

## Small and Medium Enterprises (SMEs) as a Source of Human Capacity Building in Nigeria

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### Abstract

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The aim of this study is to investigate SMEs as a source of human capacity building in Nigeria. This was achieved through establishing whether access to technology of SMEs operatives, human resource of SMEs and innovativeness of these SMEs operatives are actually significant to human capacity building in Nigeria. The methodology used for data collation was survey design. The stratified random sampling technique was used in the selection. The questionnaire was designed based on open-ended format of the item used and distributed among SMEs registered with the Corporate Affairs Commission (C.A.C) in both Abuja and Kaduna towns. A total number of 223 questionnaires were sent out and only 152 representing 68% were returned and deemed useable. The data was analyzed using percentage, graph for descriptive and linear regression for inferential analyses respectively. The study established that majority (91.9%) of the respondents agreed that SMEs are source of human capacity building in Nigeria. The study concluded that SMEs are significant in human capacity building in Nigeria. The study recommends that entrepreneurs and employees should be trained in new and current technology with new software that will enhance the productive capacity of SMEs thus resulting in Employment generation in Nigeria.

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**Keywords:** Employment Generation, Government, Human Capacity Building and Small and Medium Enterprises (SMEs).

### 1.0 Background to the Study

Human capacity building is the process of equipping individuals with the understanding, skill and access to information, knowledge and training that enables them to perform effectively in an informed society. Utilization of human capital (i.e employment) is certainly the essence and key enterprise of capacity building. Employment generation has been one of the important objectives of development planning in Nigeria. However, the issues of employment generation by both the Federal and State governments have become more of propaganda. This can be proven by the increase in societal ills as poverty, crimes, conflicts, Niger Delta militants, Kidnappers, tribal conflicts, and Boko Haram, are just a tip of the iceberg of the dangers posed by rising unemployment (Mustapha and Ekpnuobi, 2012). Small and Medium Sized Enterprises (SMEs), an indicator of economic development, underpin growth through creating jobs and improving living standards. In most countries, the definition of SMEs include cluster of Small and Medium sized Enterprise based on the number of employees.

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The Central Bank of Nigeria (2008) classifies service providers in cluster enterprise in the following order, small enterprises employ 1-49 persons, medium enterprises employ 50-99 persons and large enterprises employ 100 and above. More recently the Nigeria government embarked on its 2011-2015 National Transformation Agenda which was targeted at creating jobs and reducing poverty. Among the several policy measures initiated was the need for the strengthening of Small and Medium Enterprises Development Associations of Nigeria (SMEDAN) which provides technical support for SMEs including advisory and preparation of bankable feasibility study. The objective of this study is to investigate small and medium enterprises (SMEs) as a source of human capacity building in Nigeria.

## **1.1 Objectives of the Study**

### **1.1.1 Main Objective**

To investigate SMEs as a source of human capacity building in Nigeria.

### **1.1.2 Specific Objectives**

1. To establish whether access to technology of SMEs operatives influence human capacity building in Nigeria.
2. To determine if human resources of SMEs influence human capacity building in Nigeria.
3. To investigate the effect of innovativeness of SMEs operatives on human capacity building in Nigeria.

## **1.2 Research Hypothesis**

1. H<sub>0</sub>: There is no significant relationship between access to technology of SMEs operatives and human capacity building in Nigeria.
2. H<sub>0</sub>: There is no significant relationship between human resource of SMEs and human capacity building in Nigeria.
3. H<sub>0</sub>: There is no significant relationship between innovativeness of SMEs operatives and human capacity building in Nigeria.

## **2.0 Literature Review**

### **2.1 Contribution of SMEs**

In order for SMEs to fully participate in the process of globalization they must develop capacities that will enable them to be internationally competitive in global markets. This will involve building upon the advantages possessed by the entrepreneurial spirit, flexibility, resourcefulness and ability to identify business opportunities. SMEs make a major contribution to economic and particularly employment generation in Nigeria. The variables that contribute to employment generation that result in human capacity building shall be studied under access to technology of SMEs operatives, human resource of SMEs and innovativeness of the SMEs operatives.

#### **2.1.1 Access to Technology of SMEs Operatives**

In knowledge- based economy, application of information and communications technology can be great leveler for SMEs. However when SMEs have limited access or understanding of these technologies, their prospects of acquiring and utilizing these for their benefit will reduce. Technology can provide global opportunities by enabling the flow of ideas across national boundaries improving the flow of information and liking increased number of patronage for SMEs. The desire to export their products and services for many SMEs may have a fundamental influence on promoting the rapid development of more advanced technological capabilities. To incorporate the technology into their operations, small business needs to find ways to deal with high set-up costs as well as lack of adequate infrastructure and IT skills.

#### **2.1.2 Human Resource of SMEs**

Human resources development for SMEs require a comprehensive approach including social structures and system such as broad educational reforms, encouragement of entrepreneurship, business skills acquisition and innovation in society, mechanism for self learning and ongoing training and enhancement of human resources. The human resource benefit that is based on commitment is focusing on the psychological links between organizational and employee goals. It is associated with higher involvement in managerial decision, participation, providing training and rewards. A human resource system that is based on crucial focuses on directly monitoring and rewarding employee behavior (Arthur 1994). Human resources are considered as the most valuable asset in an organization, they make a difference only for a few organizations.

### 2.1.3 Innovativeness of SMEs Operatives

Innovation was specifically defined to include both technological and organizational improvement. Incremental as well as radical or breakthrough changes were both regarded as innovations. Recent studies have shown that despite the fact that a very small fraction of total business Research and Development (R&D) in the developed economies is accounted for by SMEs, they contribute greatly to the innovation system by introducing new products and adapting existing products to the needs of their customers (OECD, 2000). Small firm account for a disproportionate share of new product innovation despite their low R&D expenditures. In addition, they have also been innovative in terms of improved designs, products and processes and in the adoption of new technologies. Investment in innovative activities is on the rise in SMEs and increasing at a faster rate.

### 2.2 Human Capacity Building

Human capacity building can be described as a deliberate effort by government and people to provide the right number of workers at the right areas of need and at the right time in an economy (Anyanwu, 2014). This definition suggests a deliberate attempt to forecast and provide the labour needs and requirements of the economy over a period of years in respect of each industrial and occupational group supported with policies and programmes that guarantees their sustainability. It must be appreciated that the existence of a large pool of human population does not translate automatically to a productive resource. Human beings become productive resource only when they are able and in a position to contribute meaningfully in achieving organizational goals. Human capacity building embodies the inculcation of relevant general and technical knowledge skills and competencies through comprehensive human resource development programmes that will facilitate the resolution of the set goals.

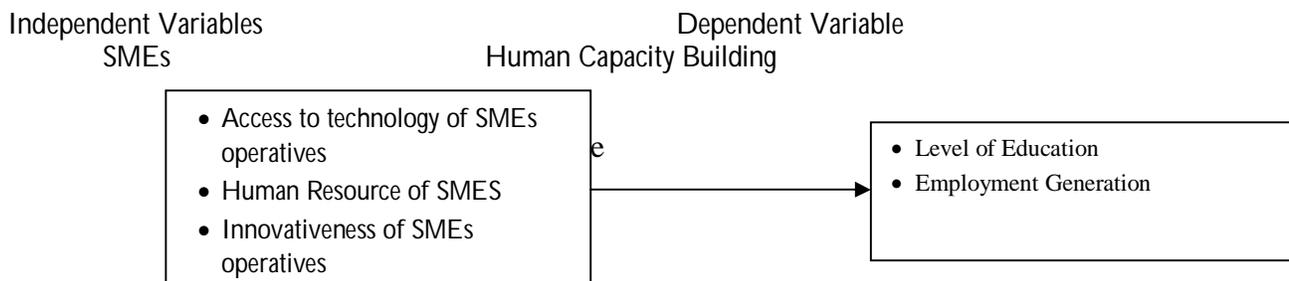
### 2.3 Human Capital Theory

This explains the entrepreneurial outcomes of an individual knowledge to the outcome value to a firm (Beaker, 1962). Education provides a source of human capital because it enables individuals to gain explicit knowledge necessary for task performance. Functional knowledge of day to day business operations that is obtained through executive development seminars, Workshops and conferences that are organized by Universities, Vendors, etc provide the basis for building occupational and industry specific human capital, which enhances the job performance (Tesluk and Jacobs, 1998).

### 2.4 Research Framework

The primary variable of interest of the study is the dependent variable of human capacity building which is measured by the level of education and employment generation. The independent variables that may influence the dependent variable are access to technology of SMEs operatives, human resource of SMEs and Innovativeness of SMEs operatives and the relationship between dependent and independent variables as show in figure 2.1

**Figure 2.1: Showing the Conceptual Framework**



### 3.0 Research Method

The methodology used for data collection was survey method. The stratified random sampling was used in the selection. A survey questionnaire was conducted among registered firms with Corporate Affairs Commission (CAC).

The questionnaire was designed based on open ended format of the items used. To test the content validity, the questionnaire was initially distributed to expert panels of three, comprising an SMEs operative; statistician and academia knowledgeable in the area of human capacity building. This was followed by a pilot survey to get an initial feedback on the content of the questionnaire. During the pilot survey, 15 respondents cutting across all the SMEs operatives in different sectors of the economy were collected and the questionnaire was then amended according to their comments before actual feedback began. In the major survey, a total number of 223 questionnaires were sent out to SMEs operatives with registered firms in Abuja and Kaduna towns where business was thriving. After three month period, 152 (68%) of the questionnaires were returned and deemed useable. The data was analyzed using both descriptive and inferential statistics to establishing the findings.

**4.0 Data Analysis**

**4.1 Objective 1:** To establish whether access to technology of SMEs operative influence human capacity building in Nigeria

**4.1.1 Descriptive Analysis**

The study revealed that 100% of the respondents agreed that there are policies measure on staff recruitment and replacement that specified technology attainment in their firms. This finding relate with human capital theory which explains the entrepreneurial outcome of an individual knowledge to the outcome value of a firm (Becker, 1962) Technology provides a source of human capital because it enables individuals to gain explicit knowledge necessary for task performance. Thus, provide the basic for building occupational and industry specific human capital which enhance human capacity building.

**4.1.2 Inferential Analysis**

Human capacity building was regressed on access to technology of SMEs operatives. The relationship among the variables are depicted below

$$Y = B_0 + B_1X_1$$

Where

- Y = Human Capacity Building in Nigeria
- B<sub>0</sub> = Coefficient of intercept (Constant)
- X<sub>1</sub> = Access to technology of SMEs operatives
- B<sub>1</sub> = Regression Coefficient

Linear regression was used to measure the linear relationship between the independent and dependent variables. Table 4.1 shows that the correlation coefficient (R) between access to technology of SMEs operatives and human capacity building in Nigeria is 0.562 implying a strong Linear relationship between access to technology of SMEs operatives and human capacity building in Nigeria. The coefficient of R<sup>2</sup> adjusted is 0.231 indicating that 23.1% of the variation in the human capacity building was explained by access to technology of SMEs operatives

**Table 4.1: Model Summary**

| Model | R    | R <sup>2</sup> | R <sup>2</sup> adjusted | Std error to the estimate |
|-------|------|----------------|-------------------------|---------------------------|
| 1     | .562 | .316           | .231                    | 1.58535                   |

a. Predictor (constant): Access to Technology of SMEs.

Table 4.2 shows an ANOVA test performed on access to technology of SMEs operatives. It has a p-value equal to 0.002 which is lower than α (0.05), therefore conclude that the model is significant and therefore fit for use.

Table 4.2: ANOVA

| Model         | Sum of Squares | df | Mean Square | F     | Sig  |
|---------------|----------------|----|-------------|-------|------|
| 1. Regression | 8.304          | 1  | 8.304       | 6.606 | .002 |
| 2. Residual   | 5.029          | 4  | 1.257       |       |      |
| 3. Total      | 13.333         | 5  |             |       |      |

- a. Dependent variable: Human Capacity Building.  
 b. Predictor (constant) Access to Technology of SMEs Operatives

Table 4.3 shows regression coefficient.  $B_1$  is standardized because it has a bound, thus coefficient interval can be formed. The table shows that linear relationship between access to technology of SMEs operatives and human capacity building in Nigeria is  $Y = 3.529 + 0.324X_1$  where  $Y$  is human capacity building in Nigeria and  $X_1$  access to technology of SMEs operatives. The  $p$ -value of the slope of the model (0.02) is less than  $\alpha$  (0.05) therefore  $H_0$  is rejected and it is concluded that access to technology of SMEs operatives has a significant role in human capacity building in Nigeria

Table 4.3: Regression Coefficient

| Model                   | unstandardized | Coefficient | Standardized | F     | Sig  |
|-------------------------|----------------|-------------|--------------|-------|------|
|                         | B              |             | Std error    |       |      |
| 1. (Constant)           | 3.529          | 2.232       |              | 1.009 | .000 |
| Access to<br>Technology | 3.241          | 1.298       | .124         | 5.249 | .002 |

- a. Dependent variable: Human Capacity Building in Nigeria.

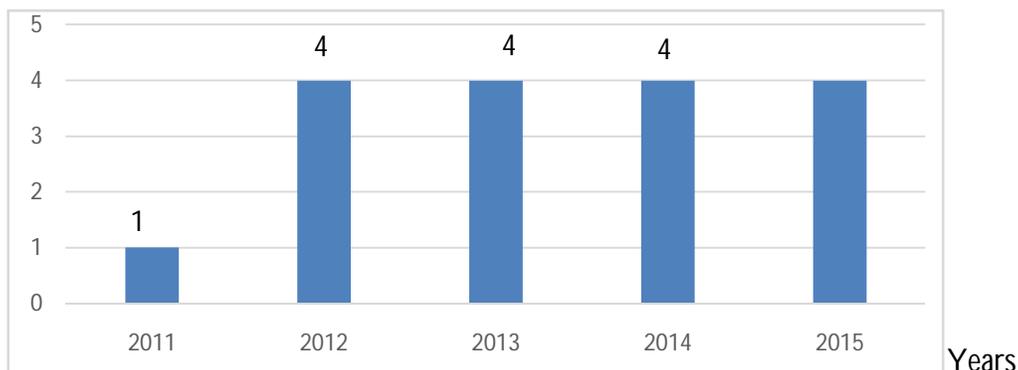
**4.2 Objective 2:** To determine if human resource of SMEs influence human capacity building in Nigeria

#### 4.2.1 Descriptive Analysis

The study revealed that 75.7% of the respondents agreed that they have policy on human resource in their firms

Figure 4.1 shows the number of employees that acquired additional qualification during the year studied. Except for year 2013 that has an average of one person with additional qualification during the year studied. Number of employees with additional qualifications

Figure 4.1: Showing the Number of Employees with Additional Qualifications



**4.2.2 Inferential Analysis**

Human capacity building was regressed on human resources. The relationship among the variables are depicted below

$$Y = B_0 + B_2 X_2$$

Where

Y= Human Capacity Building in Nigeria

B<sub>0</sub>= Coefficient of Intercept (constant)

X<sub>2</sub>=Human Resources of SMEs

B<sub>2</sub>=Regression Coefficient

Linear Regression was used to measure the linear relationship between the independent and dependent variables.

Table 4.4 shows that the correlation coefficient (R) between human resource of SMEs and human capacity building in Nigeria is 0.568 implying a strong linear relationship between human resources of SMEs and human capacity building in Nigeria. The Coefficient of R<sup>2</sup> adjusted is 0.318 indicating 31.8% of the variation in human capacity building in Nigeria was explained by the human resources of SMEs.

**Table 4.4: Model Summary**

| Model | R    | R <sup>2</sup> | R <sup>2</sup> adjusted | Std error to the estimate |
|-------|------|----------------|-------------------------|---------------------------|
| 1     | .568 | .322           | .318                    | .09664                    |

a. Predictor (constant) Human Resources of SMEs

Table 4.5 shows an ANOVA test performed on the human resources of SMEs. It has a p-value equal to 0.000 which is less than α (0.05), therefore conclude that the model is significant and therefore fit for use

**Table 4.5: ANOVA**

| Model        | Sum of squares | df | Mean Square | F      | Sig  |
|--------------|----------------|----|-------------|--------|------|
| 1 Regression | .667           | 1  | .667        | 71.392 | .000 |
| Residual     | 1.401          | 4  | .009        |        |      |
| Total        | 2.068          | 5  |             |        |      |

a. Dependent Variable: Human Capacity Building in Nigeria

b. Predictor (constant) Human Resources of SMEs

Table 4.6 shows regression coefficient. B<sub>2</sub> is standardized because it has a bound thus confidence interval can be formed. The table shows that linear relationship between human resources and human capacity building in Nigeria is  $Y = 0.693 + 0.234X_2$  where Y is human capacity building in Nigeria and X<sub>2</sub> human resources of SMEs. The P-value of the slope of the model .000 is less than α (0.05) therefore H<sub>0</sub> is rejected and it is concluded that human resources of SMEs have a significant role in human capacity building in Nigeria

**Table 4.6: Regression Coefficient**

| Model           | Unstandardized Coefficient |           | Standardized Coeff. | F      | sig  |
|-----------------|----------------------------|-----------|---------------------|--------|------|
|                 | B                          | Std error | B                   |        |      |
| Constant        | .693                       | .023      |                     | 29.712 | .000 |
| Human Resources | .234                       | .028      | .568                | 8.449  | .000 |

a. Dependent variable: Human Capacity Building in Nigeria

**4.3 Objective 3:** To investigate the effect of innovativeness of SMEs operatives on human capacity Building in Nigeria

**4.3.1 Descriptive Analysis**

The study revealed that 100% of the respondents agreed that there are policies measure aimed at stimulating innovative skills of the employees.

This finding relate to Schumpeterian theory on innovation. Schumpeters (1934) theory of innovative profits emphasized the role of entrepreneurship and the seeking out opportunities for annual value and generating activities which would expand the circular flow of income through risk taking.

### 4.3.2 Inferential Analysis

Human capacity building was regressed on innovativeness of SMEs operatives. The relationship among the variables are depicted below

$$Y = B_0 + B_3 X_3, \text{ where}$$

Y= Human Capacity Building in Nigeria

B<sub>0</sub>= Constant (coefficient of intercept)

X<sub>3</sub>= Innovativeness of SMEs Operatives

B<sub>3</sub>= Regression coefficient

Linear regression was used to measure the linear relationship between the independent and dependent variables.

Table 4.7 shows that the correlation coefficient (R) between innovativeness of SMEs operatives and human capacity building in Nigeria is 0.601 implying a strong linear relationship between innovativeness of SMEs operatives and human capacity building in Nigeria. The coefficient of R<sup>2</sup> adjusted is 0.201 indicating that 20.1% of the variation in human capacity building in Nigeria was explained by innovativeness of SMEs operatives

**Table 4.7 Model Summary**

| Model | R    | R <sup>2</sup> | R <sup>2</sup> Adjusted | Std error for estimate |
|-------|------|----------------|-------------------------|------------------------|
| 1     | .601 | .361           | .201                    | 2.31816                |

a. Predictor (constant) Innovativeness of SMEs Operatives

Table 4.8 shows an ANOVA test performed on innovativeness of SMEs operatives. It has a P-value equal to 0.004 which is lower than  $\alpha$  (0.05) therefore conclude that the model is significant and therefore fir for use.

**Table 4.8 ANOVA**

| Model      | Sum of square | Df | Mean square | F     | Sig   |
|------------|---------------|----|-------------|-------|-------|
| Regression | 19.021        | 1  | 19.021      | 10.45 | 0.004 |
| Residual   | 7.313         | 4  | 1.828       |       |       |
| Total      | 26.334        | 5  |             |       |       |

a. Dependent variable: Human Capacity Building in Nigeria

b. Predictor (constant) Innovativeness of SMEs Operatives

Table 4.9 shows regression coefficient. B<sub>3</sub> is standardized because it has a bound, thus confidence interval can be formed. The table shows that linear relationship between innovativeness of SMEs operatives and human capacity building in Nigeria is  $Y = 12.250 + 6.062X_3$ , where Y is the human capacity building in Nigeria and X<sub>3</sub> is innovativeness of SMEs operatives. The P-value of the slope of the model 0.004 is less than  $\alpha$  (0.05) therefore H<sub>0</sub> is rejected and it is concluded that innovativeness of SMEs operatives has a significant role in human capacity building in Nigeria.

**Table 4.9 Regression Coefficient**

| Model                   | Unstandardized B | Coefficient std error | standardized coefficient beta | t     | Sig  |
|-------------------------|------------------|-----------------------|-------------------------------|-------|------|
| Constant                | 12.250           | 10.288                |                               | 1.254 | .001 |
| Innovativeness of SMEs. | 6.062            | 10.35                 | .601                          | 1.503 | .004 |

#### 4.4 Discussions

The study established that majority (91.9%) of the respondents agreed that SMEs are source of human capacity building in Nigeria. SMEs were statistically significant in explaining human capacity building in Nigeria. A majority of 91.9% of the respondents pointed out that there were policies aimed at recruiting and replacing of employees on their technology, advancement, human resource development and policies aimed at stimulating and motivating innovative skills among the employee of the firms. Access to technology operatives, human resource development and innovativeness of SMEs operatives will bring about diversion of human capital that will eventually lead to human capacity building in Nigeria.

#### 5.0 Conclusions

With technology acquired in information technology and professional services by employees of the firms, this has brought about better professional service delivery which is a fulcrum for human capacity building in Nigeria. Education as a training ground for human resource provides a source of human capital as it enables individuals to gain knowledge necessary for task performance which enhances the job performance. Innovativeness of SMEs operatives have enhanced the productive capacity and human capacity building of firms as the employees are trained periodically to meet-up with current technologies and areas of diversification. Employees were encouraged to develop themselves by attending seminars, training and furthering their education. This has led to a high human capacity building in Nigeria. The researcher concluded that SMEs are source of human capacity building in Nigeria.

#### 5.1 Recommendations

The study is a justification of SMEs as source of human capacity building in Nigeria. Specifically based on the findings of the study, the researcher recommends the following

1. Entrepreneurs and employees should be trained in new and current technology with new software that will enhance the productive capacity of the SMEs thus resulting in employment generation.
2. Employees are encouraged to further their education, attend conferences and seminars where new ideas are showed among colleagues so as to brace up with time and currency of discoveries. Human capacity building is paramount to growth, thus, training, workshops are welcome development.
3. SMEs should engage employees with good quality of education and work exposure, as these would check the quality of personnel employed and the quality of the output of the employee, thus advancement in human capacity building.

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