

A Study of the Factors Affecting the Growth of Lease Finance in Zambia

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Abstract

The study was aimed at assessing factors affecting the growth of lease finance in Zambia. The study focused on commercial banks that provide lease financing in Zambia, amongst the commercial banks currently operating in Zambia. The targeted respondents were staff working in the commercial banks providing lease finance. The following were the research objectives that guided the undertaking of the study: to evaluate the effect of income levels on the growth of lease finance in Zambia; to ascertain the effect of institutional factors on the growth of lease finance in Zambia; and to determine the effect of cultural factors on the growth of lease finance in Zambia. The study adopted a quantitative correlational research design. Non-probability sampling design was used in this study, with respondents selected through purposive sampling due to the inclusion criteria stated under the target population characteristics. The primary data was collected by means of a semi-structured questionnaire which were distributed to respondents from 12 commercial banks. Spearman's Correlation analysis was adopted for purposes of the research which is a quantitative methodology employed to assess the magnitude and direction of the association between two or more variables. The study has revealed that cultural factors have the most significant effect on the growth of lease finance in Zambia based on the Spearman's correlation results. Additionally, institutional factors had the second most significant effect as could be seen from the positive relationship between institutional factors and growth of lease finance in Zambia, whereas income levels positively affected the supply of lease finance by commercial banks, but this effect was the lowest amongst the three independent variables. With respect to the current status of the growth of lease finance in Zambia, the findings revealed that the findings revealed that most commercial banks in Zambia have lease finance options readily available for retail and corporate customers. Recommendations and areas for further research were made based on the findings.

1. Introduction

1.1 Background

The study was aimed at assessing factors affecting the growth of lease finance in Zambia. The study focused on commercial banks that provide lease financing in Zambia, amongst the commercial banks currently operating in Zambia. The targeted respondents were staff working in the commercial banks providing lease finance. The following were the research objectives that guided the undertaking of the study: to evaluate the effect of income levels on the growth of lease finance in Zambia; to ascertain the effect of institutional factors on the growth of lease finance in Zambia; and to determine the effect of cultural factors on the growth of lease finance in Zambia. The study adopted a quantitative correlational research design. Non-probability sampling design was used in this study, with respondents selected through purposive sampling due to the inclusion criteria stated under the target population characteristics. The primary data was collected by means of a semi-structured questionnaire which were distributed to respondents from 12 commercial banks. Spearman's Correlation analysis was adopted for purposes of the research which is a quantitative methodology employed to assess the magnitude and direction of the association between two or more variables.

The study has revealed that cultural factors have the most significant effect on the growth of lease finance in Zambia based on the Spearman's correlation results. Additionally, institutional factors had the second most significant effect as could be seen from the positive relationship between institutional factors and growth of lease finance in Zambia, whereas income levels positively affected the supply of lease finance by commercial banks, but this effect was the lowest amongst the three independent variables. With respect to the current status of the growth of lease finance in Zambia, the findings revealed that the findings revealed that most commercial banks in Zambia have lease finance options readily available for retail and corporate customers. Recommendations and areas for further research were made based on the findings.

1.2 Statement of the Problem

Despite the presence of numerous commercial banks and specialized lease finance institutions offering lease financing options in Zambia, the lease finance market in the country exhibits sluggish growth (Chimuka, 2013). Currently, lease financing, often accompanied by asset financing, is being offered by a total of nine commercial banks, including Zanaco, Standard Chartered Bank, Stanbic Bank, Atlas Mara, Indo Zambia Bank, First National Bank, ABSA Bank, Investrust Bank, and First Capital Bank (Quirk, 2023). Additionally, seven specialised lease finance institutions are operating in the Zambian market (Bank of Zambia (BOZ), 2023).

Despite the substantial number of players in the finance industry and efforts to expand lease financing options through strategic partnerships with vehicle dealerships such as Tata Motors and CFAO Motors (Zambia) Limited, the market penetration of lease finance, particularly for asset acquisitions, remains limited. The low growth of the lease finance market in Zambia poses challenges for individuals and businesses seeking alternative financing solutions for asset acquisition (Kapapi, 2022). Factors reviewed in literature that have been contributing to this low growth include a lack of awareness and understanding among potential customers regarding the benefits of leasing compared to traditional financing methods, regulatory barriers, and a general lack of familiarity with leasing practices within the market (Grace, et al., 2020; Ljeskovica & Poturak, 2014; Hoogland, et al., 2022).

Therefore, the problem statement centres around the stagnant growth of the lease finance market in Zambia, despite the significant presence of commercial banks and specialised lease finance institutions offering lease financing options. Addressing this issue requires concerted efforts to increase awareness and understanding among potential customers, streamline regulatory frameworks, and promote the benefits of lease financing as a viable alternative to traditional financing methods for asset acquisition in Zambia.

2 Literature Review

2.1 Empirical Literature Review

According to Hoogland et al. (2022), leasing provides significant cost reductions for individuals who choose lower monthly payments over extended ownership. This is because leasing allows for shorter payments. A contract known as a lease is an agreement in which one party (the lessee) receives the right to use an asset in exchange for a series of regular payments to the owner of the asset (the lessor). This technique is applicable to all leases, regardless of the classification or shape they may take (Brealey, 2006). The lease finance industry in Zambia is characterised by the presence of several commercial banks and specialised lease finance institutions offering lease financing options to individuals and businesses (Daka, 2022). Currently, lease financing, often accompanied by asset financing, is available through prominent commercial banks in Zambia, such as Zanaco, Standard Chartered Bank, Stanbic Bank, Atlas Mara, Indo Zambia Bank, First National Bank, ABSA Bank, Investrust Bank, and First Capital Bank. In addition to these banks, there are seven specialised lease finance institutions operating in the Zambian market.

The lease finance market in Zambia continues to evolve, with a growing number of players entering the market to meet the increasing demand for leasing solutions (Kapapi, 2022). Hoogland et al. (2022) investigated determinants influencing choice between leasing and purchasing plug-in electric vehicles (PEVs), focusing on battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). BEVs are more commonly leased compared to PHEVs. Electric range positively correlates with the probability of acquiring BEVs and negatively correlates with PHEVs. Sociodemographic variables such as residence type, property ownership, and the presence of residential solar panels influence acquisition decisions. Perceived significance of high occupancy vehicle/carpool lane access positively correlates with leasing, while perceived significance of state rebates positively correlates with purchasing.

Bugenbayev et al. (2021) study aimed at identifying factors influencing operating lease utilisation among companies in Malaysia to promote long-term viability and growth. Negative associations between lease and fixed asset efficiency (FAE), positive associations with interest cost (IC), negative associations with profit, and positive associations with size and tax rate were observed using fixed effect models. These findings suggest implications for the lease's impact on financial performance and operational efficiency. Bakar (2016) examines the correlation between financial constraints and the decision to lease among firms in Malaysia. Findings revealed that enterprises facing financial constraints related to internal funds, collateral, and size are more inclined to utilise lease financing. Limited-development potential firms may struggle to choose between lease and loan financing due to long-term viability concerns.

Saghir and Aston (2017) investigated economic conditions' influence on financial resource accessibility within the UK business sector. Findings revealed that economic factors such as inflation, government regulations, financial crises, and interest rates impact financial resource availability. Challenges included accessibility, quality of credit, and interest rates affecting firms seeking funding.

Mboto (2018) explored the influence of lease finance on the profitability of conglomerates in Nigeria. Results revealed that lease financing has a statistically insignificant impact on return on assets (ROA), with mixed effects on different financial indicators. Recommends consideration of leasing for debt financing to enhance capital and growth.

Grace et al.'s (2020) study on identifying factors influencing lease financing decisions in Kenya's insurance industry revealed that many insurance firms perceive leasing as crucial compared to borrowing. Financial leasing is preferred over operating leasing, with land and buildings being the most commonly leased assets. Chimuka (2013) study on understanding the development and challenges of the leasing market in Zambia, analysing the regulatory framework's role. Results showed that industry performance was below par in terms of capital sufficiency, asset quality, profitability, and liquidity. Regulatory infrastructure reforms and access to funding are needed for industry growth. Regulatory authority lacks the necessary competence for effective monitoring.

2.2 Theoretical Literature Review

Pecking Order Theory

The Pecking Order Theory, proposed by Myers and Majluf (2006), suggests that companies prioritise financing options based on information asymmetries, leading them to prefer internal funds over external financing. The theory posits that companies prefer retained earnings over debt and only resort to issuing new stocks as a last resort. This results in capital structures reflecting historical profitability and growth rather than a predetermined optimal balance of debt and equity. One advantage of the pecking order theory is its flexibility, as it does not insist on a specific capital structure at any given time. It emphasises minimising transaction costs associated with external funding and asymmetrical information. Equity financing is deemed less scrutinized by

creditors compared to debt and internal income. Additionally, the use of debt may signal management's belief in undervalued equity. By avoiding external funding, companies can bypass flotation expenses and market discipline. However, the theory has limitations, as it does not consider factors like taxes, agency costs, financial distress, security issuance costs, or investment alternatives. Research on leasing has overlooked the effects of profitability and growth, potentially leading to misspecification issues. Despite these limitations, the theory highlights the significance of leasing as a form of external financing, particularly in relation to commercial banks prioritising internal funds, debt, and equity for lease financing decisions.

Financial Contracting Theory

Financial Contracting Theory examines agreements between entities with capital and those in need of it, considering organisational features' influence on contracting costs and decisions (Modigliani & Miller, 1958). The Modigliani-Miller theorem provides the basis, suggesting firms are indifferent to financing sources in a perfect market. Historically, financial leasing theory focused on tax differentials between lessors and lessees. Well-designed financial contracts can enhance company value by mitigating risk, aligning incentives, and transferring tax responsibilities. Various financing options, including leases, common/preferred stock, and debt, offer risk-sharing, incentive structures, and tax considerations.

Financial contracting occurs when there's information asymmetry. Despite significant research on capital market imperfections, the role of leasing remains understudied. For commercial banks in Zambia, financial contracting theory influences the design and supply of lease financing by addressing factors like borrowing capacity, financial performance, and information asymmetry.

The theory acknowledges information asymmetry between lessors and lessees, impacting lease contract design. Banks may need to mitigate adverse selection risks by adjusting lease terms accordingly. Understanding financial contracting principles helps banks tailor lease agreements to market conditions and lessees' creditworthiness, thus influencing lease finance supply.

Trade-off Theory

The trade-off theory, introduced by Krans and Litzenberger (1973), posits that an optimal capital structure balances interest tax shields and financial distress costs. Companies determine debt-equity ratios by weighing associated costs and benefits. Within this context, it guides financial institutions in balancing funding sources, including lease financing. In Zambia, regulatory environments and economic conditions influence lease financing availability. Banks weigh credit risks and economic factors when deciding to offer leasing services. However, corporate capital structure decisions may not align precisely with trade-off considerations for lease financing. Understanding the trade-off theory assists financial institutions in managing risk and optimising lease financing decisions. Economic factors, regulatory environments, and credit risks impact lease finance availability and terms. Balancing these factors contributes to an efficient lease finance supply.

3 Research Methodology

3.1 Research Design

According to Mugenda and Mugenda (2003), a research design is a plan that specifies the methods and procedures on how the information for review is acquired, instruments utilised and their administration, and how the information is subsequently organized and analysed. The study adopted a correlational research design (Kothari, 2019). Correlational study design is a non-experimental research strategy commonly employed in the social sciences, psychology, and other relevant academic subjects. The primary objective of this study is to investigate and quantify the statistical correlation or connection between two or more variables.

Correlational studies seek to ascertain the presence of a relationship between two variables, without demonstrating a causal link, by examining whether changes in one measure correspond to changes in another variable. The descriptive research design was chosen for the study because it made use of the data and information that was already available and did not alter either the dimensions or the type of the data.

3.2 Population of the Study

The target population can be referred to as a group of individuals, events or objects that have common observable characteristics in which the relevant information is desired (Kothari, 2019). The target population for the study was seventeen (17) commercial banks operating in Zambia between 2022 and 2023 when the study was undertaken, with the main focus on those providing lease finance.

3.3 Sample and Sampling Procedure

The targeted banks were namely: Zanaco, Access Bank Zambia, United Bank for Africa (UBA), Standard Chartered Bank Zambia, Stanbic Bank Zambia, Atlas Mara Bank Zambia, Indo Zambia Bank, First National Bank Zambia, ABSA Bank, Investrust Bank Zambia, Ecobank Zambia and First Capital Bank Zambia. The sample size was 12 commercial banks, with fifty (50) questionnaires distributed to respondents from the targeted commercial banks offering lease financing related products. The banks that were excluded were First Alliance Bank Zambia, Zambia Industrial commercial Bnk (ZICB), Bank of China, AB Bank Zambia and Citibank, as these were not currently offering any form of lease finance at the time of undertaking the study. Non-probability sampling design was used in this study, with respondents selected through purposive sampling due to the inclusion criteria stated under the target population characteristics (Kothari, 2019).

3.4 Data Collection

The data that was collected in this study comprised of primary and secondary data. The primary data was collected by means of a semi-structured questionnaire which were distributed to fifty (50) respondents of from the 12 commercial banks which have lease financing related products. On the other hand, secondary data was collected from published journals and dissertations and articles to get specific reference on the main objective of the study.

3.5 Data Analysis

The type of data that was collected in this research was quantitative data and this data was analysed using spearman's correlation, descriptive statistics and

frequencies. Spearman's Correlation analysis was adopted for purposes of the research which is a quantitative methodology employed to assess the magnitude and direction of the association between two or more variables. This method assesses the extent to which alterations in one variable are correlated with alterations in another one. Correlation analysis is a statistical technique employed in the context of quantitative research to discern patterns and associations among numerical data. The data analysis techniques that were used in analyzing of the data was ran in Microsoft Excel and the Statistical package for scientists (SPSS) version 25.

3.6 Reliability and Validity

Reliability and validity are two essential factors that every research should include in order to ensure credibility of the findings obtained. In this study, several measures were implemented to uphold the reliability and validity of the obtained results.

The study targeted staff members employed in departments responsible for lease financing and asset finance-related products and services within nine prominent commercial banks in Zambia. This targeted sampling approach ensures that respondents have relevant expertise and direct involvement in lease financing activities, enhancing the reliability of the data collected. By focusing on individuals directly engaged in lease financing operations, the study minimizes the risk of sampling bias and ensures that the findings reflect the realities of the lease finance market in Zambia.

The study encompasses twelve commercial banks operating in Zambia, specifically focusing on nine prominent institutions offering lease financing options. This comprehensive scope ensures that a diverse range of perspectives and experiences are captured, enhancing the validity of the findings. Additionally, the study was conducted between 2022 and 2023, allowing for a thorough examination of current practices, challenges, and opportunities within the lease finance market over a significant timeframe.

Respondents were selected based on their expertise and involvement in lease financing activities, ensuring that the data obtained is reliable and comprehensive. By targeting individuals with direct experience in lease financing operations, the study minimises the risk of response bias and ensures that the findings are grounded in the realities of the industry. By gathering insights directly from industry practitioners, the study ensures that the data collected is rich, contextually relevant, and representative of the experiences and perspectives of key stakeholders within the banking sector. Additionally, engaging with knowledgeable respondents enhances the validity of the study by ensuring that the data collected is accurate and reflective of industry practices.

Overall, through targeted sampling, comprehensive scope and timeframe, in-depth interviews, and the expertise and involvement of respondents, the study on factors affecting the growth of lease finance in Zambia achieved both reliability and validity in its research approach. These measures ensure that the findings are credible, trustworthy, and representative of the lease finance market in Zambia.

4 Research Results and Analysis

4.1 Status of lease finance supply in Zambia

The researcher posed a number of questions to respondents from the selected commercial banks which provide some form of lease finance. Findings in line with the different questions and statements posed are presented below as follows:

Table 1: Most commercial banks in Zambia have lease finance options (products) readily available for retail and corporate customers.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	18	58.06	58.06	58.06
	Strongly Agree	13	41.9	41.9	100
	Total	31	100	100	

Source: SPSS version 25 (2023)

From the findings above it can be clearly seen that the respondents from the ten (10) commercial banks agreed (58.06%), and strongly agreed (41.9%), respectively when asked if most commercial banks in Zambia have lease finance options readily available for retail and corporate customers.

Table 2: How effective is the current supply of lease finance in meeting the needs of businesses and individuals in Zambia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Effective	5	16.10	16.10	61
	Ineffective	9	29.00	29.00	26
	Very ineffective	17	54.80	54.80	100
	Total	31	100	100	

Source: SPSS version 25 (2023)

Findings on Table 2 above revealed that out of the 31 respondents surveyed, a substantial majority of 54.80% perceive the supply as very ineffective, highlighting significant dissatisfaction within the market. However, a larger proportion, 29%, consider it ineffective, suggesting room for improvement. Additionally, 16.10% view the supply of lease finance as effective.

Table 3: Please provide a response for your previous answer (How effective is the current supply of lease finance in meeting the needs of businesses and individuals in Zambia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Very Ineffective	Focus on traditional banking products (loans, invoice discounting, treasury investments)	8	25.8	25.8	61
Effective	Demand from some customer segments	5	16.1	16.1	26
Ineffective	Low uptake of lease finance in Zambia by both corporates and individuals	18	58.1	58.1	100
	Total	31	100	100	

Source: SPSS version 25 (2023)

Findings on Table 3 above revealed that, a significant majority of respondents (58.1%) perceive the low uptake of lease finance in Zambia by both corporates and individuals as ineffective, followed by 25.8% who find traditional banking products such as loans, invoice discounting, and treasury investments to be very ineffective. Conversely, a smaller portion of respondents (16.1%) believe there is effective demand from certain customer segments.

4.2 Evaluating the effect of income levels on the growth of lease finance in Zambia.

The first research objective was aimed at evaluating the effect of income levels on the growth of lease finance in Zambia. In line with the research objective above, the researcher posed a number of questions to the respondents from the different commercial banks. The respondents were ranked using the mean based on descriptive statistics, as this was used as a pretest prior to running Spearman's correlation in order to determine which factors had the most significant effect on the growth of lease finance in Zambia.

Table 4: Descriptive Statistics on income levels and growth of lease finance by in Zambia

	N	Minimum	Maximum	Mean
Do you agree that policies in terms of credit in commercial banks tend to favour income levels highly in making the decision to provide lease finance?	31	1	5	3.72
Individuals and businesses with lower incomes tend to face challenges in securing lease financing in Zambia from commercial banks	31	1	5	3.94
Individuals with higher income tend to have better access to lease finance options from commercial banks in Zambia.	31	1	5	4.42
Valid N (listwise)	31			

Valid N (listwise) 31

The interpretation of the above descriptive statistics results for measuring income levels effect on the growth of lease finance in Zambia are presented below as follows:

Table 5: The interpretation of descriptive statistics findings for Income Levels

Income Levels Statement	Mean Score	Interpretation of Descriptive Statistics findings
Do you agree that policies in terms of credit in commercial banks tend to favour income levels highly in making the decision to provide lease finance?	3.72	This statement on Income Levels of the had a mean score of 3.72 which was the lowest mean score and shows that the majority of commercial banks were not in agreement that policies in terms of credit in commercial banks tend to favour income levels highly in making the decision to provide lease finance.
Individuals and businesses with lower incomes tend to face challenges in securing lease financing in Zambia from commercial banks	3.94	This statement on Income Levels of the had a mean score of 3.94 which was the second ranked mean score and shows that on average Individuals and businesses with lower incomes tend to face challenges in securing lease financing in Zambia from commercial banks.
Individuals with higher income tend to have better access to lease finance options from commercial banks in Zambia.	4.42	This statement on Income Levels of the had a mean score of 4.42 which was highest mean score and shows that Individuals with higher income tend to have better access to lease finance options from commercial banks in Zambia.

Source: Author (2023)

4.3 Ascertaining the effect of institutional factors on the growth of lease finance in Zambia.

The second research objective was aimed at ascertaining the effect of institutional factors on the growth of lease finance in Zambia. In line with the research objective above, the researcher posed a number of questions to the respondents from the different commercial banks. The respondents were ranked using the mean based on descriptive statistics, as this was used as a pretest prior to running Spearman's correlation in order to determine which factors had the most significant effect on the growth of lease finance in Zambia.

The descriptive statistics findings tabulated below are in line with measuring which institutional factors have the strongest effect on the growth of lease finance in Zambia.

Table 6 Descriptive Statistics on institutional factors and growth of lease finance in Zambia

	N	Minimum	Maximum	Mean
Risk management and compliance constraints significantly affect the willingness of commercial banks to provide lease finance to both individuals and corporates.	31	1	5	4.23
Internal policies and procedures in this commercial bank do not support the supply of lease finance by commercial banks.	31	3	5	4.34
Budgetary allocation for credit products hinders the expansion of lease finance by this commercial bank.	31	3	5	4.61
Valid N (listwise)	31			

The interpretation of the above descriptive statistics results for measuring institutional factors that have the strongest effect on the growth of lease finance in Zambia are presented below as follows:

Table 7 The interpretation of descriptive statistics findings for Institutional Factors

Institutional Factors Statement	Mean Score	Interpretation of Descriptive Statistics findings
Risk management and compliance constraints significantly affect the willingness of commercial banks to provide lease finance to both individuals and corporates.	4.23	This statement on Institutional factors had a mean score of 4.23 which was the lowest mean score and shows that Risk management and compliance constraints do significantly affect the willingness of commercial banks to provide lease finance to both individuals and corporates.
Internal policies and procedures in this commercial bank do not support the supply of lease finance by commercial banks.	4.34	This statement on Institutional factors had a mean score of 4.34 which was ranked second amongst the mean scores and shows that Internal policies and procedures of commercial bank do have an effect on supply of lease finance but are not the major institutional factor affecting growth of lease finance in Zambia.
Budgetary allocation for credit products hinders the expansion of lease finance by this commercial bank.	4.61	This statement on Institutional factors had a mean score of 4.61 which was ranked highest amongst the mean scores and shows that Budgetary allocation for credit products hinder the expansion of lease finance by this commercial bank, and these are main institutional factors which affect the growth of lease finance in Zambia.

Source: Author (2023)

4.4 Determining the effect of cultural factors on the growth of lease finance in Zambia

The final research objective was aimed at determining the effect of cultural factors on the growth of lease finance in Zambia. In line with the research objective above, the researcher posed a number of questions to the respondents from the different commercial banks. The respondents were ranked using the mean based on descriptive statistics, as this was used as a pretest prior to running Spearman's correlation order to determine which factors had the most significant effect on the growth of lease finance in Zambia.

The descriptive statistics findings tabulated below are in line with measuring cultural factors affecting the supply of lease finance by commercial banks.

Table 8 Descriptive Statistics on cultural factors and growth of lease finance in Zambia

	N	Minimum	Maximum	Mean
The low level of willingness by businesses and individuals in Zambia to adopt lease financing practices based on cultural norms and values affects the supply of lease finance.	31	1	5	3.75
Cultural attitudes in Zambia in relation to a preference for cash payments over long-term credit influence commercial banks' supply of lease finance options.	31	2	5	4.19
A tendency for outright asset ownership in Zambia by individuals and businesses over spreading payments affects the overall demand and supply of lease finance in Zambia by commercial banks	31	1	5	4.74
Valid N (listwise)	31			

The interpretation of the above descriptive statistics results for measuring cultural factors that have the strongest effect on the growth of lease finance in Zambia are presented below as follows:

Table 9 The interpretation of descriptive statistics findings for Cultural Factors

Cultural Factors Statement	Mean Score	Interpretation of Descriptive Statistics findings
The low level of willingness by businesses and individuals in Zambia to adopt lease financing practices based on cultural norms and values affects the supply of lease finance.	3.75	This statement on cultural factors had a mean score of 3.75 which was the lowest mean score and shows the low level of willingness by businesses in Zambia to adopt lease financing practices based on cultural norms and values does not significantly affect the supply of lease finance.
Cultural attitudes in Zambia in relation to a preference for cash payments over long-term credit influence commercial banks' supply of lease finance options.	4.19	This statement on cultural factors had a mean score of 4.19 which was ranked second amongst the mean scores and shows that Cultural attitudes in Zambia in relation to a preference for cash payments over long-term credit influence commercial banks' supply of lease finance options but are not the major institutional factor affecting growth of lease finance in Zambia.
A tendency for outright asset ownership by individuals and businesses in Zambia over spreading payments affects the overall demand and supply of lease finance in Zambia by commercial banks	4.74	This statement on cultural factors had a mean score of 4.74 which was ranked highest amongst the mean scores, and shows that a tendency for outright asset ownership by individuals and businesses in Zambia over spreading payments affects the overall demand and supply of lease finance in Zambia by commercial banks was the main cultural factors which affect the growth of lease finance in Zambia.

Source: Author (2023)

4.5 Assess factors affecting the growth of lease finance in Zambia.

In order to meet the main objective of the study, which was to assess factors affecting the growth of lease finance in Zambia. The factors affecting the growth of lease finance in Zambia was broken down into three different factors: income levels, cultural factors, and institutional factors. The growth of lease finance in Zambia was measured based on the status of lease financing in the banking industry in Zambia.

Prior to Spearman's correlation analysis being ran, the researcher ran descriptive statistics analysis as shown under the different research objectives findings in order to rank the statements based on each factor affecting the supply of lease finance. Moreover, the researcher measured the growth of lease finance

based on lease finance options readily available for retail and corporate customers in Zambia.

Table 10: Correlation Results

			Status of lease finance supply in Zambia	Institutional Factors	Income Levels	Cultural Factors
				Budgetary allocation for credit products hinders the expansion of lease finance by this commercial bank.	Individuals with higher income tend to have better access to lease finance options from commercial banks in Zambia	A tendency for outright asset ownership in Zambia by individuals and businesses over spreading payments affects the overall demand and supply of lease finance in Zambia by commercial banks.
Spearman's rho	Status of lease finance supply in Zambia	Correlation Coefficient	1.000	.791**	.683**	.897**
		Sig. (2-tailed)	.	.000	.000	.000
		N	31	31	31	31
** Correlation is significant at the 0.01 level (2-tailed)						

Based on the research findings on Table 10, it can be clearly observed that there was a positive relationship between all three independent variables (i.e. institutional factors, Income Levels and cultural factors) and the supply of lease finance. This was because all correlation coefficients were positive and significant, with Cultural factors ranking higher in terms of the correlation coefficient of 0.897, followed by Institutional Factors, which had a correlation coefficient of 0.791, and finally Income Levels which had a correlation coefficient of 0.683 at 99% confidence intervals.

The correlation coefficient of 0.897 for Cultural Factors and the growth of lease finance in Zambia, shows that there was a strong positive statistically significant relationship between cultural factors, as measured by “a tendency for outright asset ownership in Zambia by individuals and businesses over spreading payments affects the overall growth of lease finance in Zambia”.

Secondly, the correlation coefficient of 0.791 for Institutional Factors and the growth of lease finance in Zambia, shows that “Budgetary allocation for credit products hinder the expansion of lease finance by commercial banks”, as respondents stated that the core banking products tend to focus more on retail and business loans as well as products such as invoice discounting and order financing as opposed to lease financing.

Lastly, the correlation coefficient of 0.683 (which was the lowest amongst the three independent variables) for Income Levels and Supply of Lease Finance, shows that there was a semi-strong positive statistically significant relationship between Income Levels, as measured by “Individuals with higher income tend to have better access to lease finance options from commercial banks in Zambia” and the growth of lease finance in Zambia.

5 Summary, Conclusion and Recommendations

5.1 Summary of Study Findings

The study was aimed at assessing factors affecting the growth of lease finance in Zambia. The first research objective was aimed at evaluating whether income levels in Zambia affect the supply of the lease finance. The findings of the Spearman's correlation analysis revealed that income levels affected the growth of lease finance in Zambia, however, amongst the three (3) predictor or independent variables it had the lowest effect on the growth of lease finance in Zambia. The correlation coefficient of 0.683, was the lowest amongst the three independent variables, and this shows that there was a semi-strong positive statistically significant relationship between Income Levels.

The second research objective was aimed at ascertaining if institutional factors affect the growth of lease finance in Zambia. Findings revealed that institutional factors were the second amongst the main factors affecting the growth of supply of lease finance in Zambia, as could be seen from the correlation coefficient of 0.791 for Institutional Factors and the growth of lease finance in Zambia.

The last research objective was aimed at finding out if cultural factors affect the growth of lease finance in Zambia. Findings revealed that cultural factors were the main factor affecting the growth of lease finance in Zambia, as could be seen from the correlation coefficient of 0.897 for Cultural Factors and the growth of lease finance in Zambia. The finding above shows that there was a strong positive statistically significant relationship between cultural factors, with the main cultural factor of a tendency or preference for outright asset ownership in Zambia by individuals and businesses over spreading payments which affects the growth of lease finance in Zambia.

5.2 Conclusions of the Study

The study was aimed at assessing factors affecting the growth of lease finance in Zambia.

According to Spearman's correlation, cultural factors have the most impact on Zambia's leasing financing growth. Additionally, institutional factors had the second most significant effect, as shown by their positive relationship with Zambia's lease finance growth, while income levels positively affected commercial banks' lease finance supply, but this effect was the lowest of the three independent variables. As for the growth of lease finance in Zambia, most commercial banks offer lease finance alternatives for retail and corporate customers. However, findings also showed that existing lease finance

supply in Zambia is ineffective in meeting the needs of businesses and individuals, with low uptake by corporates and individuals as the main reasons.

Cultural preferences like a preference for outright asset ownership over leasing have a significant impact on lease credit availability, as shown by the positive link between cultural characteristics and lease finance. To make lease finance more effective, commercial banks may need to tailor their goods and services to retail and corporate consumers. Institutional factors positively affect lease financing supply, suggesting that regulatory and policy environments can boost or hinder lease financing expansion. This institutional component affects lease finance through budget allocation for credit products. Higher incomes boost Zambian lease financing growth. The Zambian commercial banks offering lease financing may offer more lease financing choices to higher-income individuals and businesses.

However, the moderate effect of income levels suggests that lease finance is affected by other factors. Cultural and institutional variables may have a greater impact. According to the report, most Zambian commercial banks offer lease lending to retail and business clients. Lease finance appears to be widely available.

Lease financing is unsuccessful at meeting the needs of Zambian businesses and individuals, despite its availability. Even though lease financing is available. One reason lease finance is ineffective is that corporate and individual consumers don't use it fully. This may be due to cultural and institutional factors that hinder leasing financing supply and demand.

5.3 Recommendations of the Study

Based on the findings obtained in the study, the following recommendations are made:

- Offer training sessions to bank employees to enhance their understanding of lease finance products and their alignment with local cultural preferences. Adapting regulations to enhance the accessibility and appeal of lease financing, taking into account the cultural context.
- Develop and execute financial literacy initiatives aimed at enhancing understanding of the advantages of lease financing for both businesses and individuals. Perform market research to develop customised lease finance products for specific industries or customer groups.
- Implement focused marketing strategies highlighting the benefits of lease financing to effectively engage a larger user base.
- Streamline application procedures and offer clear and transparent details regarding lease finance terms and conditions.
- It is of the utmost importance for the Bank of Zambia (BOZ) to consistently evaluate the effectiveness of lease finance alternatives and collect feedback to improve them progressively.

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