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Impact of Financial Incentives on Development of Small and Medium Scale Enterprises in Federal Capital Territory

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Abstract
*This study titled Impact of Financial incentives on development of small and medium scale enterprises in Federal Capital Territory***,** *Abuja Nigeria is written to examine how short and medium term loans have been released by Bank of Industry to small and medium scale enterprises in the Federal Capital Territory and to examine the impact of these facilities on market share and customers retention of SMEs in the Federal Capital Territory. The study adopted a research survey design with a population of 37,883 respondents which is the total number of small and medium scale enterprises in the federal capital territory. However, considering the fact that it will be difficult if not impossible to reach the entire population the study used the Godden sample size formula to reach a sample of 384. The research instrument used to elicit data from respondents is a 12 items structured questionnaire and the hypotheses were tested using simple linear regression. Findings revealed that there is a significant positive relationship between financial incentive and performance of small and medium scale enterprises in the FCT. Again, increased accessibility to both short and medium term loan facilities enhances the potentials of SMEs thereby leading to increased market share and customers retention. Based on the findings, the study recommends that funds allocated to SMEs in the FCT should not be tied to stringent conditions which at the end remain un-accessed and thereby remaining dormant and not adding value to the economy. The Federal Government should review its policies when it comes to duplication of regulatory institutions handling the affairs of SMEs in the FCT for proper coordination and supervision especially as it relates to release of funds and its utilization.*

Keywords: *Financial, Incentives, Development, Small scale enterprises.*

INTRODUCTION

The Bank of Industry was established in 2001and is jointly owned by the Federal Government, Central Bank of Nigeria and other Nigerian citizens with its headquarters in Lagos to primarily engage in providing assistance for the establishment and expansion of large, small, medium scale and micro projects. The Bank's shareholding has the following**:** Federal Ministry of Finance,94.80%**,** Central Bank of Nigeria 5.19%**,** Other Nigerian Citizens 0.01%**.** These shares are not quoted in public market (BOI, 2016 Annual Report).

The Bank (BOI) currently does not support the financing of infrastructure such as roads, rail, real estate among others, because they are capital intensive and outside the mandate of its creation.

Rather, the Bank was established to encourage local industrial production and value creation through manufacturing, production and agro-processing activities, The Bank primarily provides financial assistance as well as business advisory/support services to enterprises in Nigeria by providing working capital for raw material procurement and asset finance for the procurement of equipment or machinery for production.

In order to achieve this mandate, the Bank of Industry appropriated a total sum of 132 billion Naira to Small and Medium Enterprises from 2014 -2019 nationwide (i.e 2014 N1.7b, 2015 N5.7b, 2016 N8.2b, 2017 N29.5b, 2018 N33.9b and 2019 N53b), (BOI 2014 - 2019 annual reports), for SMEs only, and also to support any of the forty cluster small and medium enterprises that are in various states including the Federal Capital Territory at a single digit interest rate of 9% per annum and even those outside the cluster list, such as the bottom of the pyramid scheme. This bottom of the pyramid scheme is an on-lending scheme using the services of micro-finance Banks (MFBs) as vehicles for credit delivery to the under-served and under banked micro-entrepreneurs. The scheme is essentially aimed at poverty reduction through job creation and wealth creation focusing on the rural micro -enterprises operators with a view to extending financial inclusion to them by Bank of Industry. The bottom of the pyramid scheme takes advantage on the spread and penetration of micro-finance Banks in all parts of the country. This has helped the Bank of Industry to achieve its core mandate of industrialization by providing finance for the economically active and financially excluded from the current financial banking arrangement (Pitan, 2017).

Bank of Industry has intervened in several sectors of the economy in the FCT, which include, Agriculture, Graduate Entrepreneurship Scheme, Nollywood (NollyFund), Youth Ignite Programme, fashion and Beauty and Youth Entrepreneurship Support Programme (YES-Programme) among others. In 2014, the Bank of Industry signed a Memorandum of Understanding (MOU) of N13.6b for Rice and Cassava Intervention Fund to create ten (10) Medium Scale Rice Mills to produce 36,000 metric tons of high quality rice, six (6) high quality cassava mills of about 18,000 tons located across the country namely, Kano, Kogi, Kebbi, Nassarawa, Cross River, Ondo, Ogun, FCT, Abia among others (BOI, 2014).

The BOI was established in the FCT in 2001, according to SMEDAN, (2017) only 507 SMEs were registered in the FCT and by 2010, the number grew to 2,690 in 2013 and by 2017 it was 2,825. Government established SMEDAN in 2003 to promote the activities of SMEs to boost the activities of SMEs in the FCT and in Nigeria in general. Before the establishment of SMEDAN only 1,679 SMEs were in the FCT and 73,081 nationwide were aware of federal government initiatives of promoting and creating new SMEs in the country (SMEDAN, 2017). The measures taken by the Federal Government to establish BOI and other agencies have increased the number of registered SMEs to 37,883 in 2019 in the FCT, to address the high population of job seekers due to its strategic location at the center of the country as a result of relative peace compared with the surrounding state. Some of the measures include entrepreneurship training, vocational skill upgrading, facilitation access to market, access to finance, tax reliefs, business/counseling/monitoring, information among others, which led to job creation and poverty reduction in the FCT. BOI has assisted in the finance of SMEs such as Banrut Rolls at Idu industrial layout, Chida Event Center, MIRA purification distilled water, Da Shop Bakery among others in the FCT.

Objectives of the Study

Generally, this study examines the influence of Financial Incentives on Performance of small and medium enterprises in federal capital territory. The study however is set to achieve the following specific objectives:

1. To determine the relationship between short term loan and market share

2. To examine the relationship between medium term loan and customer retention.

Hypotheses of the Study

Consequent upon the research objectives the study formulates the following research hypotheses in their null form to guide the research:

H_1: There is no significant relationship between short term loan and market share.

H_2: There is no significant relationship between job reengineering and medium term loan and customer retention.

LITERATURE REVIEW

Conceptual Framework

The term Bank was originated from the "Banchi". In olden days, the traders of Italy who performed the job of exchanging money were known as Bancheri because the table which they used for making payment was called a Banchi. According to some people, the term bank is derived from the Greek word "Banque". A bank deals in money in the same way a business man deals in goods. Banks are business enterprises which deal in money, financial instruments and provide financial services called interest, discount, and commission among others.

A bank is a financial institution that accepts deposits from the public and creates a demand, while simultaneously making loans. Lending activities can be directly performed by the bank indirectly through the capital markets. A bank is also financial institution where customers can save or borrow money. Banks also invest money to build up their reserve of money. Banks may give loans to customers under an agreement to pay the money back to the bank at a later time with interest (CBN, 2012). Thus, financial incentives such as short and medium term loans are offered by Bank of Industry. The short term loan is a loan offered to SMEs and will be paid back within a period of one year while medium term loan are loan given to SMEs which are expected to be paid back from period above one year but not more than five years.

Oputa (2012) states that strong external working relations have also been developed with both local and International Development Organisations such as; United Nation Development Programme (UNDP), United Nations Industrial Development Organisation (UNIDO), African Development Bank (AfDB), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Association of Small Scale Industrialists (NASSI) and Nigerian Association of Small and Medium Enterprises (NASME), Manufacturers Association of Nigeria (MAN) etc. The bank also partners with commercial banks that assist the entrepreneurs with working capital (Agbionu, & Audu, 2021).). The bank of industry was established in 2001 by the Federal Government of Nigeria with its headquarters in Lagos to primarily engage in providing finance assistance for the establishment and expansion of small and medium scale and large projects. The shares of the Bank of Industry are not quoted in the public market (BOI 2016 Annual Report).

Small and Medium Scale Enterprises (SMEs) in Nigeria

While Oliveira et al (2015) believes that the definitions of Small and Medium Enterprises is a heterogeneous and relative concept, Nwachukwu (2012) accepts numerous definitions of small-scale entries that exist and they vary from country to country, within and between continents. On the other whole, Bello et al (2015) highlights some major criteria used in the definitions of Small-Scale Enterprises (SSEs) to include: Number of employees, financial strength, Sales value, Initial capital outlay, Relative size, Independent ownership and the type of industry. These criteria have been used (at various times) to define some of these SME in Nigeria. It is therefore also important to state some of these definitions. The Federal Ministry of Industries in 1973 defined a small-scale manufacturing outfit as one that had a total capital investment (land, building, machinery/equipment and working capital) of up to N60,000 and employee up to 50 persons. This was later revised to include any manufacturing or service industry with a capital not exceeding N150,000 in machinery and equipment. In 1978, the Industrial Research and Development Unit of the University of Ife (now Obafemi Awolowo University, Ile-Ife), defined a small scale industry as one with total assets of less than N50,000 and that employed less than fifty full-time persons while a medium scale industry was defined as a factory industry that operated with motive power and invested between N50,000 and N500,000, which employed between 50 and 250 persons. The NBCI defined small-scale enterprises in terms of total capital investment but excludes cost of land in the computation of a ceiling of N300,000 in total capital investment (including land) and that of N500,000 in annual sales turnover. For the purpose of lending to small scale enterprises, the Central Bank of Nigeria (CBN) defined small-scale enterprises as those enterprises with turnover of up to N500, 000 only.

The National Council of Industry in 2001 defined SMEs in accordance with their scale of operation: Micro/Cottage: enterprises with capital investment of not more than N1.5m, excluding land but including working capital and maximum of 10 workers. Small-scale: enterprises with capital investment of over N1.5m but not more than N50m, excluding land but including working capital with work force that ranges from11-100. Medium scale: enterprises with capital investment of over N50m but including working capital, work force ranges from 101-300. Considering other definitions given by some international financial bodies, the World Bank in 1988 classified SMEs as enterprises with fixed assets, excluding land and working capital which do not exceed N10million. The European Economic Commission in 2000, defined an SME as a small- scale business with the exclusion of agriculture, forestry and fishing with employment capacity of not more than 500 workers. Not minding the various definitions and the lack of consensus in these definitions, there is the need to point out that the definitions correspond to parameters considered adequate for policy formulation and the promotion of the sub-sector in the country For the purpose of the Small and Medium Industries Equity Investment Scheme (SMIEIS), set up in 1999 by the federal government, a small or medium industry is defined as any enterprise with a maximum asset base of N200million, excluding land and working capital.

We can also define small and medium enterprises based on the features identified by Watts (2004). According to Watts, the features of small and medium scale industries are illustrated below:

- The manager performs all functions of management himself that is he handles financial, production, marketing and personnel decision of the enterprises.
- The manager finds it difficult to borrow short- and long-term finance from organized financial institutions and therefore rely so much on personal savings, relations, money lenders or profit of the enterprise for finance.
- The business enterprises cater or meet only the immediate demands of the local community where the business is carried out without knowledge of wider or distant markets.
- The managers are usually conservative and suspicious and unwillingly divulge information regarding their business from fear of inviting unwelcome tax investigations.
- Low level of management skills, poor marketing information and technical condition of production due to low level of education among managers weaken their establishment and also the proprietors are reluctant to combine in partnership or limited liability companies due to mutual distrust. All these lead to high mortality rate among them.
- Little or no proper record keeping and they do not utilize banking services. Some of these features enumerated by watts are still applicable to these categories of enterprises but some are not.

According to Nigeria's National policy on micro, small and medium enterprises, enterprises may be classified by size sector, organization, technology and location. These variables interact with one another in complex ways which must be taken into understanding the nature, characteristics, performance, problems and challenges of business enterprises. From the perspective of policy and planning, size provides the most practical basis for classification the usual criteria include one or more of the following; employment, turnover, assets and paid-up capital. Micro, Small and Medium scale enterprises in most developed economics and Nigeria is one of the main stays of the economy. Micro, Small and Medium Scale Enterprises that are adequately managed and properly funded to help the government to achieve some macro-economic objectives which include employment creation, mobilization of local resources, mitigating rural, urban migration and poverty reduction. Micro, Small and Medium Scale Enterprises help in encouraging capacity utilization in agriculture, industries and income distribution and encourage development of local technology.

In addition to the above, Ademola and Michael (2012) defined micro, Small and Medium Enterprises as business enterprises having a maximum asset bane of N20 million including land and building. The number of employees is defined as “not less than 10 and not more than 300”. The National council of Industries defined MSMES as those with fixed assets above N1 million excluding land but including working capital.

Attah, Amana and Haruna (2013) stated that Micro, Small and Medium Scale Industry is an industry with total capital, employed for over N1.5 million but more than N50 million, including per a labour size of 11-100 workers based on assessment of existing national perspectives on the technique of classifying MSMES, the National Policy on MSMES adopts a classification based on dual criteria therefore to address the constraints, the National Bureau for Statistics(NBS,2010), a collaboration with Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) conducted (MSME) survey. The survey produces a credible and available MSME data base to address the issue of definition as to what constitutes micro, small and medium enterprises. The definition adopts a classification based on dual criteria, employment and assets excluding land.

Sources of Financing Small and Medium Scale Enterprise in the FCT

The sources of financing by SMEs in the FCT are the same like in other states of Nigeria. Entrepreneurs get their first source of finance for SMEs either from personal savings, friends and relatives, banks and credit unions, and other financial institutions (SMEDAN, 2017). Extant studies lend credence to the significant role played by finance in firms’ survival, performance and growth. Data also shows that Latin America, which is more urbanized, has an estimated 50 million micro and small-scale enterprises, employing 120 million people. For example, Adegbuyi et al (2015) indicated that difference in firms’ performance could be linked with differences in their capital major factors affecting the ability of a business to grow. Agwu and Emeti (2014) found that growth of firms, especially small and young firms, as constraint theory is complemented by a recent study which indicated how access to finance affects firm formation, survival and growth. In this regard, Oliveira and Fortunata (2005) investigation, which utilized unbalanced panel data in Portuguese manufacturing (surviving) firms over the period 1990-2001 to estimate a dynamic panel data model of firm growth that include serial correlation and financing constraint using the pooled OLS and GMM-system techniques, reported an overall result which suggests that the growth of Portuguese manufacturing firms is finance constrained.

In Ghana, Okraku and Croffie (1997) argued that in Ghana SMEs rely primarily on personal savings of owners, business profits, family members or friends for their financial needs. They have little or no access to external credit. The effect of this is inadequate fixed capital as well as working capital. The consequences of these are very slow growth rate and frequent failures among small businesses. At the regulation level, the problems identified are high interest rates charged by banks thus making bank borrowing very expensive. The lending rates at Ghana were as high as 40 percent at a point in time. At the institutional level, banks were not motivated enough to lend to small business enterprises. The size of loanable funds available for lending to the sector is also small. Banks insist on tangible collateral as security as well as owner's equity for loans. At the enterprise level, SMEs are unable to mobilize owner's equity to satisfy banks requirement for loan, inability to provide acceptable collateral security to support loan and the lack of banking culture and practices.

Dauda (2006) investigated financial intermediation and real sector growth in a deregulated economy in Nigeria. Using Pearson Correlation Analysis and Pair-wise Granger Causality test, she found that financial sector reforms positively impacted on the performance of the real sector form the secondary data of variables between 1986 and 2003. The Pair wise Granger Causality test revealed that bank loans and advances granger-cause real sector growth in general. Impliedly, for profitably operating firms, banks loans and advances determine real sector output growth performance in the Nigerian economy. This is indicative of the fact that term loans and advances meet working capital needs of efficiently operated manufacturing firms.

Fadahunsi (1997) argued that until recently, government policies, strategies and programs in several countries had laid undue emphasis on large enterprises, and in a number of notable cases have even discriminated against enterprises especially micro and small- scale businesses. Large projects tend to be capital intensive in contrast to labor intensity of the small -scale enterprises and the low cost for creating jobs. SMEs have the added advantage of flexibility to easily adapt to changing market opportunities and conditions. They generally require limited capital and they can more easily combine simple and advanced technology as may be appropriate. There is also the possibility of using business activities to decentralize large commercial and industrial activity and diluting monopoly.

Government Policies towards Small and Medium Scale Enterprises in the FCT

SMEs in the FCT are regulated by government policies issued through CBN, Ministry of finance, government agencies such BOI, SMEDAN, NACRDB among others. Staniewki (2016) postulates that the governments of developing countries and private enterprises in developing countries are doing much to facilitate participation for all in terms of the establishment and support for SMEs, but economic forces (inflation, interest and exchange rates) are negatively influencing these efforts and cannot be easily controlled. According to studies carried out in India, SMEs face high interest rates and experience difficulty in raising loans or equity finance; this is as a result of capital market imperfections. Most of the SMEs lack the drive, imagination, managerial ability and ambition to grow and develop. Taxation in industrial countries discourages SMEs from expanding their operations more than larger companies unless special relief is given. First, founding a business is very risky and taxation (income or company tax) reduces the potential reward that compensates for the risk. Shortages of raw materials or the excessive price of inputs are the primary problems which SMEs are confronted with in developing countries (Agbionu & Audu, 2022). Although SMEs offer employment and income to the majority of people in developing countries, their performance has been characterized by low contributions to output low growth rates and the inability to graduate into larger companies (Beck, 2017). Compared to large firms, the poor performance of SMEs has been connected to limited demand for their products and their inability to access foreign markets and technology.

In the United States, Goldberg and White (2004) found that increased bank concentration in local markets in the United States, led to decline in credit limits and in the amount of actual credit granted to small businesses. (Craig and Harg, 2004); (Berger and Udell, 2002) have also shown in their studies that the emergence of mega banks lead to contraction of credit to SMEs. Using nine census regions divided into urban and rural areas to define the banking market, Goldberg and Watts et al (2004), found that access to credit by small businesses had significantly reduced since consolidation in the US but credit limit to them had increased. Also studying the effect of consolidation on lending to small business in Italy concluded that mergers in Italian banks led to temporary reduction in outstanding credit to all sizes of borrowers. They found that entry of new players resulted in negative impact on credit availability to small firms. Similarly, the study by Banaccorsi and Gobbi (2001), showed that consolidation failed to foster a vibrant and competitive SMEs sector that could enhance job creation and economic growth in Nigeria, thus the need for government intervention.

It is true that government policy towards SMEs in the FCT and Nigeria is aimed at ensuring the establishment and sustenance of the sector for economic prosperity of the nation. Therefore, without sound policies and effective implementation from government, SMEs cannot strive in the FCT.

Contributions of Small and Medium Scale Enterprises in the FCT

Small and Medium Scale Enterprises in the FCT in collaboration with BOI have contributed in job creation, mobilization of local resources, increase in GDP through payment of taxes, welfare and well-being of the citizens among others, these are not limited to the FCT (May, 2010). As a matter of fact, in a study of 50 years entrepreneurship development in Nigeria. Agbionu, Audu and Ogbuenyi (2021) posit that in recognition of the immense contributions of entrepreneurship and Small and Medium Enterprises (SMEs) to national development that successive government in Nigeria has made efforts at promoting and strengthening this sector of the economy. The strategies for promoting this sector centered on institutional support for the former and policy initiatives and financial support for the latter. However, it is regrettable that despite the huge human and financial resources invested in these initiatives, they have abysmally failed to produce the desired results. There is an urgent need to investigate the problems and challenges of the past initiatives as the basis for improving existing and new ones. Hence, through the release of financial incentives to SMEs in FCT in form of short and medium term loan the SMEs have been able to enhance their businesses through increased market shares and customers retention which improves their performance.

Furthermore, Nwachukwu (2012) points out that the Entrepreneurship development programmes are designed along sociological and psychological motives and that this has not translated into substantial growth of small and medium enterprise because the emergence of entrepreneurs in any society whether developed or not, is always rooted in economic expediency. In corroboration of this economic view. Nwachukwu (2012) stated that the lack of finance and credit facilities remains one of the major challenges that confront the growth of SMEs in Nigeria. To him, what the Entrepreneurship development programmes in Nigeria does, is not enough as the non-availability of economic resources to the beneficiaries of these programmes result to business failure. Furthermore, he suggests that government should deepen the funding of these training programmes because education of entrepreneurs impacts their ability to secure bank loans.

In fact, in their own contribution, Agbionu, Audu, Okeke & Ogbuenyi (2021) dismiss any notion of the growth of small businesses in Nigeria and they also argue that even if there is growth, it is a very minimal and insignificant one and the entrepreneurship development programmes has nothing to do with this. To demonstrate this point, they argue that the owners of majority of successful small businesses in Nigeria never attended any entrepreneurship development programme and that the programmes are just another elephant project by the Federal Government of Nigeria. They add that government should through the Central Bank of Nigeria direct commercial banks to develop materials specially designed to assist SMEs in applying and accessing bank loans. The study firmly believes that this can bring the breakthrough in the growth of small and medium businesses in Nigeria.

In his own attempt to identify the Nigerian problem, Alarape (2014) who defines small and medium enterprises as businesses with turnover of less than 300 employees per annum and/or less than 300 employees adds that according to the IFC, approximately 96% of Nigerian businesses are SMEs compared to 53% in the U.S and 65% in Europe. They contribute approximately 1% of GDP compared to 40% in Asian Countries and 50% in the U.S or Europe. In his own contribution, he is of the view that government ought to do more. He asserts that despite the laudable objectives of the entrepreneurship development programmes, the huge infrastructural gap, poor financial support and credit environment, high levels of unskilled workforce and low investment commitment of entrepreneurs are responsible for poor business growth in the country. This position was also taken by (2005), who argues that, the poor growth of SMEs in Nigeria should be blamed on poor managerial skills, poor infrastructure and lack of access to funds, unfair competition, government bureaucracy and low demand.

Genty et al (2015) claimed that their findings have shown that most SMEs particularly in Nigeria die within their first five years of existence. It was also revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death. They include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies (water, roads etc.), lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, cut-throat competition (Basil, 2005:34).

Theoretical Framework

The Stakeholder Theory

The stakeholder theory was propounded by Freeman (1994) and cited by Onyinyechi (2014) held that assumption and values are a prerequisite for doing business. It is the contention of the theory that business organizations work in synergy with diverse stakeholders. These stakeholders in one way or the other contributes to the growth and survival of business organizations. Thus, the success of an organization is prime-facie dependent on how well it can relate with the stakeholders. Operators of business organizations that have different stakeholders. The customer is the foundation of any business organization including the SMES. Hence, there is a need for SMEs and indeed all stakeholders to build a sustainable relationship with customers. The theory explained that managers should take into cognizance the interests of groups and individuals who have the capacity to affect their business. It is therefore the duty of SMEs manager to fashion out a game plan to ensure that the interest of stakeholders is not undermined. The positive image of the SMEs and its activities should be created in the inner mind of stakeholders always. This is the core and fundamental functions of the SMEs performance. The essence financial incentive is to create a sustainable survival that will satisfy all critical stakeholders. This is believed will help SME firms to stay ahead of competitors that will guarantee their survival and growth.

Research Methodology

The study adopts the descriptive research design which is technique involving surveying respondents for the purpose of analysis. Therefore, the primary data obtained were through a twelve items structured questionnaire and the collected data were subjected to descriptive and parametric statistical analysis. However, the data were analyzed using inferential statistics considering the fact that such would be able to provide basis to make valid inference. The population of the study comprises of all small and medium scale enterprises registered in Federal capital territory numbering 37,883 however considering the fact that the population is large and would be difficult to reach the study scientifically selected a sample size of 384 using Godden sample size statistical formula but out of the total of 384 questionnaire distributed only 296 were completed and returned giving a retrieval rate of 77%.

The inferential statistics was used in testing the earlier formulated hypothesis thus. Again, regression analysis which is an inferential technique of examining the relationship of the independent on dependent variables was used. The study tests two hypotheses using the linear regression statistical analysis with the aid of Statistical Packages for Social Sciences (SPSS). The independent variable is financial incentive and the dependent variable is SMEs performance. The analytical approaches adopted are the descriptive, model summary, analysis of variance ANOVA and coefficients. The decision rule is to accept P. value if the alpha value is ≥0.05 otherwise the null hypothesis be rejected.

Validity and Reliability of Research Instrument

Reliability which means the extent to which analysis procedures yield consistent results while validity is seen as the ability of the instrument to measure what it is designed to measure. Content validity was used to ascertain if the content of the research instrument was appropriate and applicable to the study. To ascertain the content validity, the researchers seek the opinion of experts who work with SMEDAN. Thus, in establishing the reliability of the instrument; a test-re-test method was used. This entailed the collection of two sets of data on two different occasions. The instrument was administered to respondents numbering 20 at interval of two weeks. If the results from the test show some similarity, then it suggests that the questionnaire was reliable. Measurement of the model reliability assessed using Cronbach's alpha (CA) based tests; therefore, the cronbach alpha provides an estimate of the indicator of inter correlations and an acceptable measure for CA which is 0.7 and above. The results of croncach statistics are shown in table 1.

Table 1. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.776	20

The table 1 shows that the calculated CA is 0.776 and is higher than the recommended acceptable measure of CA 0.7 which makes measurement of model reliability accepted.

Data Analysis and Results

This part shows the hypotheses results tested using the regression analysis through the statistical package for social science (SPSS). The independent variable is financial incentive while the dependent variable is SMEs performance. The independent variables were proxy by short term and medium term loans while the dependent variables were proxy by market share and customer retention respectively.

In order to make inferences on the variables, the study was analyzed based on descriptive, model summary, ANOVA and coefficient. The decision rule is to accept p-value if the alpha value > 0.05 otherwise the null hypothesis shall be rejected.

Test of Hypothesis
Hypothesis 1
H_1: There is no significant relationship between short term loan and market share.

Table 2. Descriptive Statistics

	Mean	Std. Deviation	N
Short term loan	3.3802	1.3154	296
Market share	3.3621	1.2936	296

The table shows the selected scale mean lies within the accepted range; therefore, they are of high extent and the research can conclude that data obtained and analyzed is significant and reliable. More so, in order to ascertain the variability of the data the standard deviations of both variables were examined. The mean of short term loan is 3.38 and the standard deviation is 1.32 while that of market share has the mean value of 3.36 and standard deviation of 1.29. hence both variables lies within the value of high extent as indicated by their corresponding means of 3.38 and standard deviation of 1.32 for short term loan and the mean value of 3.36 and standard deviation of 1.29 for market share respectively which are closely related.

Table 3 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.881[a]	.776	.774	.22325	.302

a. Predictors: (Constant), short term loan

The model summary explains the results regarding R, R square Adjusted R square and standard error of the estimate. The R shows the linear relationship between market share (dependent variable) and short term loan (independent variable). The value of 0.881 indicated a strong positive relationship between market share and short term loan. The coefficient of determination R^2 (R square) is 0.776 which indicates that market share increases by 78% as a result of a change in response to short term loan.

However, this could be overstated so the adjusted R^2 (R square) as the best estimate for the whole result is 0.774 and the standard error of the estimate is considerably low at 0.22325. The Durbin-Waston value is 0.302 shows that there is auto serial correlation in the model since the value of 0.302 is less than 2.00.

Table 4. ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	304.842	1	304.842	5315.743	.000[a]
	Residual	13.764	295	.075		

Total	318.606	295			

a. Predictors: (Constant), short term loan

b. Dependent Variable: market share

The ANOVA table shows the regression relationship between market share as (Dependent variable) and short term loan as independent variable. The table shows that the value of F test statistics is 5315.743 and its significance value is 0.000 which is less than the alpha value of 0.05 and show that significant relationship exists between short term loan and market share. Therefore, the null hypothesis that there is a relationship between short term loan and market share is rejected

Hypothesis 2

H_2: There is no significant relationship between medium term loan and customer retention.

Table 5. Descriptive Statistics

	Mean	Std. Deviation	N
Medium term loan	3.6711	1.1465	296
customer retention	3.5227	1.1234	296

The table shows the selected scale mean lies within the accepted range; therefore, they are of high extent and the research can conclude that data obtained and analyzed is significant and reliable. More so, in order to ascertain the variability of the data the standard deviations of both variables were examined. The mean of medium term loan is 3.67 and the standard deviation is 1.15 while that of customer retention has the mean value of 3.52 and standard deviation of 1.12. hence both variables lie within the value of high extent as indicated by their corresponding means of 3.67 and standard deviation of 1.14 for medium term loan and the mean value of 3.52 and standard deviation of 1.12 for customer retention respectively which are closely related.

Table 6 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.856[a]	.732	.732	.31324	.216

a. Predictors: (Constant), medium term loan

The model summary explains the results regarding R, R square Adjusted R square and standard error of the estimate. The R shows the linear relationship between customer retention (dependent variable) and medium term loan (independent variable). The value of 0.856 indicated a strong positive relationship between customer retention and medium term loan. The coefficient of determination R^2 (R square) is 0.732 which indicates that customer retention increases by 73% as a result of a change in response to medium term loan. However, this could be overstated so the adjusted R^2 (R square) as the best estimate for the whole result is 0.732 and the standard error of the estimate is considerably low at 0.31324. The Durbin-Waston value is 0.216 shows that there is auto serial correlation in the model since the value of 0.216 is less than 2.00.

Table 7. ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	227.215	1	227.215	4312.362	.000[a]
	Residual	17.492	295	.052		
	Total	244.707	295			

a. Predictors: (Constant), medium term loan

b. Dependent Variable: customer retention

The ANOVA table shows the regression relationship between customer retention as (Dependent variable) and medium term loan as independent variable. The table shows that the value of F test statistics is 4312.362 and its significance value is 0.000 which is less than the alpha value of 0.05 and show that significant relationship exists between medium term loan and customer retention. Therefore, the null hypothesis that there is a relationship between medium term loan and customer retention is rejected**.**

Conclusion

From the findings of this study, the research concludes that there is a significant positive relationship between financial incentive and performance of small and medium scale enterprises in the FCT. Again, increased accessibility to both short and medium term loan facilities enhances the potentials of SMEs thereby leading to increased market share and customers retention.

Recommendations

The major findings obtained from the research have revealed in clear terms that for SMEs to succeed and create jobs, the following fundamental steps have to be taken to improve the activities of SMEs: Based on the findings, funds allocated to SMEs in the FCT should not be tied to stringent conditions which at the end remain un-accessed and thereby remaining dormant and not adding value to the economy. The Federal Government should review its policies when it comes to duplication of regulatory institutions handling the affairs of SMEs in the FCT for proper coordination and supervision especially as it relates to release of funds and its utilization.
Government should provide the much needs infrastructure in the rural areas of the FCT to encourage establishment of SMEs and to enable them have access to the larger market for profitability and sustainability.

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