Improving Incubation Centre's Finances through Proper Revenue Planning & Implementation

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Abstract

Over the years incubation centres in Nigeria have been faced with inadequate funding which has resulted to poorly challenged and uncompetitive graduates from the facilities. This research paper briefly identifies and discussed some prospective areas of financing the incubation programme. The research work was necessitated after analysing the revenue collection data from 2014 to 2019; it shows that Incubations Centres need to significantly improve on revenue generation, collections and awareness with an aim of facilitating, encouraging, resuscitating the FG policy as a catalyst for development.

The research work needs more than just the identified revenue generation areas to succeed during this pre or post COVID-19 pandemic era; other areas which are critical for the success of this research are a review in government policy on incubation programme, commercialization policy, political will and publicity/ awareness as key drivers. Despite government interventions, Incubation Centres in Nigeria still face significant challenges. Hence, strategic approaches to achieving success in funding have been highlighted.

Keywords: *Incubation, Revenue, Finances, Funding, Graduates*

I. INTRODUCTION

Financing incubation programme in Nigerian has been a critical issue over the years with a lot of underline challenges as we identify the best ways of improving the funding to the programme. In the research, there are five major areas of incubation programme funding available to our incubation centres. The identified areas are (1) Government Allocation, (2) Internally Generated Revenue (IGR) and (3) Grants, Aid and Donations (G&D), (4) The Private Public Partnership (PPP) and (5) Intellectual property (IP) monetization.

Government allocation to the incubation programme is a tripartite agreement with Federal, State and Local government but since implementation the federal government have been the sole financial of the incubation programme with over 75 to 90% input into infrastructures, manpower, local running, empowerments and other grants. The reasons that governments become financial supporters of incubation centres are described in the section on Stakeholders. Government Return on Investment from the programme needs to be encouraged by national policies makers in the area of strengthen the programme financial monitoring, evaluation, implementation, review of the Incubation Programme Act etc.

Internally Generated Revenue (IGR) can be generated from the charges/fees centres assigned to clients/incubatees on services provided/ special projects. Both of these requires a significant amount of time and effort to justify the size of the request and ensure future renewals. Therefore, it is important to establish a realistic budget that is based on realistic assumptions that can be used to defend any requests. The identified incubation centres' sources of IGR that need to be improved upon are:

A. Basic Incubation Services Charge:
   Incubation centres may introduce or strengthen her rent charges/fees for Incubation unit or lab space, specialized equipment and signage. Centres also can charge fees for use of such additional space as conference rooms, storage lockers, extension unit beyond approved dimension and product kiosks. Fees might also be charged for standard incubation services such as training, weekly advisor sessions, feasibility studies and business plan development. These fees may be charged separately, or be part of a single charge to the client to simplify accounting. Part of the Feasibility Study research should include testing the range of costs acceptable to entrepreneurs. If the price of being a client is considered too high by the entrepreneurs, they will be discouraged from applying to the incubation centres. The Incubation Centre Project Team may

then recommend that a sponsor/investor be found to provide grants directly to the clients/incubatees or to the centres to cover some or all of these fees for up to a year.

B. Special Services Fees (SSF)are fees the incubatees/clients may see as fair for the efforts by the Incubation centres to directly help them raise money and sell products. Examples would be the preparation of loan or grant applications and coaching the client/incubatees in sales/marketing techniques. Incubatees/Clients should be able to pay for these in advance or out of the money they receive from the loan or sales using the FG revenue collection platforms.

C. Pre-Incubation Clients Fees: Some entrepreneurs are not ready to enter the Incubation facilities either because they are yet to organize their business or because they need basic business training, equipment and preparation of a business plan. The centres may set aside some space for a group of entrepreneurs who might become incubatees after a basic preparation program. This group might be able to pay very small fees, but again the centres might seek a sponsor /investor to cover some of the costs using the proposed investor clinic summit.

D. Commercial Tenants Charge: Centres can attract accelerators or existing successful business or extension office of a government service agency or academic institution unit into their facilities with an agreement of pay standard commercial rents but they would not require incubation services.

E. Special Projects and Community Activities Fees: Centres can invest in some special need in their communities that it can provide for a fee, including a speaker series open to the public, training programs for which the public would pay some fees, use of conference rooms and audio-visual equipment by outside organizations and businesses, packaging units, linkage units.

Privately owned business incubation centres are for profit and can seek investors and can establish high fees from potentially very successful clients' base on their contract terms. They usually don't seek grants or are involved in any special projects that do not pay a high return from their efforts.

Most Incubatees of Technology Incubation Centres are small start-up businesses without significant revenues or investments in the beginning. NBTI/TICs have to balance the abilities of the incubatees they have been set up to serve with their revenue generation needs. After creating a budget during the Feasibility Study process, the TIC Project Team may conclude that the potential incubatees profiles provide too little income and that the government or promoters will need to actively raise more money through grants. If balancing the budget does not look promising, the recommendation may be that the Business incubated project should not go forward or been admitted.

Thirdly, Grants and Donations from organizations that provide such support should be identified and for collaboration in the area of funding and special interest. These organizations will rarely ask the Incubation centres if it would like to apply for funds. It is up to the Centres Project Team (CPT) and management to do research on the sources of grants and donations, Terms of Grants& Donations and the types of requests that may receive a favorable response.

Grants and Donation to a public Incubation centres may come from any or all of the following:

a. Government(Federal, State and Local)
b. Universities
c. Individuals
d. Graduated Incubatees/ Businesses from incubation centres
e. International donor agencies such as The World Bank, The UN Development Programme (UNDP), the EU, Development Banks, etc.
f. Non-governmental Organizations (NGOs) including Foundations such as The Ford Foundation, Soros Foundation, Dangote Foundation.
g. Foreign governments with economic cooperation agencies such as GIZ, USAID
h. Corporations that have a charitable contributions department/community social responsibility such as MTN, ZBN, 9Mobile, Airtel and others in line with the Company Allied Matter Act 2020.

It is not unusual for a public incubation centre to apply for and to receive grants and donation for the same and different purposes from several sources at the same time. Some grantors require that an applicant receive matching funds from other sources to be considered. In most cases, the largest sums of money available to an Incubation project comes from federal and some state government grants.

International donor agencies, economic cooperation agencies of foreign governments and other NGOs may have well-defined programs for helping the economies in specific countries and regions, most often those that are considered “developing economies.” Applications for grants would go directly to those program offices.

Large multi-national corporations/Indigenous corporation often see economic development grants as a way to show their interest in the country/ businesses, even providing executive time advisors and their willingness to be helpful. They sometimes use such involvement as a way to create a public relations advantage and to receive favorable attention from the local businesses and governments.

Incubation centres though proper awareness can be enable to receive substantial grants from wealthy individuals seeking to improve their community.

A well-managed incubation centres may also learn of projects/programmes being launched by government and NGOs for positive impact which will make incubation centres drivers of the projects/programmes in line with the national developmental policy. This can lead to additional funding and successful graduation of competitive incubated businesses.

Management of a successful incubation centres should be able to attract funds to the centres for consulting with promoters of new incubators in the region. These might also lead to some arrangement that includes the Incubation staff and advisors in setting up the new incubator, or running the new incubator.

In addition to generally reviewing the sources of funding, the feasibility study will also identify the expenses involved in setting up and operating the incubation centres. As mentioned earlier, the two sides of the budget will need to be carefully studied to decide whether the incubation centres project will be viable.

Introducing a well-designed Private Public Partnership (PPP) Policy into the incubation programme will result in improving government revenue generation by the use of Intellectual& Industrial Property Right Protection, Trademarks Registration and Traditional Knowledge protection agreement, this strategic policy and planning will lead to job creation, mass production of registered products and increase in signing of investment contract with centres.

Intellectual Property Right Monetization (IPRM) is a strategic way of sourcing and encouraging innovation and invention in our economy. IPRM is defined as the systematic approach use in revenue generation or extraction of value from an intellectual property. Financing incubation centres through Intellectual Property Right (IPR) monetization can be done by first identifying and protecting viable IPs. Secondly, by using any of the four (4) IP monetization mechanisms:

(i) Outright sales of IPRs
(ii) Sale and lease back models is a model, that IPRs owner sells the IP(patent) with complete transfer of ownership for a consideration in terms of partnership which will aid the initial IP (patent) holder gain a lump sum of amount which can further be used in Research &Development activities for operational expansion.
(iii) Collateralization of IPR is using the IPR as collateral guarantee for securing loans and
(iv) Fluidization or Securitization of IPR is similar to collateralization of IPRs, as in both the transactions the amount of funding provided, depends on the quality and nature of the IP asset. However, securitization differs from collateralization on the matter of deployment of funds.

CONCLUSIONS AND RECOMMENDATIONS

This paper has examined some issues and shown that if the financial strategy is well implemented, it has the capacity of increasing the nation’s Gross Domestic Product (GDP), create more jobs, increasing financial discipline and create competitive entrepreneurs in all sectors by that placing Nigeria among the top 10 most industrialized business economies of the world. The Government and economic stakeholders need to review the incubation programme policy document in line with the Nigerian Incubation Programme Commercialization model. Secondly, the government policies should be properly monitored, implemented and documented so as to improve consumer and business confidence in the economy. Thirdly, political wiliness, publicity and most especially financing critical areas which will encourages revenue generation in centres should be put in place. Fourth, a review of the current financial sources' formulae in the incubation programme should be encouraged to address key areas of technical trainings and capacity development of revenue officers and others, constant public enlightenment& compliance. Fifth, Revenue Collection leakages can be eliminated using real time digital application.

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