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LEASING IN AFRICA

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Asset Leasing in Africa has gained popularity in recent years as an alternative to asset ownership.

In short, Asset Leasing refers to the practice of renting or leasing tangible assets, such as machinery, equipment, vehicle(s), or infrastructure, for a specific period typically ranging from a few months to several years, in exchange for regular payments. This arrangement allows businesses to acquire necessary assets without the upfront capital investment required for outright

purchase.

There are different types of asset leases available in Africa. In Kenya for instance, the most common types include:

Operating Lease: This is the most straightforward type of lease where the lessee uses the vehicle/equipment for a fixed period and returns it at the end of the lease term. The leasing company remains the owner of the vehicle/equipment throughout the lease.

Finance Lease: In a finance lease, the lessee has the option to purchase the vehicle/equipment at the end of the lease term at a predetermined price. During the lease period, the lessee bears the responsibility for maintenance and insurance.

Kenya's leasing market is dominated on the demand side by Government and large corporate customers. There are a variety of leasing companies, some independent companies, some affiliated with suppliers of goods, and some banks (or owned by banks). The market is furthermore largely comprised of vehicle leasing. Kenya's pilot lease program was first rolled out in 2013 with the National Police Service as the first institution to benefit from the Government leasing program through the National Treasury. The Government issued 1100 vehicles to facilitate national security operations owing to the fact that with the new administration structures, the police force needed 4500 units and these numbers were expected to immensely rise with the devolution aspect.

Over the years, the devolved units have led to the need for leased vehicles and equipment to support counties, constitutional offices, and strengthened criminal investigations departments.



With the introduction of Government leasing by the previous Kenyan regime, the public has experienced better services by the police force and speedy attention whenever a security alarm is raised.

Additionally, Kenya's gallant soldiers have also been well-equipped to secure the Kenyan people and borders leading to a high level of motivation and passion for their jobs. Across the continent, leasing has been an area of interest for SMEs and Agricultural sectors seeking to support and grow their businesses to the next level. With MSMEs & SMEs being an integral part of the economy and focus, the Government has demonstrated that it's expected that the leasing sector will experience immense growth by collaborating with the stakeholders to deliver on their core mandates and long-term goals. In Kenya and the African continent, the leasing industry has created many job opportunities and contributed to the economy abundantly. Some financial institutions and motor industry players have diversified their trade by introducing leasing arms and affiliates to support this fast-rising sector.

Leasing presents an opportunity to reduce the risk to a lender because the lender is better able to repossess the asset in case of a default. Leasing thus has the potential to unlock finance for investment in vehicles, plants, and equipment by companies, especially SMEs. It also enables businesses to focus on their core operations without the burden of ownership and provides a pathway to growth and expansion.

With the growth experienced in the leasing sector over the last decade, businesses and individuals have been able to derive benefits such as:

- Flexibility and scalability
- Tax benefits
- Convenience and cost-effectiveness
- Technological advancements
- Access to assets
- Maintenance and servicing

Generally, with the Government's focus on private-public sector partnerships & collaborations coupled with devolution, the World's Environmental Social and Governance (ESG) policies & accompanying incentives by respective Governments and technological advancement, I confidently say that the future of leasing is quite promising with a lot of growth in perspective.

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