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Determinants of Leasing Finance Adoption Among Small and Medium Enterprises (SMEs) in Jigawa State, Nigeria

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Abstract
This study examines the determinants of leasing finance adoption among small and medium enterprises (SMEs) in Jigawa State, Nigeria, with a focus on the owner-managers' perceived benefit and perceived risk of leasing. A cross-sectional survey research design was employed. The population comprised 13,912 SMEs registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Jigawa State, and a sample of 400 SMEs was drawn using the Taro Yamane formula and random sampling. The study retrieved 391 questionnaires, of which 386 were usable. The data were analysed with partial least squares structural equation modelling (PLS-SEM). The structural model showed that perceived benefit has a significant positive effect on leasing finance adoption, whereas perceived risk has a significant negative effect. The study therefore recommends that lessors, financial regulators, and SME support agencies should intensify awareness of the benefits of leasing among SME owner-managers while simultaneously reducing perceived risk through transparent contract terms, clear dispute-resolution arrangements, and stronger institutional safeguards for lessees.

Keywords: Leasing Finance Adoption, Perceived Benefit, Perceived Risk, SMEs, Jigawa State.

1. Introduction

Small and medium enterprises (SMEs) are widely regarded as drivers of economic growth, employment creation, and poverty reduction in developing economies (Abor & Quartey, 2010; Okpara, 2011). In Nigeria, the National Survey of Micro, Small and Medium Enterprises counted 41,543,028 enterprises in 2017, of which 99.8% were micro enterprises and 73,081 were small and medium enterprises (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] & National Bureau of Statistics [NBS], 2017). Limited access to finance is one of the most persistent constraints on these enterprises. According to the SMEDAN and NBS (2017) survey, 89.6% of SMEs rated lack of access to finance as their most important obstacle, and personal savings (68.3%) rather than bank credit (21.6%) was the dominant source of capital. Globally, the literature attributes such constraints to weak credit information, a lack of suitable collateral, and weak legal institutions (Ayyagari et al., 2017). Conventional bank loans therefore remain difficult for many SMEs to obtain, which increases the need for alternative financing arrangements that do not depend on pledging assets. Leasing finance is one such alternative. Under International Financial Reporting Standard (IFRS) 16, a lease is a contract that conveys

the right to use an asset for a period of time in exchange for consideration (IFRS Foundation, 2016). Leasing allows a business to obtain equipment without a large initial outlay or the pledging of the asset as collateral. Theoretical and empirical work shows that the greater ease with which a lessor can repossess a leased asset gives leasing a higher debt capacity than secured lending, which makes it particularly valuable to financially constrained firms (Eisfeldt & Rampini, 2009). In Nigeria, the volume of finance leases reached ₦1.68 trillion in 2018, and non-bank lessors accounted for about 80% of lease transactions, mostly with micro, small and medium enterprises (Abdulkarim et al., 2020). The same study, however, identified the need for greater sensitisation of potential lessees on the benefits of lease finance, which suggests that perceptions, and not only supply conditions, influence uptake (Shuaibu & Mohammed, 2023).

Two perceptions are central to the decision to adopt an innovation. The first is the perceived benefit, which is the owner-manager's belief that leasing will improve the performance of the business through advantages such as improved cash flow, reduced collateral requirements, and access to modern equipment (Davis, 1989; Rogers, 2003). The second is the perceived risk, which reflects the owner-manager's belief that leasing may produce undesirable financial, performance, or contractual outcomes (Bauer, 1960; Cunningham, 1967). Where the perceived risk outweighs the perceived benefit, owner-managers are likely to avoid the innovation even when it is available. However, existing research on leasing has largely examined the economic and institutional determinants of lease use, particularly among European SMEs (Mol-Gómez-Vázquez et al., 2023), the debt-capacity role of leasing (Eisfeldt & Rampini, 2009), or the general determinants of access to finance among Nigerian firms (Bello & Mustapha, 2021). Studies describing the lease industry in Nigeria have focused on market volumes, challenges, and prospects (Abdulkarim et al., 2020). To the best of the researchers' knowledge, no published study has examined how SME owner-managers' perceived benefit and perceived risk jointly influence the adoption of leasing finance in Jigawa State. Hence, this study considers the perceived benefit and perceived risk as determinants of leasing finance adoption, and this is seen as the contribution of the study.

Accordingly, the broad objective of this study is to investigate the determinants of leasing finance adoption among SMEs in Jigawa State, Nigeria. Specifically, the study sets out to (i) examine the effect of perceived benefit on leasing finance adoption, and (ii) determine the effect of perceived risk on leasing finance adoption among SMEs in Jigawa State.

2. Literature Review

2.1 Conceptual Review

2.1.1 Small and Medium Enterprises

SMEs are generally defined by regulatory agencies according to the number of employees and the value of assets. In Nigeria, the National Policy on MSMEs classifies small enterprises as those employing 10 to 49 persons with assets (excluding land and buildings) of ₦10 million to less than ₦100 million, and medium enterprises as those employing 50 to 199 persons with assets of ₦100 million to less than ₦1,000 million, with the employment criterion taking precedence where the two criteria disagree (SMEDAN & NBS, 2017).

2.1.2 Leasing Finance Adoption

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration (IFRS Foundation, 2016). Ownership of the asset remains with the

lessor while the lessee obtains possession and the right to use it in return for periodic payments. IFRS 16 replaced IAS 17 for reporting periods beginning on or after 1 January 2019. Leasing is therefore recognised internationally as a legitimate means of acquiring assets without purchasing them outright.

In this study, leasing finance adoption refers to the willingness and decision of an SME to lease productive assets rather than purchase them outright or finance their acquisition through a bank loan. In Nigeria, the volume of lease finance grew consistently between 2005 and 2018, non-bank lessors dominate the market, and funding remains a major challenge for lessors (Abdulkarim et al., 2020). The classic corporate finance literature identifies tax, contracting costs, and financing constraints among the factors that explain why firms lease (Smith & Wakeman, 1985; Sharpe & Nguyen, 1995).

2.1.3 Perceived Benefit

Perceived benefit refers to the extent to which an owner-manager believes that leasing will enhance business performance and financial flexibility. It is closely related to perceived usefulness in the technology acceptance model (Davis, 1989) and to relative advantage in the diffusion of innovations theory (Rogers, 2003), both of which hold that decision-makers are more likely to adopt an innovation they believe is superior to the alternatives. In the leasing context, the perceived benefits include access to equipment without a large initial outlay, preservation of working capital, and reduced reliance on collateral, which is consistent with the theoretical argument that leasing relaxes financing constraints (Eisfeldt & Rampini, 2009).

2.1.4 Perceived Risk

The concept of perceived risk originates from the work of Bauer (1960), who argued that consumer behaviour involves risk in the sense that any action produces consequences that cannot be anticipated with certainty. Cunningham (1967) refined the concept into two components, namely the uncertainty about an outcome and the seriousness of the consequences if the outcome is unfavourable. In the context of this study, perceived risk is the owner-manager's belief that adopting leasing may expose the business to adverse financial, performance, or contractual outcomes, such as binding payment obligations, loss of the asset on default, or disputes with the lessor. When the perceived risk is high, owner-managers tend to avoid adopting the innovation.

2.2 Empirical Review and Hypothesis Development

Numerous studies have examined the use of leasing and the financing of SMEs. The most noteworthy ones are reviewed below, and hypotheses are developed on the basis of their findings.

2.2.1 Perceived Benefit and Leasing Finance Adoption

Eisfeldt and Rampini (2009) argued that the benefit of leasing lies in the fact that repossession of a leased asset is easier than foreclosure on the collateral of a secured loan, so that leasing has a higher debt capacity than secured lending. They further showed that more financially constrained firms lease more of their capital than less constrained firms. However, their study focused on the financing role of leasing and did not examine owner-managers' perceptions. Similarly, Mol-Gómez-Vázquez et al. (2023) applied logistic models to a sample of 4,425 SMEs from 25 European countries and showed that financial constraints and the characteristics of the institutional environment play a distinctive role in the use of leasing by SMEs across developing and developed countries. The study was limited to European SMEs and did not include perceptual variables, so the present study extends the evidence to Nigeria and to owner-managers' perceived benefit.

In Nigeria, Abdulkarim et al. (2020) analysed the status, challenges, and prospects of the lease industry and identified increased sensitisation of potential lessees on the benefits of lease finance as a critical success factor. This implies that the way in which SME owners perceive the benefits of leasing is relevant to its uptake. However, their study was exploratory and did not test this relationship statistically. In a related study, Bello and Mustapha (2021) used a logistic regression on a sample of 507 manufacturing micro, small and medium enterprises and found that access to finance is largely influenced by owner-managers' experience and skills, which suggests that the characteristics of the owner-manager matter for financing decisions. Given the foregoing evidence, which points to the importance of leasing for financially constrained firms but does not test owner-managers' perceived benefit directly, the following hypothesis is formulated as the expectation of this research:

H_1: *Perceived benefit has a significant positive effect on leasing finance adoption among SMEs in Jigawa State, Nigeria.*

2.2.2 Perceived Risk and Leasing Finance Adoption

Eisfeldt and Rampini (2009) also noted that leasing involves agency costs arising from the separation of ownership and control, since the lessee uses an asset that it does not own and may not maintain with the same care. This is one source of the contractual obligations and monitoring that lessees may regard as risky. Smith and Wakeman (1985) similarly examined the contracting and tax considerations that shape corporate leasing policy, which shows that leasing decisions involve more than the cost of finance. These studies, however, were conducted at the firm level and did not measure risk as perceived by the decision-maker.

In the Nigerian lease market, Abdulkarim et al. (2020) reported that the industry operates under rising domestic costs of purchase, a shortage of foreign exchange for imports, and persistent depreciation of the naira, and that funding for lessors remains a major challenge. These conditions can plausibly heighten the perceived risk of long-term lease commitments for SME owners, particularly where leased equipment is imported (Shatima, et al., 2026). Beyond leasing, the literature on technology and service adoption has long established that perceived risk is a deterrent to adoption (Featherman & Pavlou, 2003). Okpara (2011) also identified lack of financial support among the most common constraints on the growth and survival of Nigerian SMEs, which indicates that SME owners operate in an environment where the consequences of a wrong financing decision can be severe. However, none of these studies tested the effect of owner-managers' perceived risk on the adoption of leasing in Jigawa State. Therefore, the following hypothesis is formulated:

H_2: *Perceived risk has a significant negative effect on leasing finance adoption among SMEs in Jigawa State, Nigeria.*

2.3 Theoretical Framework

A theoretical framework serves as the foundation on which a research study is built and the blueprint that guides its conduct (Kivunja, 2018). This study draws on three complementary perspectives, namely agency theory, the technology acceptance model and diffusion of innovations theory, and the perceived-risk framework.

2.3.1 Agency Theory

Agency theory was developed by Jensen and Meckling (1976) to explain the conflicts of interest that arise when ownership and control are separated, and the monitoring, bonding, and residual costs that follow. In the leasing context, ownership of the asset is separated from its use: the lessor owns the asset while the lessee controls it, which creates an agency

problem concerning the care with which the asset is used and maintained (Eisfeldt & Rampini, 2009). In owner-managed SMEs, the conventional owner–manager conflict is muted, but agency tensions can still arise between the lessor and the lessee. Agency theory therefore helps explain why leasing contracts embody obligations that lessees may perceive as risky, although it does not fully capture the perceptual factors studied here.

2.3.2 Technology Acceptance Model and Diffusion of Innovations Theory

The technology acceptance model holds that perceived usefulness is a primary determinant of the acceptance of an innovation (Davis, 1989), while the diffusion of innovations theory identifies relative advantage as one of the attributes that explain the rate at which an innovation is adopted (Rogers, 2003). Applied to leasing, these perspectives suggest that SME owner-managers who perceive greater financial and operational benefit in leasing relative to bank debt will be more inclined to adopt it. Although the technology acceptance model operates at the individual level, in owner-managed SMEs the financing decisions of the firm are largely those of the owner-manager, which makes the individual perceptions of the owner-manager an appropriate unit of analysis.

2.3.3 Perceived-Risk Theory

The perceived-risk framework originating from Bauer's (1960) work and extended by Cunningham (1967) conceptualises risk as the decision-maker's subjective assessment of the uncertainty and the consequences of an undesirable outcome. Together, the three perspectives provide complementary lenses on the leasing decision: agency theory explains why leasing contracts carry obligations that can be perceived as risky, while the technology acceptance and perceived-risk perspectives explain why the owner-manager's subjective evaluation of benefit and risk ultimately determines whether leasing is adopted.

2.4 Research Framework

The framework used for this study was developed from the theoretical perspectives above. As shown in Figure 1, the study has two exogenous variables (perceived benefit and perceived risk), and leasing finance adoption serves as the endogenous (dependent) variable. Perceived benefit is expected to relate positively to adoption, while perceived risk is expected to relate negatively to adoption.

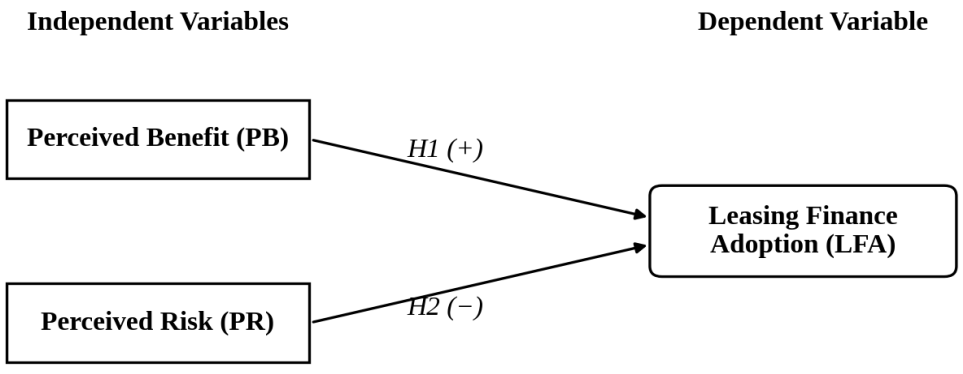


Figure. 1: *Research Framework.*
Source: Developed by the researchers (2026)

3. Methodology

The study adopted a cross-sectional survey research design because it collects data from different enterprises at a single point in time. The population of the study comprised the SMEs operating in Jigawa State that were registered with SMEDAN, numbering 13,912 according to the most recent SMEDAN registration record available to the researchers. The Taro Yamane (1967) formula was used to determine the sample size:

$n = N / (1 + Ne^2) = 13{,}912 / (1 + 13{,}912 \times 0.05^2) = 388.8$

where n is the sample size, N is the population, and e is the margin of error (0.05). The formula yields a minimum sample of 389 SMEs. To allow for non-response and unusable questionnaires, 400 questionnaires were administered. Respondents were selected from the registered SMEs using a random sampling approach.

A structured questionnaire was used for data collection and was administered to owner-managers who are directly responsible for, or knowledgeable about, the financing decisions of the SME. The questionnaire measured the three constructs of the study, namely leasing finance adoption (seven items), perceived benefit (seven items), and perceived risk (seven items). The data were analysed using partial least squares structural equation modelling (PLS-SEM) with the help of SmartPLS for hypothesis testing. PLS-SEM was considered appropriate because it does not require multivariate normality, accommodates modest sample sizes, and permits the simultaneous estimation of the measurement and structural models (Hair et al., 2019).

4. Results and Discussion

Of the 400 questionnaires administered, 391 were returned (a return rate of 97.75%), and 386 were valid for analysis (96.5% of those administered). With 386 usable responses, the effective margin of error is approximately 5.0%. In this study, SmartPLS was used to evaluate the measurement model and the structural model. Evaluation of the measurement model involved testing for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity, while the structural model was evaluated through multicollinearity, path coefficients, the coefficient of determination, effect sizes, and model fit (Hair et al., 2019; Henseler et al., 2016). Figure 2 illustrates the complete measurement model before any items were removed.

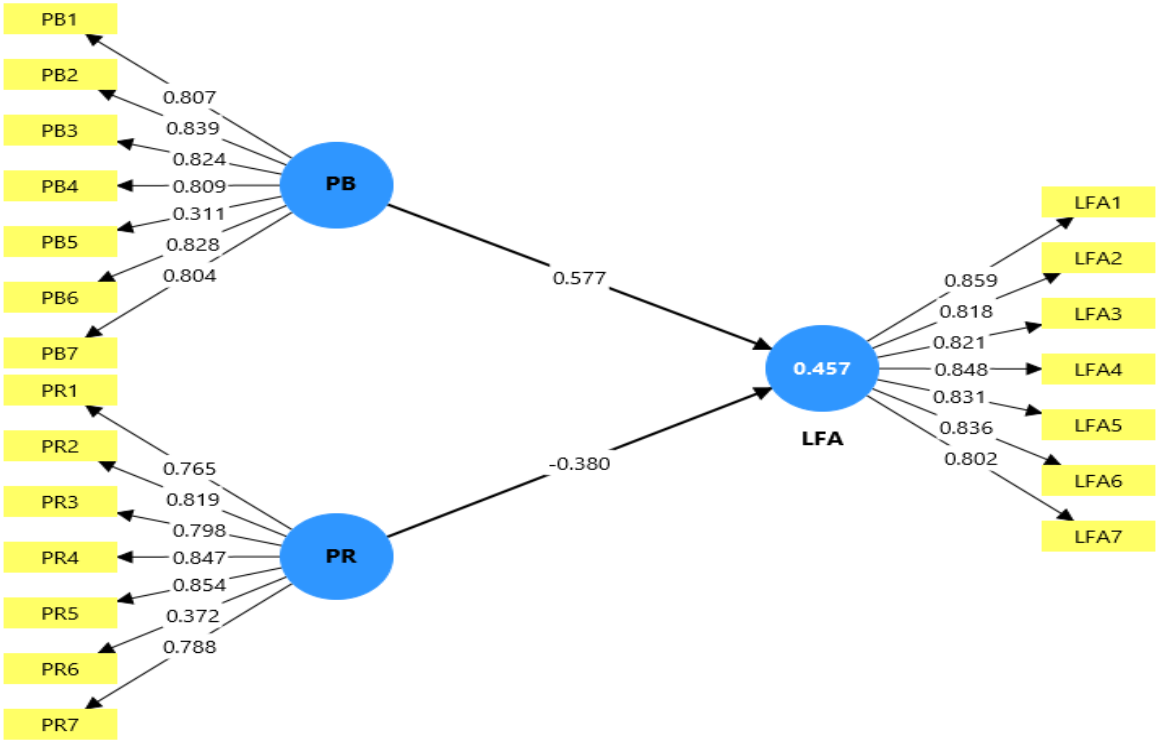


Figure 2. *Measurement Model of the Latent Constructs (before item removal).*
Source: Researcher's compilation with SmartPLS (2026)

4.1 Indicator Reliability

The outer loadings of the indicators of each construct are used to assess the reliability of the measurements. Traditionally, an indicator is considered reliable if its loading is at least 0.70, while indicators with loadings between 0.40 and 0.70 should be removed only if their exclusion improves composite reliability or the average variance extracted, and indicators with loadings below 0.40 should always be removed (Hair et al., 2019). As shown in Figure 2, two items, PB5 (0.311) and PR6 (0.372), had loadings below 0.40 and were therefore removed. Of the 21 items examined, 19 were retained, and the retained items all exceeded the 0.70 threshold, with loadings ranging from 0.773 to 0.865 (Table 4.2). After the removal of the two items, the model was re-estimated, and the R^2 of leasing finance adoption changed from 0.457 to 0.447, while the path coefficients changed marginally from 0.577 to 0.574 for perceived benefit and from −0.380 to −0.376 for perceived risk, which shows that the results are not sensitive to the removed items.

4.2 Internal Consistency Reliability

Internal consistency reliability denotes the extent to which the items of a scale consistently measure the same construct. The commonly used measures are Cronbach's alpha and composite reliability. Because Cronbach's alpha assumes equal indicator loadings and tends to underestimate reliability, composite reliability is generally preferred in PLS-SEM, with values of at least 0.70 considered satisfactory (Hair et al., 2019). Table 4.1 presents Cronbach's alpha and the composite reliability coefficients (rho_a) of the constructs, and the composite reliability (rho_c) is reported in Table 4.2.

Table 4.1: Internal Consistency Reliability

Latent construct	Cronbach's alpha	Composite reliability (rho_a)
Leasing Finance Adoption (LFA)	0.925	0.927
Perceived Benefit (PB)	0.904	0.907
Perceived Risk (PR)	0.901	0.909

Source: *Researcher's compilation with SmartPLS (2026)*

The Cronbach's alpha values range from 0.901 to 0.925, the rho_a values range from 0.907 to 0.927, and the rho_c values range from 0.924 to 0.940. All of these exceed the minimum requirement of 0.70, indicating strong internal consistency for all the latent constructs. Values above 0.95 would have suggested item redundancy, but none of the constructs exceeds that level.

Convergent validity evaluates the degree to which the items of a construct converge in measuring that construct. The commonly used measure is the average variance extracted (AVE), with a recommended threshold of at least 0.50 (Fornell & Larcker, 1981; Hair et al., 2019). Table 4.2 presents the retained indicator loadings, the composite reliability, and the AVE of each construct.

4.3 Convergent Validity

Table 4.2: Indicator Loadings, Composite Reliability, and AVE of Latent Constructs

Latent construct	Item	Item Loading	Composite Reliability	AVE
Leasing Finance Adoption	LFA1	0.859	0.940	0.690
	LFA2	0.819		
	LFA3	0.821		
	LFA4	0.848		
	LFA5	0.831		
	LFA6	0.836		
	LFA7	0.801		
Perceived Benefit	PB1	0.813	0.926	0.676
	PB2	0.840		
	PB3	0.834		
	PB4	0.807		
	PB6	0.831		
	PB7	0.806		
Perceived Risk	PR1	0.773	0.924	0.669
	PR2	0.824		
	PR3	0.798		
	PR4	0.853		
	PR5	0.865		

Latent construct	Item	Item Loading	Composite Reliability	AVE
	PR7	0.793		

Source: *Researcher's compilation with SmartPLS (2026)*

Table 4.2 shows that the composite reliability (rho_c) of the constructs ranges from 0.924 to 0.940, which exceeds the minimum requirement of 0.70, demonstrating strong internal consistency. The AVE values range from 0.669 to 0.690 and surpass the minimum requirement of 0.50, indicating that each construct explains more than half of the variance of its indicators and therefore demonstrating adequate convergent validity.

4.4 Discriminant Validity

Discriminant validity assesses the extent to which each construct is empirically distinct from the others in the model. This study assessed discriminant validity using two complementary criteria: the traditional Fornell-Larcker criterion and the more recently recommended Heterotrait-Monotrait ratio of correlations (HTMT), which simulation evidence shows detects discriminant validity problems that the Fornell-Larcker criterion can miss (Henseler et al., 2015).

4.4.1 Fornell-Larcker Criterion

Under the Fornell-Larcker criterion, discriminant validity is established when the square root of a construct's AVE (shown on the diagonal in Table 4.3.1) exceeds its correlation with every other construct in the model (Fornell & Larcker, 1981).

Table 4.3.1: Fornell–Larcker Criterion

	LFA	PB	PR
LFA	0.831		
PB	0.553	0.822	
PR	0.345	0.054	0.818

Note: *LFA = Leasing Finance Adoption; PB = Perceived Benefit; PR = Perceived Risk. Diagonal values are the square roots of AVE. The correlation between LFA and PR is negative (−0.345; see Table 4.4) and is shown in absolute value as in the SmartPLS output.*

Based on Table 4.3, the square root of the AVE of leasing finance adoption (0.831) is greater than its correlations with perceived benefit (0.553) and perceived risk (0.345). For perceived benefit, the square root of the AVE (0.822) is greater than its correlations with leasing finance adoption (0.553) and perceived risk (0.054). Similarly, the square root of the AVE of perceived risk (0.818) is greater than its correlations with leasing finance adoption (0.345) and perceived benefit (0.054). These findings confirm that discriminant validity was established for the research model.

4.4.2 Heterotrait-Monotrait Ratio (HTMT)

As a further, more conservative check, the HTMT ratio was computed for each pair of constructs. Values below 0.85 (or the more liberal 0.90 threshold for conceptually similar constructs) indicate that discriminant validity is not a concern (Henseler et al., 2015).

Table 4.3.2: Heterotrait-Monotrait Ratio (HTMT) of Correlations

	LFA	PB	PR
LFA			
PB	0.599		
PR	0.372	0.069	

Source: SmartPLS 4.0 Output (2026).

All HTMT values fall well below the conservative 0.85 threshold, ranging from 0.599 to 0.069. Since both the Fornell-Larcker criterion and the HTMT ratio confirm adequate discriminant validity, the four constructs digital financial literacy, entrepreneurial resilience, psychological capital, and SME performance can be treated as empirically distinct, and the measurement model is confirmed suitable for structural model assessment.

4.5 Correlation Matrix and Multicollinearity

Table 4.4 presents the correlation matrix of the latent constructs together with the variance inflation factor (VIF) values of the predictors. The results indicate that there is no multicollinearity problem, as the correlation between the two predictors (0.054) is far below the cut-off of 0.90, and the VIF values of 1.003 are well below the conservative threshold of 3.3 (Kock, 2015) and the more commonly used threshold of 5 (Hair et al., 2019).

Table 4.4: Correlation Matrix of Constructs and Collinearity Statistics

Construct	LFA	PB	PR	VIF
LFA	1.000			
PB	0.553	1.000		1.003
PR	−0.345	0.054	1.000	1.003

Source: *Researcher's compilation with SmartPLS (2026)*

It is also noteworthy that perceived benefit and perceived risk are almost uncorrelated (r = 0.054). This means that owner-managers who perceive leasing as beneficial do not necessarily perceive it as less risky, so the two perceptions operate as separate dimensions in the adoption decision.

4.6 PLS Structural Model Results

After the measurement model was successfully assessed, the structural model was evaluated. The evaluation involved assessing the significance of the path coefficients, the coefficient of determination (R^2), the effect sizes (f^2), and the model fit. A bootstrapping procedure was applied to examine the significance of the path coefficients. Figure 3 presents the structural model with the retained indicators.

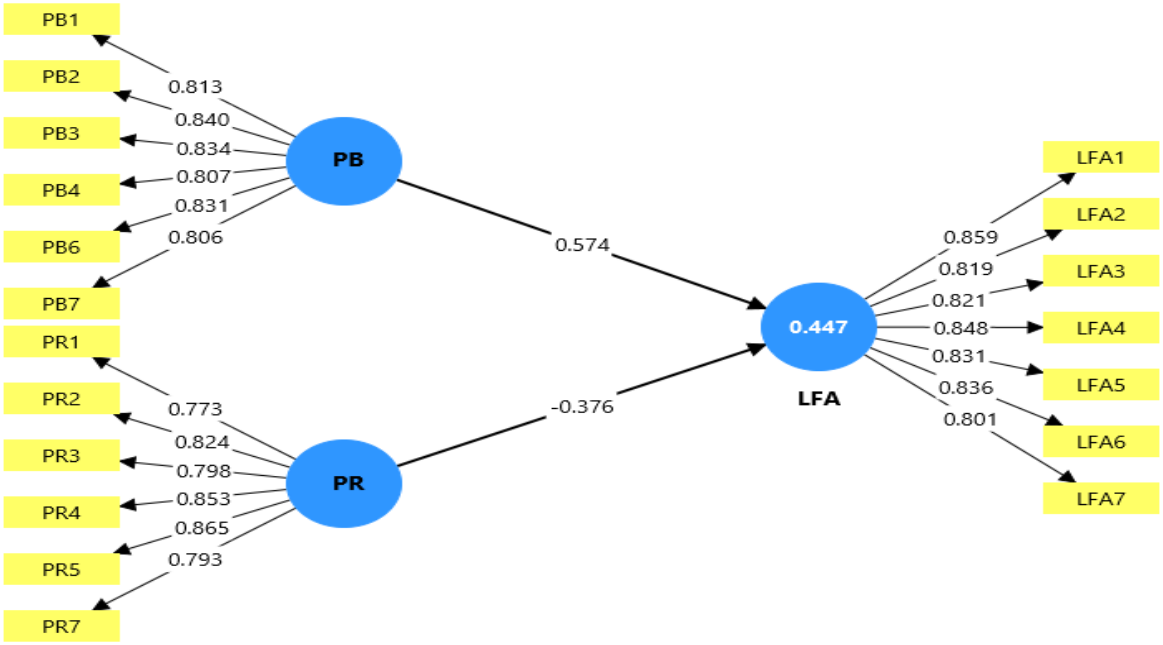


Figure 3: *PLS-SEM Structural Model (after removal of PB5 and PR6).*
Source: *Researcher's compilation with SmartPLS (2026)*

4.7 Evaluation of the Significance of Path Coefficients

The significance of the path coefficients was assessed using the *t*-statistics and *p*-values derived from the bootstrapping procedure (Hair et al., 2019). The estimates are presented in Table 4.5 and Figure 4.

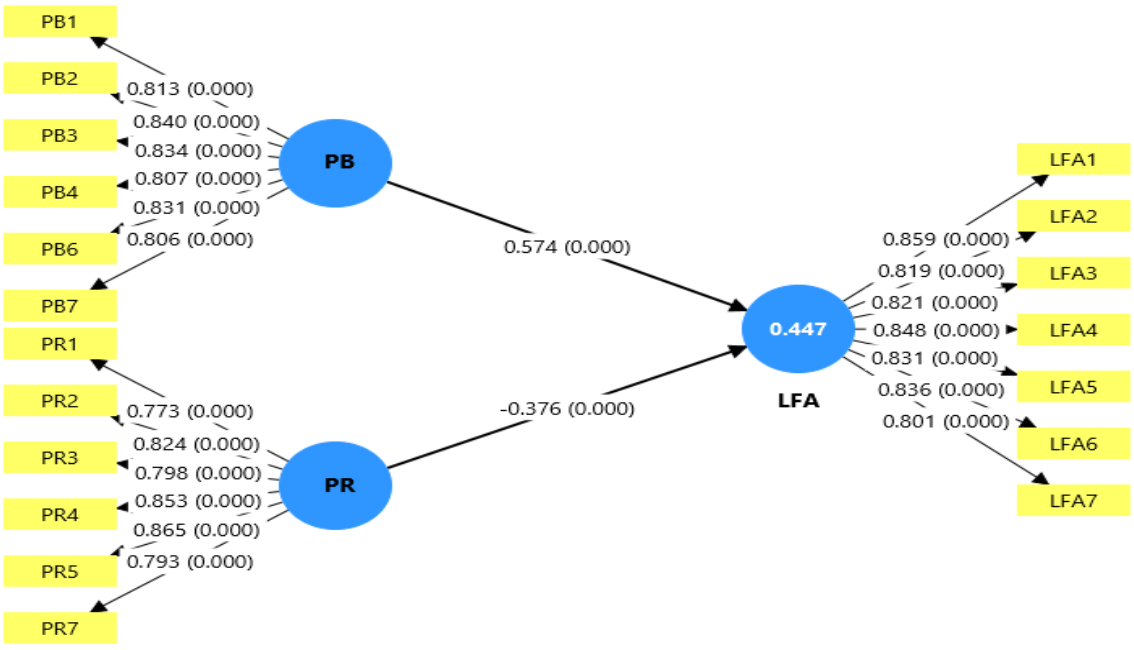


Figure 4: *PLS-SEM Bootstrapping Results (path coefficients and p-values in parentheses).*

Source: *Researcher's compilation with SmartPLS (2026)*

Table 4.5: Structural Estimates

Hypotheses	Relationships	B	Sample mean	Std. dev.	T statistics	P-value	Decision
H1	PB → LFA	0.574	0.574	0.034	17.055	0.000***	Supported
H2	PR → LFA	−0.376	−0.379	0.035	10.642	0.000***	Supported

Note: **p < 0.001. β = original sample estimate (O); Std. dev. = standard deviation of the bootstrap distribution. LFA = Leasing Finance Adoption; PB = Perceived Benefit; PR = Perceived Risk.*

In the literature review, two hypotheses were outlined, both of which involve direct relationships expected to influence leasing finance adoption. The results are presented in Figure 4 and Table 4.5. The hypothesis that perceived benefit has a significant positive effect on leasing finance adoption was supported, as indicated by the coefficient, *t*-value, and *p*-value (β = 0.574, $t = 17.055$, $p < 0.001$). The hypothesis that perceived risk has a significant negative effect on leasing finance adoption was also supported (β = −0.376, $t = 10.642$, $p < 0.001$). The sample means of the bootstrap distribution (0.574 and −0.379) are almost identical to the original estimates, and the small standard deviations (0.034 and 0.035) indicate that the estimates are stable.

4.8 Evaluation of the Coefficient of Determination (R^2)

The coefficient of determination (R^2) indicates the variance in the endogenous construct explained by the exogenous constructs. Values of 0.19, 0.33, and 0.67 are considered weak, moderate, and substantial, respectively (Chin, 1998), while Hair et al. (2019) provide the more demanding rules of thumb of 0.25, 0.50, and 0.75. According to Figure 3, the R^2 of leasing finance adoption is 0.447, which suggests that perceived benefit and perceived risk together explain 44.7% of the variance in leasing finance adoption among SMEs in Jigawa State, while other factors not included in the model explain the remaining 55.3%. This is a moderate level of explanatory power under Chin's (1998) criteria, and it lies between the weak and moderate levels under the criteria of Hair et al. (2019). Given that the model contains only two perceptual predictors, the value is satisfactory.

4.9 Evaluation of the Effect Size (f^2)

The effect size (f^2) measures the change in R^2 when a specific exogenous construct is omitted from the model, with values of 0.02, 0.15, and 0.35 representing small, medium, and large effects, respectively (Cohen, 1988). Table 4.6 presents the effect sizes.

Table 4.6: Effect Size (f^2)

Relationship	f^2	Effect size (Cohen, 1988)
PB → LFA	0.594	Large
PR → LFA	0.255	Medium

Source: *Researcher's compilation with SmartPLS (2026)*

The results show that perceived benefit has a large effect ($f^2 = 0.594$) on leasing finance adoption, while perceived risk has a medium effect ($f^2 = 0.255$). Perceived benefit is therefore the stronger of the two determinants, although perceived risk makes a substantial independent contribution to the explanation of adoption.

4.10 Evaluation of Model Fit

Table 4.7 presents the model fit indices. The standardised root mean square residual (SRMR) is 0.043, which is below the recommended maximum of 0.08 (Hu &

Bentler, 1999; Henseler et al., 2016), and the normed fit index (NFI) is 0.941, which exceeds the minimum acceptable value of 0.90 (Bentler & Bonett, 1980). The chi-square value is 280.476, while the d_ULS and d_G values are 0.355 and 0.125, respectively. The values of the saturated and estimated models are identical because the structural model is saturated, that is, both constructs are allowed to be correlated and both paths to the outcome are estimated. Overall, the indices indicate that the model fits the data satisfactorily.

Table 4.7: Model Fit Indices

Fit index	Saturated model	Estimated model
SRMR	0.043	0.043
d_ULS	0.355	0.355
d_G	0.125	0.125
Chi-square	280.476	280.476
NFI	0.941	0.941

Source: *Researcher's compilation with SmartPLS (2026)*

4.11 Discussion of Findings

Subsequent to the literature review and considering the environment of this study (SMEs in Jigawa State), two determinants of leasing finance adoption were predicted. Both determinants, perceived benefit and perceived risk, were proposed to have significant relationships with leasing finance adoption, and both hypotheses were supported by the structural model: perceived benefit has a significant positive relationship with adoption, while perceived risk has a significant negative relationship, as predicted. The following discussion contrasts the results of the current study with those of earlier investigations.

4.11.1 Perceived Benefit and Leasing Finance Adoption

Perceived benefit was conceptualised in this study as the owner-manager's belief that leasing improves the financial and operational performance of the business. Consequently, a hypothesis was formulated suggesting a positive and significant relationship between perceived benefit and leasing finance adoption. The result confirmed the expectation (β = 0.574, t = 17.055, $p < 0.001$), with a large effect size (f^2 = 0.594). Therefore, hypothesis H1 is supported, implying that an increase in the perceived benefit of leasing directly improves the likelihood that an SME will adopt it, and vice versa.

This outcome is consistent with the central proposition of the technology acceptance model and the diffusion of innovations theory that innovations perceived as more useful or advantageous are more readily adopted (Davis, 1989; Rogers, 2003). It also agrees with the theoretical and empirical argument of Eisfeldt and Rampini (2009) that leasing relaxes financing constraints, so that firms facing tighter constraints value it more and lease more of their capital. The finding is likewise in line with Mol-Gómez-Vázquez et al. (2023), who found that financial constraints play a distinctive role in the use of leasing by SMEs, and with Abdulkarim et al. (2020), who identified sensitisation of potential lessees on the benefits of lease finance as a critical success factor for the Nigerian lease industry. In addition, the result is consistent with the observation of Bello and Mustapha (2021) that owner-managers' experience and skills influence firms' access to finance, which suggests that the owner-manager's own evaluation of financing options matters for outcomes.

A plausible reason for the strong effect of perceived benefit is the severity of the

financing constraint facing SMEs. The national survey showed that 89.6% of SMEs regarded lack of access to finance as their most important obstacle, and that bank credit was the source of capital for only 21.6% of them (SMEDAN & NBS, 2017). In such an environment, an arrangement that allows a business to obtain equipment without a large initial outlay or the pledging of collateral is likely to be highly valued by the owner-managers who are responsible for financing decisions. Furthermore, because the respondents were owner-managers directly responsible for, or knowledgeable about, financing decisions, their assessments of the benefits of leasing are likely to reflect the real financing alternatives open to their businesses. This interpretation, however, remains an explanation of the result and was not tested directly in this study.

4.11.2 Perceived Risk and Leasing Finance Adoption

Perceived risk was conceptualised as the owner-manager's belief that leasing may expose the business to adverse financial, performance, or contractual outcomes. A hypothesis was therefore formulated suggesting a significant negative relationship between perceived risk and leasing finance adoption. The structural model confirmed the hypothesis ($\beta = -0.376$, $t = 10.642$, $p < 0.001$), with a medium effect size ($f^2 = 0.255$). Therefore, hypothesis H2 is supported, implying that the higher the risk that owner-managers associate with leasing, the lower the likelihood that their businesses will adopt it.

This finding is in agreement with the perceived-risk framework of Bauer (1960) and Cunningham (1967), which holds that decision-makers act on their perceptions of the uncertainty and consequences of a decision, and with the broader evidence that perceived risk deters the adoption of new services (Featherman & Pavlou, 2003). It is also consistent with the theoretical observation of Eisfeldt and Rampini (2009) that leasing involves agency costs arising from the separation of ownership and control, which are reflected in the contractual obligations a lessee accepts. In the Nigerian context, the finding is in line with the conditions described by Abdulkarim et al. (2020), namely rising domestic costs of purchase, a shortage of foreign exchange, and persistent depreciation of the naira, which are conditions under which fixed, long-term lease commitments can appear risky to small businesses.

The possible reason for the significant negative effect is that a lease creates a binding payment obligation that continues irrespective of the performance of the business, and that default may lead to the loss of the leased asset and to disputes with the lessor. Owner-managers who are unfamiliar with lease contracts, or who doubt the availability of effective redress, may therefore regard leasing as more hazardous than the alternatives they know. Notably, the effect of perceived risk is independent of that of perceived benefit, since the two constructs are almost uncorrelated ($r = 0.054$). This implies that making owner-managers aware of the benefits of leasing, while necessary, is unlikely on its own to overcome their concerns about its risks. As with the previous finding, this explanation was not tested directly in the study.

5.1 Conclusion

This study examined the determinants of leasing finance adoption among SMEs in Jigawa State, Nigeria. The results show that perceived benefit has a significant positive effect on leasing finance adoption, with a large effect size, while perceived risk has a significant negative effect with a medium effect size. Together, the two constructs explained 44.7% of the variance in leasing finance adoption, and the model demonstrated satisfactory reliability, validity, and fit. The study therefore

concludes that the adoption of leasing finance among SMEs in Jigawa State is driven both by the benefits that owner-managers expect from leasing and by the risks they associate with it, and that the two perceptions operate independently of each other.

5.2 Recommendations

In line with the findings and conclusion of this study, the following recommendations are made:

i. Lessors and the associations of the leasing industry should strengthen awareness programmes that explain to SME owner-managers in Jigawa State the benefits of leasing, particularly the preservation of working capital, the reduced need for collateral, and access to up-to-date equipment.
ii. Because perceived risk reduces adoption independently of perceived benefit, lessors should reduce the risks perceived by lessees by using clear and standardised contract terms, explaining the consequences of default and early termination in plain language, and offering payment schedules that suit the cash-flow patterns of the lessee's business.
iii. SMEDAN and other SME support agencies should include leasing in their entrepreneurship training and advisory services, so that owner-managers can evaluate leasing relative to bank credit on an informed basis.
iv. Policymakers and regulators should continue to strengthen the legal and institutional framework of the lease industry, including the operationalisation of the Equipment Leasing Registration Authority identified by Abdulkarim et al. (2020), so as to give lessees greater confidence in the enforceability and fairness of lease contracts.
v. Banks and development finance institutions should consider financing partnerships with lessors, since funding remains a major challenge for the industry (Abdulkarim et al., 2020).

5.3 Suggestions for Future Studies

This study has contributed evidence on the perceptual determinants of leasing finance adoption among SMEs in Jigawa State. However, it suffers from certain limitations that future studies should address. First, the study was limited to SMEs registered with SMEDAN in Jigawa State, so the findings may not be generalisable to unregistered enterprises or to other states; future studies should extend the analysis to other states or to Nigeria as a whole. Second, the cross-sectional design captures perceptions at a single point in time, and longitudinal studies would allow the stability of these perceptions to be examined. Third, the study measured the intention and decision to adopt as reported by owner-managers rather than observed lease contracts, and the data are self-reported. Fourth, perceived benefit and perceived risk explained 44.7% of the variance in adoption, so other factors such as financial literacy, firm size, awareness of lessors, and tax considerations should be incorporated in future models, possibly as moderating or mediating variables. Finally, future studies could combine the survey with interviews of lessors and owner-managers to explain in more depth why perceived risk persists.

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