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MONETARY INCENTIVES AND PERFORMANCE OF SELECTED SMALL AND MEDIUM SCALE ENTERPRISE, ABUJA NIGERIA

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ABSTRACT

This study examined Monetary Incentive and the performance of selected small and medium scale enterprise, Abuja Nigeria. Specifically, the study examined the effect of Wages and Bonus on performance of selected small and medium scale enterprise in Abuja Nigeria. A survey research design was adopted for the study. The research focused on employees of selected small and medium scale enterprise, Abuja Nigeria, with a total population of 653 employees. The sample size of 251 respondents was determined using Taro Yamane's formula. The study relied on primary data, with a structured questionnaire serving as the instrument for data collection. Regression was employed to test the formulated hypotheses, using the Statistical Package for the Social Sciences (SPSS, version 25). The study found that Wages and Bonus, all statistically had significant positive effects on the performance of selected small and medium scale enterprise, Abuja, Nigeria. The study concluded that, competitive and well-structured compensation serves as a key motivator, employee commitment, productivity, and overall performance of selected small and medium scale enterprise, Abuja. Based on these findings, it was recommended that the management of selected small and medium scale enterprise Abuja, Nigeria should ensure that wages and bonus are aligned with organisational standards to improved overall performance.

KEYWORDS: Monetary Incentives, Wages, Bonus, Performance.

INTRODUCTION

In the contemporary and highly competitive business environment, organisation increasingly acknowledges that sustained competitiveness can only be achieved through the deliberate and effective implementation of employee motivation strategies. The growth, stability, and long-term sustainability of organisation are closely linked to how well their human resources are managed, as effective human resource management fosters positive employee attitudes, commitment, and improved levels of performance. Employee performance, in this regard, constitutes a central pillar of organisational success across diverse sectors, including private business organisations, public sector institutions, and non-profit entities. Performance reflects the extent to which an organisation is able to accomplish its stated goals and objectives in an efficient and effective manner, and it is typically evaluated using a combination of financial indicators, such as profitability and cost efficiency (Egbe, 2022).

Monetary incentives refer to the financial rewards and benefits offered to employees in recognition of their contributions towards the attainment of organisational goals, and they constitute a vital element of employee motivation and performance management strategies (Aktar, 2023). In the context of small and medium scale enterprises (SMEs), monetary incentives are particularly influential, as they significantly shape employee attitudes, behaviour, productivity, and overall commitment to organisational objectives. Such incentives may be provided in a variety of forms, including basic salaries, performance-based bonuses, profit-sharing schemes, commissions, and other financial rewards that directly affect employees' income and economic well-being (Sitorus & Hidayat, 2023).

For organisations to remain competitive, it is necessary to adopt appropriate dimensions of monetary incentives in order to enhance overall performance. In this study, monetary incentive, which serves as the independent variable, is operationalised through two key components: wages and bonuses (Aktar, 2023; Firdaus et al., 2023). These dimensions of the monetary incentive are adopted due to their relevance and applicability within small and medium-sized enterprises, as well as their extensive use in previous empirical studies.

Wages refer to payments made to employees based on the number of hours worked or the quantity of work completed. They are typically calculated on an hourly basis, with employees earning a specified amount for each hour of labour provided. Salary, by contrast, is a fixed form of remuneration paid over a defined period, usually on an annual basis. Salaried employees receive a regular and consistent income irrespective of the number of hours worked, and they are generally expected to fulfil their job responsibilities without additional compensation for overtime.

Bonus, on the other hand, represents supplementary financial rewards provided in addition to regular wages or salaries. They are commonly used to motivate exceptional performance, encourage the attainment of specific organisational objectives, or recognise the achievement of significant milestones. Through the strategic use of wages and bonus, organisations particularly SMEs can strengthen employee motivation and improve overall performance outcomes.

Monetary incentives are central to improving employee performance, especially within Small and Medium Enterprises (SMEs), where employees' financial rewards are closely tied to their levels of productivity and commitment. In Abuja, Nigeria, many SMEs, including the elected ones in this study, depend on monetary incentives such as salaries, bonuses, and commissions to motivate their workforce and encourage higher levels of performance (Okosi, 2020). For employees, these incentives serve not only as a means of livelihood but also as recognition of their efforts and contributions to organisational success. However, for employees of selected SMEs to fully benefit from monetary incentives, financial rewards need to be complemented by opportunities for career growth and meaningful employee engagement. When fair and competitive pay is combined with performance-based bonuses and intrinsic motivators such as job security, recognition, and a supportive work environment, employees are more likely to remain committed and productive over the long term. Consequently, the relationship between monetary incentives and performance within SMEs in Abuja, Nigeria is both dynamic and multifaceted, highlighting the need for a balanced approach that integrates financial motivation strategies to achieve sustained productivity and business growth.

Statement of the Problem

One of the major challenges confronting most Small and Medium Scale Enterprises (SMEs), including selected small and medium scale enterprise in Abuja, Nigeria, is the difficulty of effectively motivating employees in order to enhance performance. Although SMEs are widely acknowledged as critical contributors to economic growth, innovation, and employment generation in both developed and developing economies, their performance is often constrained by a range of structural and operational challenges.

A key challenge facing SMEs is limited access to finance. Many SMEs encounter difficulties in obtaining credit due to stringent lending requirements, high interest rates, and insufficient collateral, which restrict their ability to invest in business expansion, employee development, and motivation initiatives. In addition, SMEs typically operate in highly competitive and unstable business environments, where fluctuating market conditions, rising operational costs, and intense competition make it difficult to sustain profitability and long-term growth (Fatoki & Asah, 2022).

Furthermore, the limited adoption of modern technologies and inadequate digital transformation continue to impede SME growth and competitiveness. Many SMEs lack the technical capacity and financial resources required to integrate digital tools into their operations, placing them at a disadvantage when competing with larger and more technologically advanced firms. Government policies and regulatory frameworks also present significant challenges to SME operations. Cumbersome business registration procedures, high tax obligations, and inconsistent policy implementation often create an unfavourable business climate that constrains SME development (Ngugi & Karanja, 2023).

In addition, deficiencies in human capital development and weak entrepreneurial and managerial skills further contribute to inefficiencies in SME operations. Inadequate investment in employee training, skills development, and effective management practices limits productivity and weakens overall organisational performance (Ayyagari, et. al. 2022). Collectively, these challenges underscore the need for SMEs to adopt effective employee motivation and management strategies as part of a broader approach to improving performance and ensuring sustainable growth.

Also, SMEs often lack the managerial expertise and financial stability to maintain competitive incentive programmes, making it difficult to attract and retain skilled employees. This challenge is further compounded by the need to balance short-term financial rewards with long-term organizational sustainability. Furthermore, there is limited empirical evidence on the specific impact of monetary incentives on the performance of SMEs, particularly in developing economies where SMEs form a substantial portion of the business sector. This study seeks to address this gap by exploring the relationship between monetary incentives and the performance of SMEs in Abuja Nigeria focusing on the challenges, opportunities, and best practices for leveraging financial rewards to enhance performance and organizational growth.

Objective of the Study

The broad objective of this study is to investigate monetary incentive and the performance of small and medium scale enterprise in Abuja Nigeria. The specific objectives are to:

1. Examine the effect of wages on performance of small and medium scale Enterprise in Abuja Nigeria.
2. Evaluate the effect of Bonus on Performance of Small and Medium scale Enterprise in Abuja Nigeria.

Research Hypotheses

The following null hypotheses were formulated to achieve objectives of the study:

H0[1]: Wages have no significant effects on performance of small and medium scale enterprise in Abuja Nigeria

H0[2]: Bonuses does not have significant effects on performance of small and medium scale enterprise in Abuja Nigeria

Review of Related Literature

Monetary Incentive

Human resources constitute the most valuable asset of any organisation. Consequently, it is essential for organisations to continuously seek effective ways of fostering positive employee attitudes in order to strengthen organisational capacity and improve profitability. Employees who feel valued and adequately rewarded are more likely to demonstrate commitment, enthusiasm, and behaviours that support organisational goals.

Ballentine et al. (2023) define monetary incentives as rewards that are directly linked to various components of compensation, including salary increments, profit-sharing schemes, stock options, individual and group recognition awards, merit-based pay, performance bonuses, and payments for leave or vacation periods. At the core of these incentives is the provision of direct financial remuneration to individual employees or groups of employees in recognition of their contributions. Prior to the implementation of any monetary incentive or compensation system, it is imperative for organisation to undertake a comprehensive evaluation of the underlying principles, objectives, and structural foundations of such systems. In modern organisational practice, strategic human resource management plays a central role in guiding decisions related to the design and implementation of monetary incentive policies and strategies (Groysberg et al., 2021).

According to Kreilkamp et al. (2022), strategy can be understood as a deliberate and coordinated process that involves the formulation, implementation, and evaluation of actions aimed at enabling an organisation to achieve its predetermined objectives. When applied to the strategic management of incentive systems, this perspective highlights the need for a systematic approach to the design, execution, and assessment of monetary incentive frameworks. Such an approach ensures that incentive systems are aligned with organisational goals and are capable of driving improved employee performance and increased productivity, particularly in organisations such as automobile companies where performance outcomes are closely tied to workforce efficiency.

The primary objectives of monetary incentives are to enhance productivity, stimulate and sustain employees' willingness to work, strengthen commitment to performance, and provide psychological satisfaction. These incentives contribute to higher levels of job satisfaction, positively influence employees' attitudes and behaviours towards work, and foster enthusiasm and dedication. By motivating employees to fully utilise their skills and capabilities, monetary incentives enable organisations to achieve optimal performance outcomes and maximise the effective use of human resources (Kreilkamp et al., 2022).

Wages

Wages are fundamental components of employee compensation, representing the financial rewards offered to employees in return for their labour and services. Although the terms are often used interchangeably in everyday discourse, they differ significantly in their definitions, modes of application, and structural arrangements within the employment relationship.

Wages refer to payments made to employees based on the labour they perform, and they are commonly determined by the number of hours worked, the volume of output produced, or specific tasks completed. This form of compensation is frequently associated with blue-collar or manual occupations and is typically calculated on an hourly, daily, or weekly basis. For instance, workers in manufacturing or construction may receive wages that fluctuate according to the number of hours worked or their level of productivity, making wages closely linked to performance and time spent at work (Armstrong, 2020).

Salary, by contrast, is a fixed and regular form of remuneration paid to employees, usually on a monthly or bi-weekly basis, irrespective of the number of hours worked or the quantity of output produced. Salaried positions are commonly associated with white-collar or professional roles, where employees receive a predetermined amount agreed upon in their employment contracts. Unlike wages, salaries offer greater income stability and predictability, and they are often complemented by additional benefits such as performance bonuses, pension schemes, health insurance, and paid leave (Dessler, 2020).

The key distinction between wages lies in their payment structures and the nature of the employment relationship. Wages are typically variable and directly linked to measurable performance indicators such as hours worked or output levels, whereas salaries prioritise income stability and are not directly tied to immediate performance measures. Despite these differences, both wages and salaries are essential in motivating employees, maintaining workforce commitment, and supporting overall organisational productivity. Employers select the most appropriate compensation system based on the nature of the work, industry norms, and organisational policies (Smith & Jones, 2021).

Bonus

Bonuses are additional forms of compensation provided to employees over and above their regular salaries or wages, typically as a reward for meeting or exceeding performance expectations. These payments are often discretionary, intended to motivate employees, acknowledge exceptional contributions, and encourage alignment between individual efforts and organisational objectives (Armstrong & Taylor, 2020). Bonuses may be awarded as one-time payments or on a recurring basis, and their amounts can vary depending on factors such as overall company performance, individual achievements, or team contributions.

According to Dessler (2020), bonuses form a central element of performance-based pay systems, designed to incentivise employees to go beyond the basic requirements of their roles. They can take several forms, including performance bonuses, holiday bonuses, or profit-sharing arrangements, each tailored to serve a specific organisational purpose and foster employee engagement, loyalty, and retention. For instance, profit-sharing bonuses distribute a portion of the company's profits to employees, thereby encouraging them to focus on actions that contribute to the organisation financial success (Milkovich et al., 2019).

Beyond their financial value, bonuses also carry significant psychological benefits. They serve as tangible recognition of employees' efforts, creating a sense of appreciation and motivating employees to maintain high levels of performance. This recognition can lead to increased job satisfaction, higher morale, and improved productivity, while simultaneously reducing employee turnover (Gupta & Shaw, 2020). Nevertheless, the effectiveness of bonus schemes is largely dependent on employees' perceptions of fairness and transparency, as well as the clarity of the criteria used to determine eligibility and amounts. Well-structured and fairly administered bonus systems therefore play a pivotal role in enhancing both individual and organisational performance.

Performance

The concept of organisational performance has garnered significant attention in recent decades, reflecting its relevance across nearly all areas of human activity. Organisational performance is often viewed as a subjective interpretation of reality, which accounts for the wide range of perspectives and debates surrounding its definition and the methods used to measure it. According to Ion Elena-Iuliana et al. (2021), organisational performance involves "achieving the goals that were given to you in convergence of enterprise orientations." They emphasise that performance is not merely the attainment of outcomes, but rather the evaluation of outcomes in relation to predetermined objectives.

In contrast, Didier Noyé defines organisational performance more strictly as the comparison between actual outcomes and intended objectives. However, this definition is often criticised for its ambiguity, as both outcomes and objectives can vary widely depending on context and measurement criteria. Novak (2023) further explains performance as the comparison of the value generated by an organisation with the value expected by its owners and stakeholders, highlighting the relational and expectation-driven nature of performance assessment.

At its core, organisational performance reflects an organisation ability to achieve its goals efficiently, leveraging resources optimally and effectively managing knowledge. It is a multidimensional construct encompassing financial, operational, and behavioural dimensions of success, while also being influenced by external factors such as economic conditions, regulatory environments, and market competition. Furthermore, organisational performance represents a systematic and ongoing process aimed at enhancing effectiveness. This involves setting clear objectives, measuring outcomes against these objectives, and developing strategies for continuous improvement (Singh & Farouk, 2024). In this sense, organisational performance is both a measure of achievement and a guide for strategic management, providing insights into how organisation can optimise their resources, adapt to changing environments, and sustain long-term success.

Theoretical Framework

Abraham Maslow's Hierarchy of Needs Theory

This study is anchored on Abraham Maslow's Hierarchy of Needs Theory, propounded by Abraham Maslow's in (1943).

Maslow hypothesized that five groups of needs are arranged in hierarchical order within every human being and that as each of these needs becomes substantially satisfied, the next need becomes dominant. The needs are (McLeod, 2007);

(a) Physiological Needs: These include hunger, sex, shelter, clothing, and other bodily needs.

(b) Safety Needs: These refer mainly to freedom from bodily threats, such as security and protection from physical and emotional harm,

(c) Social Needs: These include the need for affection, a sense of belonging, acceptance, love and friendship.

(d) Esteem Needs: These include internal factors such as self-respect, autonomy, and achievement and external factors such as status, recognition and attention.

(e) Self-Actualization Needs: These include the drive to become what one can become, such as growth, achieving one's potential, and self-fulfillment. Maslow's Hierarchy of Needs Theory segregates human needs into two distinct categories: lower-order and higher-order needs. Within this framework, physiological and safety needs fall under the realm of lower-order needs, while social, esteem, and self-actualization needs are classified as higher-order needs. The differentiation lies in the mode of satisfaction higher-order needs are gratified internally, whereas lower-order needs are predominantly met through external means such as wages, union agreements, and job tenure. The appeal of Maslow's needs theory stems from its logical simplicity, rendering it comprehensible and accessible. Despite its widespread recognition, its claims remain unsubstantiated by empirical research. Nonetheless, its acknowledged relevance has catalyzed its pervasive adoption among practicing managers, serving as a guiding framework for incentivizing and motivating their workforce.

The theory is predicated on several basic assumptions that are pertinent to this study. First, Maslow assumed that human beings are motivated by unsatisfied needs, and that certain lower-level needs must be satisfied before higher-level needs can be addressed (Maslow, 1943). In the context of selected small and medium scale enterprise, this suggests that employees must have their basic physiological and safety needs met through adequate monetary compensation before they can be motivated by higher-order needs such as recognition or self-actualization.

Second, the theory assumes that needs are arranged in a hierarchical order physiological, safety, social, esteem, and self-actualization with individuals progressing upward as lower needs are fulfilled. This implies that monetary incentives, which primarily address physiological and safety needs, serve as foundational motivators that enable employees to perform optimally and aspire toward higher achievements.

Third, Maslow assumed that a satisfied need is no longer a motivator; once employees' basic monetary needs are met; other forms of incentives become necessary to sustain performance. Fourth, the theory assumes universality across individuals, suggesting that all employees at small and medium scale enterprise, regardless of their roles, share similar hierarchical needs structures. These assumptions provide the theoretical lens through which this study examines how monetary incentives influence employee motivation and, consequently, the performance of small and medium-scale enterprises in Abuja, Nigeria.

Review of Empirical Studies

Biniyam and Elantheraiyan, (2024) examined how monetary rewards, specifically salary and allowance affect worker performance in Ethiopian public and private organizations. Stratified sampling method was used. Primary data were collected from 159 Addis Ababa health, education, and banking sector employees using a Likert-scale questionnaire. Stratified random sampling is used to collect samples from both public and private institutions. Seventy-nine employees from public, while eighty employees from private sector. The data was analyzed using various methods, including ANOVA, SEM, and multi-group analysis. The study results show that salary had a significant positive effect on performance in public and private sectors. Hence, Factors such as gender, work experience, job level, and education may influence the relationship between salary and performance. The study does not appear to account for these potential moderating effects.

Nwosu and Okundamiya, (2024) examined the effects of financial incentives on staff productivity in first bank PLC in Abia State, Nigeria. The study employed descriptive research survey design. Population of the study comprises of 58 employees of first bank PLC in Abia State, Nigeria. The sample size was 51 using taro Yamane's formula. The objectives 1-3 were achieved using simple regression model while the objective 4 was achieved using Pearson correlation co-efficient. The research hypotheses were tasted using simple regression model and Pearson correlation coefficient. The findings reviewed that employee's pay which was positive and statistically significant at 1% level, affects the productivity of the employees positively. Notwithstanding, the research examines only one bank (First Bank PLC in Abia State), making it difficult to generalize the findings to other banks or industries. Including multiple banks would provide broader insights.

Tunde et al. (2024) examined the effect of incentives on employee performance at Bingham University, Karu, Nasarawa State, Nigeria. The study adopted a survey research design, and the data were collected through questionnaires and analysed via Excel for data coding, descriptive statistics, correlation and multiple linear regression techniques. A total of 1076 staff constituted the population of the study. The Taro Yammane sampling method was used to obtain a reliable sample size of 294 staff of Bingham University, Karu, Nasarawa state, Nigeria. The findings of the study show that bonuses have positive but insignificant effects on employee performance at Bingham University, Karu, Nasarawa State, Nigeria, whereas promotions have positive and significant effects on employee performance at Bingham University, Karu, Nasarawa State, Nigeria. Hence, the study uses Taro Yamane's formula to determine a sample size of 294 out of 1076 staff, which is statistically adequate for drawing conclusions.

Zakwai and Zakwai, (2023) examined monetary incentives and relationship with workers' performance in Crown Flour Mills in Kaduna State, Nigeria. The study adopted a survey research design. The population of the study was 678, and a sample size of 251 was arrived using Taro Yamane formulae. The instrument for data collection was a close-ended structured questionnaire. Pearson product moment correlation was used to test the hypothesis. The result showed that there is a significant relationship between monetary incentives and workers performance. Hence, this method helps quantify the strength and direction of the relationship between incentives and performance.

Eze et al. (2023) examined the effect of wages and salaries, bonuses and incentives, and training costs on the return on capital employed of sampled consumer goods firms in Nigeria. Data were collected from annual financial reports of the firms for the period, 2013-2022. The research adopted an expost factor research design. The systematic Sampling technique was used to select a total of four (4) companies for the study. The analytical tool used for the study was ordinary least square multiple regression. Results of the test of hypotheses indicate that Wages and Salaries have a negative but significant effect on Return on Capital Employed. Bonuses and Incentives have a negative and insignificant effect on the Return on Capital Employed however; training Cost has a positive and significant effect on the Return on Capital Employed of consumer goods firms in Nigeria. However, the study is entirely qualitative, making it difficult to measure the actual impact of profit-sharing on productivity.

Iyke-Ofoedu, et al. (2023) determined the effect of monetary incentives system on employee's productivity in deposit money banks in Enugu State, Nigeria. Research design was descriptive survey research. Sample size of 378 respondents was drawn from 503 population of the study using Taro Yamane sample technique. The study reveals that monetary incentive has significant effect on employee turnover and focus of employee to render service without fear or favour. However, Descriptive surveys help in gathering first-hand opinions from employees, making it easier to understand real-world implications of incentive structures.

Abdullah. and Vani, (2022) analyzed the influence of monetary rewards on the performance of employees in private colleges in Yemen Maharashtra, India. The study employed the descriptive analytical method. The study population was 150 personnel from private universities in Sana'a. The sample size of 138 employees was derived. The findings indicated that monetary incentives do not have a positive significant effect on employee performance.

However, the population consists of 150 personnel, with a sample size of 138 employees. This indicates a strong response rate, but the review does not clarify the sampling method used (e.g., random sampling, convenience sampling). Specifying the sampling technique would improve the credibility of the findings.

Chukwuma et al. (2022) focused on reward system and employee performance: A Study of Oyi Local government area of Anambra state, Nigeria. The study adopted Survey research design. The population of the study is 1470 staff. Data were sourced from both primary and secondary sources. The finding of the study shows that reward system also influences the motivation of employees which consistently has an impact on their productivity and rewards are very important in every organization because it will bring out the employees best and the organization will achieve it set objectives. Nevertheless, the study states that a survey research design was used, but it does not specify how the sample was selected from the 1,470 staff population. There is no mention of sampling technique (random, stratified, purposive, etc.), which raises concerns about whether the sample is representative of the entire workforce. The study does not indicate the number of respondents who participated, making it difficult to assess the reliability of the data.

Luzon (2022) analyzed the effects of Bonus on employees' productivity and motivation and identifies challenges that hamper the implementation in a State College, Philippines. Using descriptive research, the test of significant difference was computed using Chi-Square to test the responses of two groups of respondents. The population of this study comprises of hundred and seventy (170) employees were considered as respondents of the study. The study found that Bonus has is a positive driver towards employees' motivation and productivity. However, the study mentions descriptive research but does not specify whether it used surveys, interviews, or secondary data, It is also unclear how the data was collected and whether the survey instrument was validated or pilot-tested

METHODOLOGY

Research Design

The study employed a cross-sectional survey research design, which is particularly effective for collecting data from respondents regarding one or more variables at a single point in time. this research design provides a structured framework encompassing the plans, methods, and procedures necessary to obtain accurate and quantifiable data, allowing researchers to analyse relationships between variables in a systematic manner (mohajan, 2018).

A cross-sectional survey design was deemed appropriate for this study because it enabled the collection of relevant information from employees of small and medium enterprises (smes) in Abuja, Nigeria, with a specific focus on selected small and medium scale enterprise. by employing this design, the study was able to capture a snapshot of employee perceptions, attitudes, and experiences related to monetary incentives and performance, facilitating the achievement of the research objectives. the approach allows for efficient data collection from a defined population within a limited timeframe while ensuring the reliability and validity of the information gathered, making it particularly suitable for examining the relationships between employee motivation, compensation, and organisational performance in the SMEs context.

Population of the Study

The population of the study consisted of 653 employees of selected small and medium scale enterprise Abuja, Nigeria. The organization has a wide range of businesses, include, Goshen Table Water, Oracle Plastic Industry, Oracle Feed Mills, Oracle Star Shea butter, Oracle Driving School, Oracle Business Foundation (OBCF), Oracle Rice Mills, Oracle Yam Flour Mills and Oracle Cassava Flour Mills.

The population includes all categories of staff since monetary incentive is an issue that affects every employee. The study population is summarized in the tabular form below for easy assessment.

Table 1: Population of Employees of the selected small and medium scale enterprise in Abuja, Nigeria.

S/no	Selected small and medium scale enterprise	Number of Employees
1	Jafcon Concept	87
2	Mummy Twins Luxury Enterprise	84
3	Perfect Hands Computer Institute	380
4	Kenkrakers and Event	102
	Total	**653**

Source: *Field survey, (2026)*

Sample Size Determination

The sample size for this study was determined using Taro-Yamane's formula for sample size determination. The formula assumes that the population from which the sample is derived from, is a finite one and not infinite. It also assumes that the acceptable error margin for any sample must be greater than zero and never equal to or less than zero. The formula was adopted for this study because it is best suited for categorical variables and applicable when the confidence coefficient is 95% with a population proportion of 0.5 (Adam, 2020). It also provides accurate result of the necessary sample size that is adequate for the study since the population for this study is a finite one. The formula is given as:

$$n = \frac{N}{1+N(e)2}$$

where:

n = Sample size

N = Total Population

e = Level of significance (tolerable error) at 5%

1= Constant

Therefore,

$$n = \frac{653}{1+ 653(0.05)2}$$

$$n = \frac{653}{1+653(0.0025)}$$

$$n = \frac{653}{1+1.6}$$

$$n = \frac{653}{2.6}$$

n = 251 Employees

Sources of Data

The data for this study was collected from primary source. Primary data was retrieved from the participants through questionnaire administration. Primary data is specifically tailored to the research needs which helps to elicit different opinions of the participants. The researcher obtained first-hand information from staff of the companies.

Techniques of Data Analysis

Prior to data analysis, the data was collected, sorted, processed and cleaned. The study utilized both descriptive and inferential statistics in form of frequency tables, simple percentages, means, standard deviations, correlation and multiple regressions to answer the research questions and data analysis. The test of formulated hypotheses was done at 0.05

degree of significance. Data analysis was done using the Statistical Package for Social Sciences (SPSS 25). The decision rule states that the null hypothesis was rejected if the P-value is less than 0.05 and accepts the alternate hypothesis. On the other hand, accept the null hypothesis if the P-value is greater than 0.05 and reject the alternate hypothesis.

Model Specification

According to Mungania (2019), multiple regression analysis attempts to determine whether a group of variables together predict a given dependent variable and in this way, attempt to increase the accuracy of the estimate. Multiple regression analysis was used to regress the relationship between monetary incentives with each predictor variable. To strengthen the relationship between monetary incentive and performance, employee biography characteristics were included in the study. The multiple regression models for this study was linear model because the aim is to test the relationship of the variables from the beginning.

$Y = \beta 0 + \beta_1 WG + \beta_2 BO + e$

Where

Y = Performance

WG = Wages

BO = Bonus

β 0 = Constant

ϱ = Stochastic Term (error)

Data Presentation and Analysis

Data collected from the respondents were analyzed and presented in frequency tables and simple percentages.

Table 2: Response Rate

Item	Total	Percentage (%)
Questionnaire Administered	251	100
Questionnaire Returned	240	96.00
Questionnaire Not Returned	11	4.00

Source: *Field Survey, 2026.*

The result presented in Table 2 shows that a total of 251 copies of the questionnaire were distributed and 240 (86.6%) were successfully completed and returned by the respondents while 37(13.4%) were not returned by the respondents. The response rate of the questionnaire was high enough for any meaningful research work. Data presentation and analysis was done based on the valid questionnaires retrieved from the respondents.

Table 3 Model Summary.

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.212[a]	.045	.025	.520	1.449

a. Predictors (Constant), Bonus, and wages.
b. Dependent Variable: performance
Source: SPSS Output, 2026.

The result from Table 3 shows that coefficient of determination (R square) explains the variation in the dependent variable due to changes in the independent variable. The R square value of .045 is an indication that there was 04.5 % variation in performance due to changes in salary increment, bonus, profit sharing and allowance, wages salary at 95% confidence interval. Also, the value of R (.212) indicated that there was a strong relationship between the study variables.

Table 4: Analysis of Variance. (ANOVA)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	70.258	5	14.052	74.247	.000[b]
Residual	1486.925	234	6.354		
Total	1557.183	239			

a. Dependent Variable: Performance
b. Predictors (Constant), Bonus and Wages
c. **Source:** *SPSS Output, 2026.*

The result from the ANOVA statistics in Table 4 indicates that the processed data, which is the population parameters, had a significance (p-value) level of .000 which is less than 5%. This implies that Bonus and Wages/ Salary significantly affect the performance of selected small and medium scale enterprise in Abuja, Nigeria. The significance value was less than 0.05 which indicates that the model was statistically significant (F =74.247, P = .000 < 0.05).

Table 5: Regression Coefficients.

Model	Unstandardized Coefficients		T	Sig.
Variables	**B**	**Std. Error**		
(Constant)	.285	.229	1.249	.000
Wages	.402	.065	3.086	.002
Bonus	.546	.065	8.365	.000

a. Dependent Variable: Performance

Source: SPSS Output, 2026.

The regression coefficient in Table 5 indicates that holding all variables to a constant zero, performance of selected small and medium scale enterprise would be .285; a unit change in wages and Salary will increase performance of selected small and medium scale enterprise by 40.2%, a unit change in bonus will affect performance by 54.6 %. The p-values for Wages and Bonus (.002 and .000) respectively were less than 0.05 implying that monetary incentives significantly affect the performance of selected small and medium scale enterprise in Abuja, Nigeria The result further shows that bonus has more significant effect on performance of selected small and medium scale enterprise in Abuja, Nigeria.

Test of hypothesis one

$H0_1$: Wages has no significant effect on performance of selected small and medium scale enterprise in Abuja, Nigeria.

To test this hypothesis one, the strength of the effect of Wages on performance of selected small and medium scale enterprise in Abuja, Nigeria was measured by the calculated p-value = .002 at a significance level (α) of 0.05. Since the computed p-value is less than the significance level (α) of 0.05 (*p-value* .002 < α 0.05), the null hypothesis was rejected and alternative hypothesis was accepted. The result implies that wages has significant effect on performance of selected small and medium scale enterprise in Abuja, Nigeria

Test of hypothesis two

$H0_2$: Bonus has no significant effect on performance of selected small and medium scale enterprise in Abuja, Nigeria

To test this hypothesis, the strength of the effect of bonus on performance of selected small and medium scale enterprise in Abuja, Nigeria was measured by the calculated p-value = .000 at a significance level (α) of 0.05. Since the computed p-value is less than the significance level (α) of 0.05 (p-value .000 < α 0.05), the null hypothesis was rejected and alternative hypothesis was accepted. The result implies that bonus has positive significant effect on performance of selected small and medium scale enterprise in Abuja, Nigeria

DISCUSSION OF FINDINGS

The analysis of the data collected from the respondents revealed that Wages significantly affect the performance of selected small and medium scale enterprise in Abuja, Nigeria. Regression analysis was used to test the hypothesis at 5% level of significance and the p-value (0.002) was lower than the significance level. This can be statistically given as P-value 0.002 < α = 0.05. This result is in agreement with Ldama, and Mohammed (2020) who examined the effect of wages and salary and its impacts on employee performance in Adamawa State University, Mubi, Nigeria. The study revealed a positive significant effect on employees' performance. Similarly, Ezekiel, (2022), conducted a study on Salaries and Wages Administration as A Tool for Improving Employee's Performance in Zenith Bank Mubi Branch, Adamawa State Nigeria and found it to be positively significant.

The implication of the finding is that wages underscores the importance of offering competitive and fair wages to employees. Higher or well-structured wages are likely to enhance productivity, reduce turnover, and improve overall business outcomes. Management should ensure that compensation strategies are aligned with the company's strategic objectives. For example, if the goal is to increase output in the feed mill or improve quality in the plastics division, wage incentives can be tied to these specific outcomes.

The result of test of hypothesis two indicated that bonus has positive significant impact on performance of selected small and medium scale enterprise in Abuja, Nigeria Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as P-value 0.000 < α = 0.05. The finding agrees with Luzon (2022) whose findings indicated that bonus has a positive significant effect on employees' productivity and motivation in a State College, Philippines. The findings of this study also agreed with the research outcomes of Millinga, and Barongo, (2024) who established that financial reward on employees commitment in public sector in Tanzania based on Kinondoni Municipal Council has found a significantly influenced on organizational performance.

The implication of the finding is that implementing or enhancing bonus and incentive compensation schemes can be an effective strategy to motivate employees, thereby improving overall organizational performance. Managers should consider designing clear, fair, and performance-linked bonus structures that align employee rewards with measurable outcomes. This approach not only encourages higher productivity but also fosters employee satisfaction and retention, which are critical for sustaining competitive advantage in the enterprise. Additionally, integrating bonus systems with performance management processes can help ensure transparency and accountability, further reinforcing positive work behaviors and organizational goals.

CONCLUSION

The study was carried out to examine the relationship between monetary incentives and the performance of selected small and medium scale enterprise in Abuja, Nigeria. The findings revealed that various forms of monetary incentives namely wages and bonus have a significant and positive effect on employee performance. This conclusion can be justified on grounds that competitive and well-structured compensation serves as a key motivator, enhancing employee commitment, productivity, and overall performance. Employees who perceive that their efforts are fairly rewarded are more likely to exhibit higher levels of engagement, diligence, and goal-oriented behaviour, which directly contributes to organisational performance.

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