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THE EFFECT OF LEASING ON THE FINANCIAL PERFORMANCE OF LISTED OIL & GAS COMPANIES IN NIGERIA.

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Abstract: This study evaluated the financial performance of businesses and lease finance. Its goal was to investigate how lease finance affected the oil and gas businesses in Nigeria's financial performance, which was determined by Return on Asset (ROA). The study's data came from the annual reports and accounts of six selected firms in the Nigerian oil and gas sector that finance leases and were listed by January 2013 on the Nigerian Stock Exchange (NSE). An investigation of the impact of lease financing on return on assets (ROA) is conducted using robust OLS regression. The study's findings showed that lease financing significantly affects Nigerian oil and gas businesses' return on assets (ROA). Consequently, the study suggests that businesses should embrace lease financing as a method of financing their operations as proof suggests that value is added over the use of lease financing.

Keywords: lease finance, Return on Asset

1.1 Introduction

An alternate method of funding company assets is leasing. It is an agreement between the lessor, who owns the equipment, and the lessee, who pays the lessee certain rentals over a certain length of time in exchange for the lessee's usage and possession of a particular asset. At the conclusion of the lease term, the lessee typically has the option to exercise a buy option, which may or may not grant them title to the items. The lessee, who would have chosen the products and interacted directly with the provider to ascertain their performance features and suitability, is the one who will need the equipment financed by the lessor (Abayomi et al., 2022).

Leasing was traditionally connected with real estate, land, and buildings in the 1950s, however now days, almost any type of fixed asset can be leased (Hassan, 2009). More than in the past, all sorts of assets and machinery, including computers, printers, typewriters, photocopy machines, buses, trucks, cranes, generators, airplanes, ships, and other vessels, as well as many forms of generating plant and machinery, are leased. As a result, the leasing market has divided into three main segments: small, medium, and big ticket markets (Raimi et al., 2023).

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Over the previous 60 years, the leasing business has experienced substantial growth. It started in the United States in the 1950s, moved to the United Kingdom and Japan in the 1960s, and since the middle of the 1970s, it has been spreading to developing nations (Abayomi et al., 2022). Modern leasing began in Nigeria in the 1960s, and despite the challenging work environment, it has continued to play a major role in the economic development of the nation (ELAN, 2012).

In order to address the financial needs of different economic sectors, lease financing is crucial, which helps the nation's financial system expand and its economy flourish. Over the years, entrepreneurs have found that lease financing is a popular source of funding. In comparison to other countries like Ghana, South Africa, Zambia, Uganda, Tanzania, etc., Nigeria has a comparatively low level of lease consumption (Raimi et al., 2023).

An organization's financial performance determines its revenue, profitability, and appreciation in value, which is demonstrated by the growth in the entity's deservingness (Abdulkarim et al., 2020). Accounting returns and investor returns include financial performance metrics. The underlying principle of investor returns is that returns ought to be evaluated from the viewpoint of shareholders, taking into account factors like dividend yield and share price. Accounting returns quantify a company's earnings response to various managerial initiatives through the use of several accounting ratios (Alan, 2008). A review of a company's total financial status can be obtained by dividing financial ratios, which are typically employed as indicators of financial performance, into three main areas (Fulbier et al., 2008). These categories include ratios that show a company's structural changes, ratios that show a company's profitability, and ratios that influence a company's market valuation. Researchers have several approaches to measuring financial performance, but the following ratios are widely accepted as the most significant indicators of a company's financial health and offer a sophisticated understanding of it: Efficiency, Profitability, and Liquidity (Yusuf and Essa, 2021).

Due in significant part to its strategic importance to all economies and the global community, the oil and gas sector is one of the most important sectors of the global economy. The nature of crude oil, its activities, and its economic arrangements are what give the industry its unique characteristics (Samaila, 2014). According to ELAN (2014), the leasing industry was dominated by the oil and gas sector, accounting for 26.3% of lease volume. Transportation followed closely behind with 15.8% of lease volume, with commercial vehicles for passenger and haulage continuing to be the main draws for lessors.

1.2 Statement of Research Problem

According to Abayomi et al. (2022), using leases entails risking financial resources and does not protect a company's working capital. Nigerian researchers have done a number of local studies on lease financing. For example, Nyachieng'a (2010) found that, because the majority of SMEs lacked postsecondary education, their inadequate accounting standards hindered them from obtaining a lease from banks or leasing businesses. Furthermore, because the majority of high-lending financial institutions had policies that made it difficult for SMEs to obtain loans, resource levels also had an impact on lease financing.

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Numerous studies in various nations (including Yusuf and Essa, 2021; Raini et al., 2023; Munene, 2014; Salam, 2013; Abayomi et al., 2022 Hassan, 2009; Samaila, 2009) have studied the impact of leasing on the financial performance of organizations. The results of the research are conflicting. While some studies (Alazzam, 2015; Yusuf and Essa, 2021; Raini et al., 2023 and Samaila, 2009) found a positive correlation between leasing and financial performance, other studies (Aurangzeb & Shujaat, 2012; Jabbarzadeh et al., 2012) found a negative correlation. These results unequivocally demonstrate the wealth of local and international literature on lease financing. None of these studies attempted to determine how lease financing affected the company's bottom line. Nevertheless ownership-free consuming is becoming more and more popular, there isn't much research on how this behavior affects financial performance. Therefore, by examining the impact of lease financing on the financial performance of the oil and gas companies listed on the NSE, this study aims to close the research gap.

1.3 Objectives

This study's main goal was to examine how leasing affected the oil and gas companies listed on the NSE's financial performance. The study's specific goal was to examine how finance leases affected the oil and gas companies listed on the NSE's financial performance.

1.4 Research Questions

The following research question served as the study's main focus: Does financing lease impact the financial performance of oil and gas companies listed on the NSE?

Thus, the purpose of this study is to investigate, from 2013 to 2022, how Lease Financing affects the Financial Performance of Companies in the Nigerian Oil and Gas Industry.

In order to accomplish the aforementioned goal, the following hypothesis is put out in null form:

Ho: that lease financing has no discernible effect on the financial performance of businesses operating in Nigeria's oil and gas sector.

2.0 LITERATURE REVIEW

2.1. *Financial* Performance

An organization's income, profitability, and appreciation in value—which is bolstered by the growth in the entity's worthiness—are all determined by its financial success. Financial performance metrics can be broadly classified into two groups: accounting returns and investor returns. Fundamentally, investor returns are determined by viewing the return from the standpoint of the shareholders, for example, by looking at the share price and dividend (Yusuf and Essa, 2021).

2.1.1 Leasing and Financial performance

Leasing is essential for meeting the financial demands of different economic sectors and, as a result, helps the nation's financial system become more sophisticated and its economy grow. Over the years, businesses have increasingly turned to lease financing as a source of funding (Raini et al.,2023). Because untied cash can be invested in cash-generating projects and efficient asset utilization, leasing enhances financial performance by influencing the cost of capital (lowering the leverage level) and improving the working capital of the company,

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as was covered in the literature review (Yusuf and Essa, 2021). Non-cancellable long-term leases, according to Raini et al. (2023), can lessen the underinvestment issue brought on by debt overhang. The legal status of leases to all outstanding fixed claims helps to address the underinvestment issue. Leasing restricts the transfer of wealth from stockholders to current bondholders by separating the claim on the cash flows of new projects, in contrast to debt. Letting reduces external finance costs because of asymmetric information, which enables businesses to pursue some positive net present value (NPV) projects that they otherwise would have to forgo using riskier or unsecured debt funding. According to Abdukarim (2020), the main justification for leasing is the tax advantages that come with asset ownership for people, financial institutions, and businesses.

2.2 Concepts of Leasing

Although numerous authors have given varied definitions of leasing, the idea is always centered around the same concept. Leasing is "an alternative mode of financing to the traditional debt and equity capital for the acquisition of capital assets by firms," according to Abayomi et al. (2022). According to Yusuf and Essa (2021) and Raini et al. (2023), leasing is a legal arrangement in which a lessor grants the lessee access to an asset for a predetermined amount of time in exchange for payment. According to a 2010 information circular from the Nigerian Accounting Standard Board (NASB), leasing is defined as a legal arrangement in which the lessee receives the right to use the leased property from the lessor, who is the owner of the property.

Consequently, leasing can be understood as a legal arrangement wherein the lessor grants the lessee use of an asset for a predetermined amount of time in exchange for the lessee's regular payment of the agreed-upon rental charge.

2.2.1 Lease Financing

Performance of businesses is typically seen as being very important for investors, savers, and the economy as a whole. The financial performance of businesses is impacted by lease finance. Leasing is an attractive financing option for lessors because it allows them to license the assets and pricing risks associated with capital properties to the lessee, while also avoiding the typical credit risks. However, the parties consider organizational and marketing factors in addition to risk and finance considerations when deciding to lease (Raini et al., 2023).

2.2.1. Types of Leases

Leases are classified currently under IAS 17, as finance (Capital) or operating leases, depending on whether substantially all the risks and rewards of ownership transfer to the lessee or not.

2.2.1.1 Finance Lease

Capital lease is another name for a finance lease. The lessee bears almost all of the risks and benefits of ownership under a financing lease. Long-term, non-cancelable lease agreements are known as finance leases (Abayomi et al., 2022).It combines certain advantages of ownership with leasing.

2.2.1.2 Operating Lease

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In an operational lease, the lessee only rents the asset for a duration that is significantly shorter than its economic life. Operating leases in these situations could last three to five years (Adekunle, 2005). Typically, the lessor is in charge of insurance and maintenance.

2.2.3 Total lease

From a conception standpoint, a full lease requires the lessor to operate and maintain the asset for the duration of the usage period. In particular, a combined financial and operating lease may constitute a whole lease (Sunjoko & Arilyn, 2016). According to Li (2014), it is defined as the total of the operating and financial leases. Therefore, for the purposes of this study, the company's total lease assets within the accounting period are divided by the fixed assets (Li, 2014).

Abayomi et al. (2022) examined the association between the total number of leases for manufacturing listed in Nairobi on the Kenya Stock Exchange, among ninety lessees, in a study conducted in Kenya. The Statistical Package for Social Sciences (SPSS) is used in their investigation.In their investigation, both descriptive and inferential statistics were used for analysis. The study's conclusions showed a substantial positive correlation between the firm's financial performance and its total leasing. In a similar vein, Martina (2015) studied the effect of the entire lease on performance during a six-year span (2005–2010). The results showed that the performance of a few chosen Croatian leasing industries is negatively and considerably influenced by the total lease, which is calculated by dividing the fixed assets by the total lease assets of the business. Similar to this, Muhammad et al.'s (2020) study used panel data from nine leasing listed companies from 2011 to 2015 to analyze the efficiency of Mudarabah and leasing firms in Pakistan: Some evidences from Pakistan. The Tobit Regression Model was used to assess the data (TRM). Their study's findings have demonstrated a strong correlation between profitability and total leasing.

2.3. Fixed assets and Financial Performance

In contrast, Bello and Almustapha (2016) looked at the effect of lease financing on the liquidity of companies in the Nigerian oil and gas industry. Surprisingly, the results showed that leasing, which constitutes the fixed assets turnover, does not have a positive impact on the liquidity of the companies. Wafula et al. (2016) investigated the effect of finance lease on the financial performance of firms in Kenya, one of the countries that practiced leasing. The purposive sampling method was used to arrive at 10 country officials. Luqman and Oluwaseun (2020) have looked at the relationship between five Nigerian listed banks' performance and financial leasing. Panel regression analysis was used to examine annual data on financial leasing and performance variables from 2012 to 2016 that were gathered from Nigerian banking annual reports. The study found that the dependent variable of financial leasing had an impact on the financial performance.

2.3 Empirical Literature Review

Globally, a large number of studies on lease financing have been carried out. Abayomi et al.'s (2022) goal was to investigate the corporate capital structure and lease financing procedures of particular Nigerian industrial companies. The purpose of the study was to ascertain how much the companies use lease finance to acquire digital

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assets and how this affects the corporate capital structure. A sample of manufacturing companies listed on the Nigerian Stock Exchange was chosen using a survey method. The financial accounts of the manufacturing companies that were sampled throughout a ten-year period (1993-2002) were examined, and the financial managers of the companies were also given standardized questionnaires and interviews. According to the study's findings, leasing is a viable option for financing the acquisition of capital assets, and it accounts for roughly 50% of a company's total fixed assets because most lease agreements include a clause allowing the lessee, or the company, to purchase the assets at the end of the initial lease term in order to finance the purchase of capital assets.

According to Uwe (2008), there may be incentives to choose operating lease arrangements because they do not result in on-balance-sheet debt when leases are classified as operating or finance leases for accounting purposes. In response to the G4+1 group's investigation into potential enhancements for lease accounting, the IASB and FASB are collaborating on a long-term initiative on leasing. Treating every lease the same way as modern finance leasing is one option. According to his findings, Germany exhibits significant shifts in a number of financial ratios, particularly when it comes to the relationship between assets and liabilities. This could lead to management taking measures to mitigate these consequences. Standard setters should take note that the impact of operational lease capitalization should not be overestimated, as it has a negligible effect on profitability ratios and market multiples, which are frequently employed in valuation analyses. Furthermore, the majority of industries continue to be mostly unaffected, and there is little change in the sample businesses' relative ratio-based ranking.

In the aviation business, Erickson and Trevino (2004) looked into the factors that influence both short- and long-term leasing. Using an analysis of leasing using a pecking order paradigm, two potentially significant factors influencing leasing are introduced. These are profitability and expansion. Financial leases were determined to be a more viable option for businesses with higher credit risk when compared to debt. However, short-term operational leases cannot be used in place of debt. Operating leases are employed by smaller businesses, businesses that don't pay taxes, and businesses that are growing their revenues more quickly. A study conducted by Abayomi et al. (2022) demonstrated how the Financial Accounting Standards Board and the International Accounting Standards Board's proposed new lease standard will affect currently ongoing operating leases. The case specifically looks at the impact of the suggestion that all businesses declare their current operational leases as capital leases when the proposed standard is first adopted. FedEx and UPS are two companies that rely on operating leases for financing. The study used a constructive capitalization model to analyze their financial statements and discovered that, under the current lease standards, both companies would have to record billions of dollars' worth of liabilities that had previously only been mentioned in the footnotes. By reporting operating leases as capital leases under the new proposed standard, the enterprises would also suffer a drop in retained earnings and important financial ratios, including the debt-to-equity, return-on-assets, and interest coverage ratios. Moreover, UPS's lease capitalization effect is substantially less significant than FedEx's. According to a study by McCue (2007), operating leases are an off-balance sheet financing method that is only disclosed in the financial

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statement's notes and has less disclosure requirements than capital leases, which are recorded on the balance sheet as debt. Nyachieng'a (2012) carried out a study to investigate and examine whether the regulatory and legal framework, information availability, educational attainment, and available resources are factors that influence small and medium-sized businesses' access to lease financing in Kenya. The research strategy used in the study was a descriptive one, meaning that the data was presented without any researcher bias. The study's target group consisted of fifty small-business owners in Kisii Municipality. The study's conclusions showed that the respondents didn't have access to information, which prevented them from getting credit. The study came to the conclusion that, because the majority of SMEs lacked postsecondary education, they were unable to obtain a lease from banks or leasing businesses because of their lax accounting standards. Leasing companies found it challenging to get information on potential borrowers as a result.

2.4 Theoretical Review

2.4.1 Financial contracting theory

The main justification for leasing in financial leasing theory has historically been the lessee's and lessor's differing tax positions. The basic claim is that, because a company can only use a low capital or depreciation tax allowance if it is not in a fully tax-paying position, buying and depreciating an asset may be expensive (Abayomi et al., 2022). Lessees may receive indirect tax benefits in the form of cheaper lease payments if they lease the asset, as the lessor would be entitled to claim the tax allowances. Leasing is increasingly being seen within the larger framework of financial contracting. Newer research has focused more on the relative capacities of various financial contract forms to manage agency costs, without discounting the possible significance of taxes or the substantiality between debt and leasing (Gosman and Ernest, 2000). According to financial contracting theory, a company's attributes, including business risk and the type of investment opportunity, should influence contracting costs and, consequently, the decision to lease rather than purchase an asset. The term "asset substitution problem" refers to conflicts brought about by agency costs. It stems from the potential for borrowed funds to be used for other, riskier projects or to pay dividends to shareholders. It can also result in an underinvestment problem, as lenders may choose not to fund certain positive net present value (NPV) projects that are challenging to oversee because covenants or contacts cannot cover every eventuality (Goodacre, 2003). Leasing reduces these conflicts because the lessor purchases the asset, maintaining the company's high working capital.

2.4.2 Modigliani–Miller theorem

Modern capital structure theory is based on the Modigliani–Miller theorem (of Merton Miller and Franco Modigliani). The basic theorem asserts that, in an efficient market, without taxes, bankruptcy costs, agency costs, asymmetric knowledge, and under a specific market price mechanism (the classical random walk), a firm's financing has no bearing on its worth. Whether the company raises funds through the sale of debt or the issuance of stock is irrelevant. What the company's dividend policy is is irrelevant. As a result, the capital structure irrelevance principle is another name for the Modigliani–Miller theorem (Brealey and Myers, 2008).

2.4.3 Capital structure theory

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The trade-off theory between tax gains and bankruptcy costs is another viewpoint in the optimal capital structure literature. Capital structure theory has traditionally focused on the optimal levels of debt and equity (Baskin, 2009). Capital structure theory concludes that the choice between debt and equity financing is not important on the value of the firm (Erickson and Trevino, 2004). Firm follows a "pecking order" in raising money; finance internally (using retained earnings) first, then with debt, and finally sell stock to raise money. Businesses that have trouble obtaining outside capital can reduce their financial costs via leasing. Their findings imply that, after accounting for firm size and other variables, a low-ranked company should employ more lease financing than a highly rated company. Additionally, they discovered a negative correlation between the tax rate and leasing tendency (Nyachieng'a, 2012). Additionally, based on their findings, they recommend that the importance of leasing not be disregarded in a thorough examination of capital structure. Similar to borrowing, leasing has lower bankruptcy costs and gains appeal as a financing alternative when a company's likelihood of filing for bankruptcy rises (McCue, 2007).

Throughout the period of the lease, the lessor must be able to maintain its financial stability, fulfill its obligations to make lease contract payments, handle collections, realize residual value, and retrieve the equipment in the event that the lessor defaults. The Lessee (obligor) must also be able to comply with the lease's requirements for payments and equipment upkeep. To ascertain adequate cash flow to meet the planned payments and contractual duties (insurance, maintenance, etc.) of the lease, a conventional credit analysis of the business is necessary (Abayomi et al., 2022).

3.1 RESEARCH METHODLOGY

3.2 Research Design

The methodology employed to conduct a study is referred to as research design. A descriptive research design was employed in this investigation. In order to create this design, data that explain occurrences must first be gathered, then the data must be tabulated, arranged, and described. By providing answers to the who, what, and how inquiries, descriptive studies illustrate the variables (Babbie, 2002). Cohen et al. (2003) define descriptive design as the act of gathering information to evaluate hypotheses or provide answers to inquiries about the state of the subject being studied. Its widespread application in characterizing behavior, attitude, attribute, and values is one of its advantages.

3.3 Target Population and Sample Size

Ex-post facto study design was used to investigate the impact of lease finance on the financial performance of businesses in Nigeria, as data was gathered from the Equipment Leasing Association of Nigeria (ELAN) and annual reports and accounts of selected companies. All ten (10) Nigerian oil and gas businesses that are listed on the Nigerian Stock Exchange floor make up the study population. The study uses a working population sample of six (6) companies in addition to the sample to gather data. Just six businesses that deal with financing leasing are included in the sample; they were listed on the Nigerian stock exchange by January 2011 and will stay there through December 2022. The financial performance data came from yearly reports published in 2013 through

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2022. Regression analysis using the random effect model is used to examine how lease financing affects return on assets (ROA).

Table 1. Variables and the Measurements for study

Variable	Measurement	Source
Financial performance	ROA=Profit after tax divided by total assets.	Abayomi et al.,(2022);Muhammad et al, (2020)
Total lease	Total fixed assets divided by to total assets	Abayomi et al.,(2022); Martina (2015); Muhammad et al, (2020)
Fixed assets	Net sales to fixed assets	Wafula et al (2016);Bello and Almustapha (2016); Luqman and Oluwaseun (2020)
Total assets turnover	Net sales for the period divided by the total assets	Asuquo and Anyadike (2018); Yusuf and Isa (2021)

3.1. Model Specification

The popular models in empirical literature are stated as follows:

These models have been modified into one equation:

$ROA = \beta 0 + \beta 1LFN + \beta 2FAT + \beta 3\ TAT + \beta 4TL + \varepsilon 0$ ---------- (1)

Where;

$\beta 0$ = Constant Term

$\beta 1$ is Beta coefficients

4.0 Results and discussion

It is preferable to test hypotheses in empirical research in order to determine the link between two or more variables. As a result, the data in this study undergo descriptive and regression testing prior to analysis. Making ensuring that the data validation is done correctly is the main goal of this. Consequently, the model's generated hypotheses are tested using the results.

4.1 Validation of the Data

This study employs both fixed effect and random effect testing. The Hausman Specification test was used to determine which of the two fixed effect and random effect tests to use. In other words, the rule specifies that the

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most effective outcome between Fixed Effect (FE) and Random Effect (RE) regression should be chosen. Based on Generalized Least Square (GLS), the coefficient of probability (Prob>chi2) must be less than 0.1 or larger than 0.1 in order to determine which of these two post-estimation tests is most appropriate. In particular, an analysis of the fixed effect model is recommended by a substantial probability, but an analysis of the random effect model is recommended by a negligible likelihood. Consequently, given that the Hausman test result for this study is (Prob>chi2=0.0171), any p-value is deemed significant at 0.000. The study's Random Effect Model was selected due to its insignificance in the Hausman Specification Test. Consequently, given that the Hausman test result for this study is (Prob>chi2=0.0171), any p-value is deemed significant at 0.000. The study's Random Effect Model was selected due to its insignificance in the Hausman Specification Test.

Table 2 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	60	0.1715	1.5825	-13.44	1.822
TL	60	0.4301	.2465	.0331	0.912
FATI	60	4.772	5.563	.1536	24.65
TATI	60	2.848	7.95	-4.59	64.98

Source: STATA Version 15.0 output, 2022

In this investigation, 60 observations were made, as shown in Table 2. As a measure of financial performance (FP), the ratio of profit after taxes to total assets is 17.15.Thus, it suggests that the investors' (or lessors') expectations for their investment are modest (Bello & Almustapha, 2016). This demonstrates that lessors are not fulfilling their financial commitments in full and on schedule. Though the mean value of FP17.15 is not negative, there is still opportunity for development. The descriptive statistics also showed that the greatest and minimum values of return on assets, which serve as a gauge of financial performance, are 18.22 and -13.44, respectively. This demonstrates that the lessee may encounter financial difficulties while using the assets that the lessor has pledged, which could lead to an extremely low degree of financial performance.

The average values for total lease, fixed asset, and total asset turnover in connection to financial performance are 43.02, 47.72, and 28.48, respectively. This implies that certain Nigerian businesses operating in the oil and gas sector are comparatively doing better financially. In particular, the lowest and greatest numbers for the entire lease are 91.20 and 03.31. For fixed assets, the minimum and maximum values are 15.36 and 24.65, while for the total assets turnover index, the minimum and maximum values are -45.97 and 64.98. It indicates that, on average, the combined efforts of all the study's independent factors could result in long-term financial achievement.

Table 3. Model Regression Results of Ordinary Least Square (OLS)

Variables	Pooled OLS	Random Effect	Fixed Effect
TL	-.4358 (0.249)* *	.3717028 (0.363)*	.435897 (0.311)**
FATL	.0098 (0.507)**	.0027734 (0.880)* *	.0098004 (0.623)* *
TATL	-.1858 (0.000)***	-.1877764 (0.000)***	-.1858767 (0.000)***
CONS	.1235889 (0.596)*	.1877727 (0.474)*	.1235889(0.649)*

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F-Statistics	179.85 (0.0000)	0.0000	0.0000
R-Squared (within)	0.7860	0.8867	0.8870
Adjusted R2 (between)	0.8731	0.8744	0.8711
Adjusted R2 (overall)		0.8779	0.8772

Source: STATA Version 15.0 output, 2022

Table 3 demonstrates the use of both fixed and random effects in OLS. Return on assets (ROA) accounts for 78.60% of the study's variables, according to the (R2) determination coefficient. The number derived from both the fixed effect and the random effect, as well as the fixed effect that was preferred, was the criterion for selecting 78.60%. Thus, 21.40% is made up of additional factors that the model could not account for. Furthermore, the random effect result is more effective because it is 87.79%, meaning that just 21.40% of variations in the financial performance of the company can be attributed to external factors. The model fits the study and is statistically significant at the 1% level. According to the results of the fixed effect regression analysis, 37.17% of the total lease variable was collected. At 37.17%, the result did, however, validate the substantial link. The substantial correlation seen between the total lease and firm ROA suggests that the whole lease has a role in financial performance. The results of the present investigation are consistent with those of studies conducted by Mary and Charles (2017) and Muhammad et al. (2020), which similarly found a positive correlation between total leasing and business financial performance.

Moreover, there exists a positive correlation between company performance and fixed assets, another independent variable (ROA). This is justified by the fact that the sales growth coefficient is 0027. The results of the investigation support the agency cost theory. Thus, the theory was used in this investigation. The present study's findings align with those of Bello and Almustapha (2016), Luqman and Oluwaseun (2020), and Wafula et al. (2016), since their research indicates a favorable correlation with the current findings. The connection between total assets turnover (the third variable) and ROA was found to be -.18.77% with a p-value of 0.000 in the study. The results of the regression analysis test showed that there is a positive correlation between total assets turnover and financial success. The study is in line with the research of Yusuf and Isa (2021) and Asuquo and Anyadike (2018), but not with Biourjade et al (2017).

Table 4. Hausman Specification Test for Fixed Effect and Random Effect hausman fe re, sigmamore

Variables	Coefficients		Difference	sqrt(diag(V_b-V_B))
	(b) .fe	(B) re	(b-B)	S.E.
TL	.435897	.3717028	.0641943	.1040515
FATL	.0098004	.0027734	.007027	.006885
TATL	-.1858767	-.1877764	.0018996	.0032913

Source: STATA Version 15.0 output, 2022

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

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Test: Ho: difference in coefficients not systematic
chi2 (3) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 1.28
Prob>chi2 = 0.7339

The Hausman test specification was carried out, as shown. According to the Hausman test results, the study's probability chi2 value is 0.7339. This suggests that the number is higher than the Hausman test standard. Consequently, this has demonstrated that the random effect model is the most effective model for evaluating the impact on the financial performance of organizations. If the prob>chi2 is, depending on the situation, less than 0.05 or larger than 0.05, then the choice between the fixed effect and the random effect can be made. Because the prob>chi2 is more than 0.05, the random effect model is chosen for this investigation.

5. Conclusion and recommendations

The study's goal is to look into the relationship between lease finance and the oil and gas industry's financial performance in Nigeria. Based on the results, this study comes to the conclusion that the financial performance of the listed firms in Nigeria is impacted by the total lease, fixed assets to total index, and total asset to total index in both positive and negative ways. Accordingly, in order to generate financial performance, the management is prepared to oversee the aforementioned assets utilized in lease finance. Put another way, by doing this, the firm will draw in both lessors and lessees. Although the study yielded informative results, it is not without limitations. These include a narrow focus on oil and gas companies, variations in the companies' geographic locations, potential variances that could affect research variables, and more. In light of this, it would be appropriate for future studies to incorporate transportation and construction industries into their analyses. Similarly, future research can extend the number of years to 20 in order to undertake a macro panel study in light of this procedural shortcoming.

Thus, in order to enhance financial performance, the study suggests that Nigerian oil and gas businesses' management be improved overall. More significantly, by doing this, the lessor and lessee will eventually be able to enjoy the business transaction. Second, it is anticipated that in order to improve financial performance, the organization's management would investigate the topic of leasing fixed assets further. Ultimately, the Hausman test's total assets turnover result revealed a mixed outcome for the fixed effect test and the random effect test, respectively. In order to ensure that both the lessee and the lessors would profit financially from the business, the organization's management should focus more on this variable. The ability to accomplish this will improve the financial results for the organization.

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