies prefer lease over loan? because of taxes? *Journal of Managerial Sciences*, 6(1), 53-60.
- Awino (2013). An empirical investigation of annual reporting trends of intellectual capital in Sri Lanka. *Critical Perspectives on Accounting*, 1(6), 151–63.
- Awwad, B. (2021). Financial leasing in Palestinian Islamic banks and its role in enhancing financial performance: an analytical study.
- Babalola, Y. A. (2013). The effect of firm size on firms' profitability in Nigeria. *Journal of Economics and Sustainable Development*, 4(5), 90-94.
- Joseph Uche (Ph.D. CNA), O., & Tebhon Spiff, A. (2025). FAIR VALUE ACCOUNTING AND FINANCIAL PERFORMANCE OF LISTED CONSTRUCTION COMPANIES IN NIGERIA. *BW Academic Journal*. Retrieved from <https://www.bwjjournal.org/index.php/bsjournal/article/view/3054>