



LEASE ACCOUNTING AND INVESTOR RETURNS OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

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ABSTRACT:

The broad objective of the study is to examine the effect of lease accounting on investor returns of listed non-financial firms in Nigeria. The study specifically examined the effect of lease accounting on dividend yield and earnings per share of listed non-financial firms. The study adopted the ex post facto research design. The population was comprised of non-financial firms listed on the Nigerian Exchange Group (NGX). A total of ninety - five (95) non-financial firms listed on the Nigerian Exchange Group were identified as of 31st December 2022. The study employed a purposive sample of seventy-four (74) non-financial firms. The study relied on secondary data from annual reports and accounts covering a period of 11 years (2012 – 2022). The data were analysed using Ordinary Least Square (OLS) with the aid of IBM SPSS Ver. 25 statistical software. The results showed a non-significant effect of lease accounting on the dividend yield of listed non-financial firms; and, a non-significant effect of lease accounting on earnings per share of listed non-financial firms in Nigeria. Based on this, the researcher recommends that shareholders should evaluate the lease contractual arrangements of firms, such as debt covenants, repayment obligations, and future cash flow requirements. Shareholders should evaluate the implication of lease liabilities on their detrimental effects on EPS as, under the new standards (such as IFRS 16), companies are required to recognize lease liabilities and corresponding right-of-use assets on the Statement of Financial Position (SoFP).

1. INTRODUCTION

Leasing is a possibility for organisations to expand their access to short- and medium-term financing. The rapid growth of leasing as a means of funding prompts the accounting standard to change dynamically due to periodical modifications. In 2006 International Accounting



Standard Board (IASB) and the Financial Accounting Standard Board (FASB) formed a joint project to revise accounting standards for leasing. As a result, the exposure draft for leases was issued in August 2010 and revised in the second quarter of 2013. In the latest exposure draft, IASB and FASB suggest capitalization of assets and liabilities arising from company leasing activities (Sacarin, 2017). Previously, operating lease payment was categorized as an expense even though it substantially results in continuing liability for both lessor and lessee, as opposed to liability that ends in one accounting period as an expense, because a lease normally runs for more than one year.

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease. Leasing is referred to as asset-based financing. As lessors retain ownership of the assets they lease throughout the life of the contract, these leased assets are therefore an inherent form of collateral in such contracts (compared to traditional bank lending which will either be unsecured or make use of different types of collateral and typically not physical assets such as equipment which are inherent in leases). Hence, leasing separates the legal ownership of an asset from its economic use. Ownership of the asset may or may not pass to the customer at the end of the lease contract. Contracts, where legal ownership of the asset passes directly to the customer at the start of the agreement, are not considered to be leases. Based on contractual arrangements, the lessee is allowed to use an asset which is owned by the lessor; the lessee pays specified periodic rentals. The lessor relies on the lessee's ability to generate sufficient cash flows to pay the lease rentals (rather than relying on the lessee's other assets or track record/credit history). Current accounting standards such as IAS 17 and IFRS 16 require companies to disclose financial obligations resulting from non-cancellable operating leases. Accordingly, managers do take advantage of the operating lease method in order to hide liabilities in the statement of financial position in order to make the financial statements more attractive. It is believed that rented assets which are recorded as financing or capital lease will negatively affect financial position, increase the probability of the company violating debt covenants, reduce compensation paid to owners of companies, and decrease the rate of return and quality of debt to equity. These impacts may make the company less attractive to potential investors. Bennet and Bradburry, (2013) further showed that capitalization of an operating lease into the statement of financial position may affect accounting ratios. If accounting ratios are the main input in decision-making, then this will affect decisions made by users of financial statements.

Investor returns refer to the gains or losses that investors earn from their investments over a specific period. These returns can be realized through various sources, such as dividends,



capital appreciation, interest income, or other distributions. The measurement of investors' returns should be done from the shareholders' approach or perspective using share price, retained earnings, company size, earnings per share, and dividend yield among others. Dividend Yield and Earnings per Share are two important financial metrics that provide insights into a company's profitability and potential return for investors (Asimakopoulo, Samitas, & Propadogonas, 2019).

Prior studies performed by several researchers on economic determinants that explain the use of operating leases (Eisfeldt & Rampini, 2019; Cornaggia, 2017) yield mixed results. Some researchers (Imhoff, Lipe, & Wright, 2017; Beattie, Edwards, & Goodacre, 2018; Bennet & Bradburry, 2016; Lückerath & Bos, 2019) were conducted to prove whether capitalization of the operating lease can significantly alter financial figures and affects the market value of companies. Beattie (2018) found evidence that operating leases used by companies in the United States of America affected financial ratios significantly and influenced market value. The study by Lückerath and Bos (2019) concludes that a fair comparison of financial performance and market value among firms cannot be performed if the operating lease is not capitalized because firm financial ratios do not reflect the real financial condition. The divergent opinions and mixed results in the literature on the effect of lease accounting on market value. While some studies have documented the positive effect of lease accounting on company market value (Bennet & Bradburry, 2016; Imhoff, Lipe, & Wright, 2017; Beattie, & Edwards), some others have reported the negative effect of lease accounting on company market value (Lückerath & Bos, 2019). Consequently, inconclusiveness has become imperative, thus some gaps observed in the literature. Besides some related studies on lease accounting and firm value covered the period of 2001 to 2009, 2011-2013 while some covered 2015 to 2018. This study tends to fill this periodical gap as well by covering 2012 to 2022. In addition, there is a dearth of studies that have considered the effect of lease accounting on investor returns.

1.1 Objectives of the Study

This study fills the above gap by examining the effect of lease accounting on investor returns of listed non-financial companies in Nigeria. The specific objectives are to:

1. Determine the effect of lease accounting on the dividend yield of listed non-financial firms in Nigeria.
2. Ascertain the effect of lease accounting on earnings per share of listed non-financial firms in Nigeria.



1.2 Research Hypotheses

In order to test the effect of sustainability reporting on financial performance of listed oil and gas companies in Nigeria, the following hypothesis are formulated in their null form:

Ho₁: Lease accounting has no significant effect on the dividend yield of listed non-financial firms in Nigeria.

Ho₂: Lease accounting has no significant effect on earnings per share of listed non-financial firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Lease Accounting

Leasing is one of the most highly innovative areas of business finance that has generated several definitions representing the perspective and background of the user. A lawyer would be more concerned with the legal title of the asset, an economist is concerned with the productive use of the asset; an accountant is concerned with reporting in accounts, the board of Inland Revenue is concerned with capital allowances and the banker with risk exposure as a result of financing the acquisition of the asset. Therefore, each one will define leasing based on its perspective. However, the common denominator underlying the definitions of leasing focuses on the separation of ownership and use of the asset over lease tenure, as the essence of leasing, (Sacarin 2017). The impact is more significant in sectors with a higher operating lease intensity (Morales and Zamora, 2017), such as retail (real estate leases), airlines (aircraft leases), hotels (real estate leases), and so on.

Lease accounting has been a work in progress for years for accounting standard-setters and international accounting standard bodies. Comparing Nigeria's performance with those of other countries around the world indicates that Nigeria is ranked 46th on the list of top 50 countries using lease finance, contributing 0.51 billion dollars to the global lease volume in 2017 (White Clarke Group, 2019). Only three other African countries such as South Africa, Morocco and Egypt made the global ranking that is largely dominated by North American, European and Asian countries. With a low representation of African countries, the implication is that there is still potential for substantial growth in terms of lease volume through the identification and exploitation of opportunities to entrench leases as a mainstay source of finance in Africa particularly in Nigeria.



There are four broad categories of market participants in the Nigerian lease industry which comprise regulators, associations, lessors and lessees. The regulators include the Central Bank of Nigeria which is the apex regulator of all banking and non-banking financial transactions. The associations include the Equipment Leasing Association of Nigeria (ELAN) and Finance Houses Association of Nigeria (FHAN) which provide the platform and oversight for consummation of lease transactions. Oversight of the practice of lessors is vested in the ELAN, which is a business membership organization (BMO) established in 1983 to promote leasing activities and consists of an addition to banks, leasing companies, finance houses, insurance companies, professional firms and individual members. Generally, Leases are classified currently under IAS 17 as finance and operating which are distinguishable in terms of non-cancellation, near-synonymous duration of lease term with asset life, payments leading to amortization of cost and generation of return as obtainable in a finance lease and the reverse, in case of an operating lease (Central Bank of Nigeria, 2014).

2.1.1.1 Characteristics of Lease Terms

1. The lessor remains the owner of the equipment for the duration of the lease, while the lessee acquires temporary possession and usage of the equipment.
2. The lessee may be required to make a deposit payment on signing of the lease and to make periodic payments to the lessor for the duration of the lease term.
3. The lessor may or may not recognise a salvage value in calculating the leasing payments.

2.1.2 Operating Lease and Financial Lease

Operating leases, also referred to as off-balance sheet leasing, are defined as non-cancellable, long-term, fixed-cost claims with bankruptcy priority (Alexander, Britton, Jorissen, Hoogendoorn, & Van Mourik, 2017). As a consequence, operating leases or off-balance sheet leasing is fundamentally a form of conventional debt obligation. Under the previous International Accounting Standard 17 (IAS 17) from a lessee perspective, only payments relative to the current rental expense are recognised in the company's financial statements. All future payments relative to operating leases are disclosed in the notes to the financial statement. This off-balance sheet treatment of operating leases has created a long controversy in the accounting literature. Many studies document that firms' use of operating leases has increased significantly suggesting that companies use operating leases as a form of off-balance sheet financing and a form of manipulation of financial statements (Cornaggia, 2017).



The standard provides the reader with some potential indicators to conclude that a lease is a finance lease. A finance lease is defined as a transaction in which substantially all the risks and rewards of an asset except ownership are transferred from the lessor to the lessee. It is commonly understood in substance as equivalent to a secured loan in the sense that the lessor is insulated from the commercial risks and rewards of the ownership of the leased assets. Furthermore, given that the financial leases are recognized in the balance sheet and the operating leases are not, this gives space for some manipulation by companies, so that they can fit their leasing contracts in a certain category to avoid having so much debt recognized in the balance sheet. The lessor bears the responsibility for servicing and maintaining the asset and these costs are included in the lease rental. It enables the lessor to keep a pool of qualified maintenance personnel for cost-effectively maintaining a large number of assets.

2.1.3 Investor Returns

Investor returns refer to the gains or losses that investors earn from their investments over a specific period. These returns can be realized through various sources, such as dividends, capital appreciation, interest income, or other distributions. Accounting returns focus on how firm earnings respond to different managerial policies (Kramarova, 2020). There are different ways to measure investor returns, and commonly used metrics include dividend yield, EPS and DPS.

2.1.3.1 Dividend Yield

According to Gumanti (2013), dividend yield implies a measure that a component of total return is contributed by dividends. DY focuses on the income generated from dividend payments. It is calculated by dividing the annual dividend per share by the current market price per share and expressing it as a percentage. Dividend yield is particularly relevant for income-focused investors who rely on regular cash flow from their investments. This means that in calculating the total return, investors must include the element of the amount of dividends received in addition to the difference in share prices between the beginning and the end of ownership. Meanwhile, according to Fajrihan (2010), dividend yield is dividends paid divided by the current price. Based on the understanding of the experts above, it can be concluded that the dividend yield is a financial ratio that compares the amount of cash dividends distributed to shareholders with the share price, which is expressed as a percentage. Based on previous research that has been discussed, it can be concluded that dividend yield can be calculated by the formula:



$$\text{Dividend Yields} = \frac{\text{Dividend per Share}}{\text{Price per Share}}$$

The dividend yield is the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share. Dividend yield measures the quantum of earnings by way of total dividends that investors make by investing in that company (Economic Times, 2021). Pandey (2010) defines dividends as a portion of a company's net earnings that the directors recommend to be distributed to shareholders in proportion to their shareholdings in the company.

2.1.3.2 Earnings per Share

The higher the earnings per share, the more profit the firm earns; on the other hand, the lower the earnings per share, the less profit the company makes. Secondly, the earnings per share (EPS) is a financial metric that indicates the profitability of a company on a per-share basis. It is calculated by dividing the net earnings of the company by the weighted average number of outstanding shares during a specific period.

The formula for calculating EPS is as follows: $\text{EPS} = (\text{Net Earnings}) / (\text{Weighted Average Number of Outstanding Shares})$.

The EPS is a widely utilized measure that provides investors and analysts with valuable information about a company's profitability and its ability to generate earnings for its shareholders. It helps investors assess the company's earnings performance relative to the number of shares they own.

2.2 Theoretical Review

The following theories were used to form a theoretical background for this study; Financial Contracting Theory, Traditional Theory, and Trade-off Theory of Capital Structure Theory. The study anchored on the Trade-off Theory.

2.2.3 Trade-off Theory

The trade-off of capital structure was introduced by economists, Franco Modigliani and Merton Miller, and published in the American Economic Review in 1958. The theory was developed by Krans and Litzenger in 1973. The theory asserted that since both operating lease and lease financing are fixed-claim obligations trade-off theory predicts that they are substitutes. Also, based on the agency story of trade-off theory, lease financing is a substitute for controlling the free cash flow problem. A brief explanation follows: In the case of debt financing the borrowing firm gets cash which it can use for various purposes (capital expenditures, repaying



existing debt, paying dividends, leverage buyouts etc.) However, in the case of lease financing the lessee gets capital goods which are exclusively meant for a specific use. Therefore, lease financing has only the capital expenditure feature but none of the other uses mentioned above are possible. Also, it is argued in the literature that firms with very unique/specific assets may want to buy them either through secured debt or equity. It turns out that unique assets are less liquid compared to other non-unique assets when the lessor tries to re-lease or resell the leased assets.

2.3 Empirical Review

Several studies have analyzed the possible effect that capitalization of the operating leases maintained by companies could have on the balance sheet, solvency and profitability ratios: (Bennett & Bradbury, 2003; Duke, Hsieh, & Su, 2009; Fülbier, Silva, & Pferdehirt, 2008; Goodacre, 2003; Grossman & Grossman, 2010; Imhoff Jr. & Lipe, 1991, 1997). However, these studies were conducted before the final version of IFRS 16 was issued, and therefore there were differences compared to the final version of the standards in aspects such as the effect of future lease payments and discount rates on the value of a firm (Morales-Díaz & Zamora-Ramírez, 2018a).

Atseye (2020), investigated the relationship between lease financing and profitability of 6 conglomerates from 2012 to 2017 in Nigeria analysed with pooled ordinary least square regression. It was discovered from the study that lease financing has a positive but insignificant effect on ROA.

Morales-Díaz and Zamora-Ramírez (2018b) find that IFRS 16 significantly affects the leverageratios of the sectors that rely heavily on operating leases, such as European retail, hotels, and transportation firms. On the other hand, their analysis of IFRS 16's effect on profitability ratios shows mixed results. While these studies report a significant effect of lease capitalization on accounting ratios. Giner and Pardo (2018) use Spanish-listed firms to find that the market incorporates OBS operating lease information into the price as if OBS operating lease is recognized in assets and liabilities, even in code-law countries with less developed markets and weak enforcement.

Fafatas and Fischer (2016) examined 22 retail companies and then did an additional test to confirm the findings in the retail and restaurant industries with a wider sample (109 companies worldwide) in 2014. They found an average decline in the EBIT/Assets ratio was 4.07%. In addition to the increase in total assets and liabilities, the results from the literature also indicated



that operating lease capitalization can result in a material decline in profit margin, ROA ratio and ROE.

Arroziom, Gonzales and Silva (2016) studied the changes in the financial indicators of companies in the wholesale and retail sectors, due to the new accounting treatment of the operating leases of the companies listed on the Brazilian stock exchange, noting that leasing has effects on liquidity, debt and operational leverage. Bello and Almustapha (2016) examined the impact of lease financing on the liquidity of companies in the Nigerian oil and gas. The result revealed that leasing does not have a positive impact on the liquidity of the companies.

Paik, Smith, Lee, and Yoon (2015) suggest that the proposed capitalization of Off-Balance Sheet leases (operating leases) may not result in firms violating loan covenants but will make the balance sheet a more complete source of information for debt contracting by removing the need for constructive capitalization of OBS leases. They used logistic regression models to investigate the relation between OBS leases and the use of income-statement- or balance-sheet-based ratios in covenants. The potential for these changes to negatively affect the accounting ratios included in debt covenants leading to covenant violations is an area of concern. They argue that lenders constructively incorporate OBS leases when determining the financial constraints of the borrowing firm and this influences the type of accounting ratios to use in debt covenants: income-statement- or balance-sheet-based ratios.

Alazzam (2015) examined the extent of the presence of the motives of the contracting companies in Irbid City to rely on finance leases and to identify the most important obstacles which restrict its viability. The most important findings of this study are the existence of motives for contracting companies in Irbid City to resort to lease financing, financial leasing gives a tax savings system that provides adequate liquidity and profitability ratios reassured and can cover the cost of fixed assets profitably.

Kibuu (2015) researched the effects of lease financing on the monetary performance of corporations registered at NSE. Data from only 33 firms which was available and complete for the period under study was used. Secondary data from annual financial reports and financial statements was poised for the organizations for the period 2010 – 2014. The study concluded that lease financing had positive but insignificant effects on ROA which was used as the measure of the financial performance.



Olabisi (2015) also investigated the determinants of leasing decisions among quoted manufacturing 173 companies in Nigeria based on data from 173 analysed with Ordinary Least Squares (OLS) methods. It was discovered that profitability played a positive role in the leasing decisions of manufacturing companies. Focusing on the effect of operating lease on credit ratings.

3. MATERIAL AND METHOD

This study adopted the ex-post facto research design to ascertain the effect of lease accounting on investor returns of listed non-financial firms in Nigeria. The design is appropriate for this study because secondary data on leasing and investor returns of listed non-financial firms in Nigeria is already in the public domain through the annual reports and accounts. The population is comprised of non-financial firms listed on the Nigerian Exchange Group (NGX). This was ninety - five (95) non-financial firms listed on the Nigerian Exchange Group as of 31st December 2022. The study used a purposive sampling technique to select the sample population. This sampling technique will be used to enable the researcher to select firms that have their financial reports and accounts available either on their websites or on the floor of the Nigerian Exchange Group. The firms must have been listed on the Nigeria Exchange Group as of 2012. Based on the conditions stated above, Seventy-four (74) firms are selected as our sample population.

Secondary data was used for this study. The data were from annual reports and accounts of the seventy-four (74) non-financial firms listed on the Nigerian Exchange Group covering a period of 11 years (2012 – 2022). This study used Ordinary Least Square (OLS) to estimate panel data from 2012 to 2022 covering a period of eleven (11) years for seventy-four (74) non-financial firms listed on the Nigerian Exchange Group. This was carried out with the aid of IBM SPSS Ver. 25 statistical software.

3.1 Model Specification

The researcher adapted the model in Olokiti (2018). This is shown below

$$MKTP_{jt} = \beta_0 + \beta_1 BVSH_{jt} + \beta_2 EPS_{jt} + e_{jt}$$

This study modified the above model as follows, in econometric form:

$$DYD_{it} = \alpha_0 + \beta_1(LA)_{it} + \beta_2FS_{it} + \beta_3LEV_{it} + \mu_i \dots \dots \dots Eq. (1)$$

$$EPS_{it} = \alpha_0 + \beta_1(LA)_{it} + \beta_2FS_{it} + \beta_3LEV_{it} + \mu_i \dots \dots \dots Eq. (2)$$



Where:

LA = the sum of the financial lease and operating lease for firm i at the end of year t

DYD_{it} = dividend yield for firm i at the end of year t

EPS_{it} = earnings per share for firm i at the end of year t

FS_{it} = firm size for firm i at the end of year t

LEV_{it} = leverage for firm i at the end of year t

μ_i = error term

α₀ = the intercept

β₁– β₃ = coefficients of explanatory variable.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1.1 Descriptive Statistics

Table 2: Summary statistics of dependent variables in the models 1&2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Yield(%)	847	.00	55.65	3.1435	5.24295
Earnings Per Share	847	-96.01	61.77	1.4323	8.04320
Valid N (listwise)	847				

Source: SPSS Ver. 25

The mean (standard deviation) of the DVs which proxies the DYD and EPS showed as follows: DYD=3.14(5.24); and, EPS=1.43 (8.04). The maximum value of DYD was 55.65 while the minimum was 0.00. The maximum value of EPS was 61.77 while the minimum was -96.01. The maximum value of RER was 75.53 while the minimum was -571.61. The skewness for DYD (4.830) showed a positive value and the kurtosis (38.655) is suggestive of a leptokurtic distribution. The skewness for EPS (-0.830) showed a negative value and the kurtosis (56.324) is suggestive of a leptokurtic distribution.



Table 3: Summary statistics of lease accounting and control variables in models 1&2

	N	Minimum	Maximum	Mean	Std. Deviation
Operating Lease/Asset	847	.00	38.11	.6411	3.39785
Finance Lease/Asset	847	.00	47.70	.7504	4.24226
Firm Size	847	5.24	9.42	7.1183	.82206
Debt/Asset	847	3.55	395.45	67.7041	43.48994
Valid N (listwise)	847				

Source: SPSS Ver. 25

The mean (standard deviation) of the IV which proxies the OL and FL showed as follows: OL=0.641 (3.398); and, FL=0.750 (4.242). The mean (standard deviation) of the control variables were firm size and firm leverage; FS=7.12 (0.82); and, LEV=67.70 (43.49). The maximum value of OL was 38.11 while the minimum was 0.00. The maximum value of FL was 47.70 while the minimum was 0.00. The maximum value of FS was 9.42 while the minimum value was 5.24; the maximum value of LEV was 395.45 and the minimum value was 3.55. The study also examines *skewness* which refers to a measure of the symmetry or asymmetry of the distribution of values. Positive skewness indicates a longer right tail, while negative skewness indicates a longer left tail. The skewness for OL (8.244) showed a positive value and the kurtosis (75.435) is suggestive of a leptokurtic distribution. The skewness for FL (7.883) showed a positive value and the kurtosis (68.001) is suggestive of a leptokurtic distribution. The skewness for FS (-.192) showed a negative value and the kurtosis (-.417) is suggestive of a platykurtic distribution. The skewness for LEV (3.342) showed a positive value and the kurtosis (16.025) is suggestive of a leptokurtic distribution.



4.1.2 Correlation Analysis

Table 4: Correlation matrix of the variables

		OL	FL	DYD	EPS	FS	LEV
OL	Pearson Correlation	1	.593**	-.016	-.009	.081*	.065
	Sig. (2-tailed)		.000	.644	.798	.018	.058
	N	847	847	847	847	847	847
FL	Pearson Correlation	.593**	1	-.068*	-.030	-.042	.183**
	Sig. (2-tailed)	.000		.049	.389	.224	.000
	N	847	847	847	847	847	847
DYD	Pearson Correlation	-.016	-.068*	1	.066	.165**	-.143**
	Sig. (2-tailed)	.644	.049		.056	.000	.000
	N	847	847	847	847	847	847
EPS	Pearson Correlation	-.009	-.030	.066	1	.291**	-.042
	Sig. (2-tailed)	.798	.389	.056		.000	.218
	N	847	847	847	847	847	847
FS	Pearson Correlation	.081*	-.042	.165**	.291**	1	-.125**
	Sig. (2-tailed)	.018	.224	.000	.000		.000
	N	847	847	847	847	847	847
LEV	Pearson Correlation	.065	.183**	-.143**	-.042	-.125**	1
	Sig. (2-tailed)	.058	.000	.000	.218	.000	
	N	847	847	847	847	847	847

Source: SPSS Ver. 25

The OL is positively correlated with FL ($r=0.593^{**}$). Concerning other DVs, OL is negatively correlated with DYD ($r=-0.016$) and EPS ($r=-0.009$). In regards to the control variables, FS and LEV, the OL positively correlated with FS ($r=0.081$) and LEV ($r=0.065$). FL is negatively correlated with DYD ($r=-0.068^*$) and EPS ($r=-0.030$). In regards to the control variables, FS and LEV, the FL negatively correlated with FS ($r=-0.042$) and positively associated with LEV ($r=0.183^{**}$).

DYD is positively correlated with EPS ($r=0.066$). In regards to the control variables, FS and LEV, the DYD positively correlated with FS ($r=0.165^{**}$) and negatively associated with LEV ($r=-0.143^{**}$).

EPS is positively correlated with PER ($r=0.146^{**}$). In regards to the control variables, FS and LEV, the EPS positively correlated with FS ($r=0.291^{**}$) and negatively associated with LEV ($r=-0.042$).



4.3 Test of Hypotheses

4.3.1 Hypothesis One

Ho: Lease accounting has no significant effect on the dividend yield of listed non-financial firms in Nigeria.

Table 5a: Model summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.209 ^a	.044	.040	5.13647

a. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 5b: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1014.189	3	338.063	12.814	.000 ^b
	Residual	22241.130	843	26.383		
	Total	23255.319	846			

a. Dependent Variable: Dividend Yield(%)

b. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 5c: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.663	1.610		-1.654	.098
	LA	-.027	.026	-.035	-1.019	.308
	Firm Size	.958	.217	.150	4.423	.000
	LEV	-.014	.004	-.120	-3.484	.001

a. Dependent Variable: Dividend Yield(%)

Source: SPSS Ver. 25

The empirical results of the OLS showed that the R² value was 0.044; the Adjusted R² value of the model was approximately 0.040, and the F-test (12.814) was statistically significant ($p < 0.01$); therefore, the research model can describe the relationship between explanatory variables and the dependent variable. The Adjusted R² is often preferred to account for sample size



adjustments, the figure showed that 4.0% variation was explained by the explanatory variables while other variables excluded from the model that can impact DYD but outside the scope of this study.

4.3.1.1 Decision:

Lease accounting as an independent variable to DYD appears to have a negative coefficient (i.e., -0.035) and is not significant at a 5% level ($p=0.308$). This, therefore, implies that an increase in LA will cause a decrease in DYD. This evidence, therefore, leads to a rejection of the alternate hypothesis and acceptance of the null; thus, “Lease accounting has no significant effect on dividend yield of listed non-financial firms in Nigeria”.

Lease accounting has no significant effect on the dividend yield of listed non-financial firms in Nigeria ($p=.308>.05$); this implies that an increase in LA will lead to a decrease in the DYD of the non-financial firms in Nigeria. Therefore a 1 unit change in LA will lead to approximately -0.035 change in DYD. This is consistent with the study by DeChesare (2023), which finds that a company’s lease expenses could impact its overall financial performance and ability to pay dividends. Milian and Lee (2020) investigated the relationship between equity valuation and operating leases based on 2019 first-quarter earnings and public firms’ daily stock returns. They asserted the initial recognition of a significant amount of operating leases led to negative returns (Milian&Lee, 2020). Hunsader, Lawrey, and Rich (2022) find evidence from a sample of U.S. firms that as a result of the FASB’s ASC 842 on improved transparency in lease recognition had significantly enhanced the distress likelihood across many industries increased.

Bourjadeet *al.* (2017) did an empirical study on 73 airlines worldwide and concluded that leasing activities have a non-monotonic and concave effect on the airline’s profit margin. Leasing activities diminish the profit margin of low-cost carriers more significantly than full-service carriers (Bourjadeet *al.*, 2017). However, in contrast, Kelly, Khayum, and Price (2013) from 1992 to 2012 revealed that community banks involved in equipment lease financing performed better than the community banks that had no involvement in equipment leasing. Atseye (2020), in Nigeria, analysed with pooled OLS discovered that lease financing has a positive but insignificant effect on return assets.

4.3.2 Hypothesis Two

Ho: Lease accounting has no significant effect on earnings per share of listed non-financial firms in Nigeria.

Table 6a: Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.292 ^a	.085	.082	7.70587

a. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 6b: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4672.578	3	1557.526	26.230	.000 ^b
	Residual	50057.768	843	59.381		
	Total	54730.346	846			

a. Dependent Variable: Earnings Per Share

b. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 6c: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-18.766	2.416		-7.769	.000
	LA	-.031	.039	-.027	-.801	.423
	Firm Size	2.848	.325	.291	8.762	.000
	LEV	.000	.006	-.002	-.066	.947

a. Dependent Variable: Earnings Per Share

Source: SPSS Ver. 25

The empirical results of the OLS showed that the R² value was 0.085; the Adjusted R² value of the model was approximately 0.082, and the F-test (26.230) was statistically significant ($p < 0.01$); therefore, the research model can describe the relationship between explanatory variables and the dependent variable. The Adjusted R² is often preferred to account for sample size adjustments, the figure showed that 8.2% variation was explained by the explanatory variables



while other variables excluded from the model that can impact EPS but are outside the scope of this study.

4.3.2.1 Decision: Lease accounting as an independent variable to EPS appears to have a negative coefficient (i.e., -0.027) and is not significant at a 5% level ($p=0.423$). This, therefore, implies that an increase in LA will cause a decrease in EPS. This evidence, therefore, leads to a rejection of the alternate hypothesis and acceptance of the null; thus, “Lease accounting has no significant effect on earnings per share of listed non-financial firms in Nigeria”.

Lease accounting has no significant effect on earnings per share of listed non-financial firms in Nigeria ($p=0.423>.05$); this implies that an increase in LA will lead to a decrease in the EPS of the non-financial firms in Nigeria. Therefore a 1 unit change in LA will lead to approximately -0.801 change in EPS. This is not consistent with Mark and Wayne (2023) on the consequences of operating lease recognition who found no evidence that the change in the leasing behaviour leads to negative outcomes predicted by managers. Alazzam (2015) reported that finance leases offer a mechanism for tax savings, sufficient liquidity and profitability ratios, and can successfully pay for the cost of fixed assets. And, Atseye (2020), in Nigeria discovered that lease financing has a positive but insignificant effect on return assets.

CONCLUSION AND RECOMMENDATIONS

The study concludes that lease accounting affects the investor returns of listed non-financial firms in Nigeria. Prior empirical studies have considered that in line with IFRS operational and finance leases utilised by non-financial businesses have a considerable impact on investor returns over time. Firms can increase their access to short- and medium-term financing by leasing. However, in related literature, there have been conflicting views and inconsistent findings about the potential impact of lease accounting on firm investor returns. This study attempts to fill in this gap, by examining the effect of lease accounting on investor returns proxies of non-financial firms from 2012 to 2022, the most recent up-to-date financial statement. The results showed a non-significant effect of lease accounting on the dividend yield of listed non-financial firms in Nigeria; and, a non-significant effect of lease accounting on earnings per share of listed non-financial firms in Nigeria. Based on this, the researcher recommends the following for managerial and policy implications for future studies as follows:

1. Shareholders should evaluate lease contractual arrangements of firms: The disclosure of lease liabilities on the statement of financial position, stakeholders can evaluate the financial impact of lease obligations, such as debt covenants, repayment obligations, and future cash flow requirements.



- Shareholders should evaluate the implication of lease liabilities on their detrimental effects on EPS: Before the implementation of new lease accounting standards, companies typically only recognized lease expenses on their income statement.

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