

## The Impact of the Human Capacity Building on Small and Medium Enterprises in Lagos, Nigeria

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### Abstract

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The major aim of this article is to examine the impact of the Human Capacity Building on Small and medium enterprises in Lagos, Nigeria. The study design was quantitative. Data was gathered from 139 respondents selected from entrepreneurs small and medium enterprises in Lagos. SPSS was used to analyze the data gathered. Findings from the study reveal that regulatory constraints, accessibility to credit and low marketing skills are the top three barriers to the SMEs owners business. Financial management, marketing and inadequate and inefficient management of employees are the major managerial problems. The SME owners adopt various training approaches like formal and informal training, on-the-job training and job-specific training. The conclusion of the study includes the need for the government to organize more training for SMEs at affordable prices; establishment of skills acquisition centres.

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**Keywords:** Small and Medium Enterprises (SMEs), Capacity Building, Enterprise theories

### 1.0 Introduction

Some researchers consider capacity building as an antidote to hunger, poverty, disease, crisis, and stimulation of economic development (Floro, 2001; Iheduru, 2002). SMEs can play a vital role in poverty reduction, help in expanding the private sector and create jobs for many people in developing countries (Onphandala & Suruga, 2010). Human Capacity Building is important to any nation. No nation can have sustainable development without improving her human capital (Nwankwo & Okorie, 2015). Capacity building involves equipment of people with the knowledge, skill, information, training that makes them carry out their functions effectively in a nation. Capacity building involves the training of staff in relevant skills, competencies and general and technical know-how (Ikupolati, Medubi, Obafemi, Adeyeye, & Oni, 2017). The problem of human capacity building among developing countries is reported in many research publications (Kimaro, 2006). SMEs depend more on individual employee contributions than the big companies (Ojokuku, 2012). Also, Macgregor (2004) that the staff of SMEs is their backbones. Hence, there is a need for capacity building for these staff. According to Eniola & Entebang (2014), “The performance and growth of SMEs is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, equitable distribution of income, the welfare, income per capita and quality of life enjoyed by the citizenry”.

### 2.0 Statement of Problem

Quality managerial skills are essential to the success of any business. Most SMEs do not have the quality workforce and as a result, have low productivity and lack of competitiveness. There is a need for every SME to train and maintain quality staff (Forkuoh, Li, Ampadu, & Ossei, 2016). Research reveals that 50% of SMEs do not survive beyond five years in developing countries (Forkuoh et al., 2016).

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One of the reasons for non-survival beyond five years is poor managerial skills by owners and managers of SMEs, hence the importance of this study (Fokuroh et al., 2016). Observed that human capacity building is one of the crucial factors to the success of SMEs. Pfeffer (1994), stated that while traditional factors to the success of an enterprise (Patents, Economy of scale, technology, et al.) reduces in value, the role of skilled workforce becomes more important. Most challenges faced by SMEs are related to lack of managerial capability by owner-managers of SMEs. SMEs do not have a good record about providing training for their staff (Matlay, 1997). The level of training among SMEs is on a lower scale compared with large firms. (Susomrit & Coetzer, 2013). SME owner-managers need to have basic managerial skills to establish organizational goals and determine the requisite strategies to attain these goals. Managerial competencies of SME owner-managers to a large extent determine the success or otherwise of SMEs. (Afande, 2015). Improving the capacity of SMEs can have a great effect on the economic growth of a country.

The main objective of the study was to examine the impact of a capacity building on the performance of SMEs. This study is particularly important to SME owners and managers on areas of capacity building and benefits. Also, this study is vital to policymakers, Academicians, Potential Investors, and Government agencies. Concerning the roles, they can play to enhance the human capacity building of SMEs.

### **3.0 Literature Review**

#### **3.1 Theoretical Framework**

##### **3.1.2 Theory of the Growth of the Firm**

According to Edith Penrose (1959) in her book titled, “The Theory of the Growth of the Firm” a firm’s resources both internal and external affect the growth of a firm. Firm growth is also affected by the innovative managerial resources within the firm. Kor and Mahoney, (2000); Pitelis (2002) both agreed that Penrose (1959) book titled “The theory of the Growth of the firm is one of the most important books of the 2<sup>nd</sup> half of the 20<sup>th</sup> century. This book bridges the strategic management and organizational economics. This view was not shared by Rugman and Uerbele (2002, 2004) who asserted that Penrose’s book does not have direct contributions to thinking on modern resources. Penrose (1959) also provides a theory of effective management of resources. Furthermore, Penrose asserted that the development of the ideas, experience, and knowledge of firms managers and entrepreneurs affect the productive life of a firm.

##### **3.1.3 Human Capital Theory**

Human Capital theories believe that an educated population is a productive population (Olaniyan & Okemakinde, 2008). Schultz (1971); Sakamota and Powers (1995) and Psacharopolous and Woodhall (1997) all argued that human capital theory is centered on the assumption that formal education can lead to and vital to improving the production capacity of a population. Human Capital theorists postulate that there is a direct positive relationship between formal education and productivity. According to Psacharopolous and Woodhall (1997), human resources constitute the Ultimate basis of the wealth of nations. Human beings bring together and manage other factors of production.

It is worth mentioning the assertion of Ayara (2002) that education has not led to the achievement of desired economic growth in Nigeria. Ayara (2002) attributed the low impact of education on economic growth to the following factors:

- Educational Capital is now privately rewarded, but the activities are not productive socially.
- The demand for educated labor has been slow
- Failure of the educational system to the extent that going to school produces little or no skills.

According to Buta (2015), the human capital theory can be examined from different perspectives, though each was raising the issues of definition; The aspects that are relevant to this study include:

- “Education and professional training (education capital) - the set of knowledge, skills, economic, socio-cultural, civic behaviors, obtained through, i.e., the integrated system of skills”.
- “Workplace training through specific activities such as research and innovation or participation in various associations/professional networks”.
- Nonformal education at work (on the job) in everyday life and through civic activities”.

### 3.2 Definition of SMEs

There is no one fits all definition of SMEs. The definitions of SMEs vary from nation to nation. Some firms considered as SME in a nation may be classified differently in another nation. Some common parameters used to define SMEs include size, total assets, size of staff, turnover and capital investments. (Bouazza, Ardjouman, & Abada, 2015). In summary, the following table shows the definitions of SME by different institutions in Nigeria.

Table 1: Definition of SME by Nigerian Institutions

Institution	Asset value (₦million)			Annual turnover(₦million)			No. of employees		
	MSE	SSE	ME	MSE	SSE	ME	MSE	SSE	ME
Federal Ministry of Industry	200	50	N/A	N/A	N/A	N/A	300	100	10
Central Bank	150	1	N/A	150	1	N/A	100	50	N/A
SMIEIS	200	N/A	N/A	-	-	-	300	-	-
NERFUND	N/A	10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NASSI	N/A	40	1	N/A	40	N/A	N/A	3-35	N/A
NASME	150	50	1	500	100	10	100	50	10

Source: World Bank (2001) in Ayodeji (2015)

Notes: MSE: Medium-Sized Enterprises; SSE: Small-Sized Enterprises; ME: Micro-sized Enterprises; SMIEIS: Small and Medium Industries Equity Investment Scheme; NERFUND: National Economic Recovery Fund; NASSI: National Association of Small-scale Industries; NASME: National Association of Small and Medium-sized Enterprises.

### 3.3 Importance of SMEs

One of the critical indicators of a thriving and growing economy is a vibrant and forward-looking SME sector (Bamfo, Asiedu- Appiah, Oppng-Boakye. 2015). SMEs contributed to an increase in employment at a higher rate compared with large firms (Farouk & Saleh, 2011). Abdullah & Bin Dakar asserted that governments around the world are increasing their level of support for the growth of SMEs as part of their developmental strategies for their countries. According to Eniola & Entebang (2014), SMEs are vital to the socio-economic development, reduction in poverty, increase in employment, technological innovation, output and improvement in the standard of living worldwide. SMEs employ 87.9% of the workers in the private sector (Kadiri, 2012; Russell Olukayode & Christopher Somoye, 2013). SMEs has been identified as the pillar of economic development (Berner, Gomez & Knorringa, 2008; Tamvada 2010; Minniti & Maude, 2010). Eniola & Entebang (2014), remarked that SMEs provide 80% of the total workforce in agriculture and manufacturing sectors in Nigeria.

### 3.4 Definition of Human Capacity Building

The human capacity building is the "practice of providing people with the knowledge, expertise, and opportunity to access information, knowledge, and training that enables them to perform effectively" (UNDP 1992). Azikwe (2006) defined capacity building as "the process by which an individual, irrespective of sex, are provided with the expertise and understanding they need to perform effectively and efficiently in their different callings." Capacity Building refers to activity to generate knowledge, skills, and expertise to improve the thinking ability that may assist in increasing productivity and sustenance. (Nell and Napier, 2006). Capacity is the ability of an organization to excel while capacity building is how to develop and strengthen this ability (which is capacity) (Nwankwo & Olabisi, 2017). Capacity building means enhancing or strengthening a person's or organization's capacity to attain their objectives (Lusthaus, Adrien & Perstinger, 1999).

Miten (2006) states that capacity is a person's ability to do something to achieve the goals, resources, behavior, motivation, relationships, and conditions that allow individuals, firms, sectors and the broader system to carry out their functions and attain development objectives set forth from time to time. UNDP (2006) defines capacity as the ability (ability to solve problems) that person has, organizations, institutions, and communities to individually or collectively carry out functions, solve problems and set achievable goals. Brown, Lafond, and Macintyre (2001) opined that capacity building is a multifaceted and dynamic process that improves the capability of a firm to attain its goals and do better in a competitive arena. The position of Brown et al. (2001) was corroborated by Light, et al. (2004).

### 3.5 Impact of Human Capacity Building on SME Growth

Harnessing the human capital of a firm can be vital to business continuity (Afande, 2015), capacity building may be critical to SMEs (Marlow and Patton, 1993). Bacon et al.; (1996), asserted that capacity building increases the output of an average worker. Booth and Snower (1996) commented that on the job training is better for employees of small firms. Sels et al.; (2006) observed that the relationship between HRM and firm performance remains hazy as results can be affected by population samples and measured used. Despite Sels et al. (2006)'s observation, the general belief is that best practice in HRM activities (including capacity building) can improve profitability, the volume of sales, lifespan and infrastructural improvement (May 2002, Hayton, 2003). Storey 1994, Morgan et al.; 2002 & Storey 2004 all showed inconclusive and inconsistent empirical evidence concerning the link between capacity building and performance. While Cosh et al.; (1998); Marshall et al.; 1995; Betcherman et al.; 1997 and Huang 2001 all showed, that capacity building could be beneficial to firms. Human resource capacities positively affect the growth of small firms (Bouazza, Ardjouman, & Abada, 2015). Inadequate human resources capabilities are a significant barrier to the growth of SMEs in developing countries (Lee, 2001 Batra & Tan, 2003).

Human resources in terms of capabilities, managerial skills among others increase the performance of SMEs (Morgan et al.; 2004, Rose & Kumar, 2007). It is necessary to build the capacities of entrepreneurs to make an essential contribution to the economy of a nation (Bamfo, Asiedu- Appiah, Oppng-Boakye. 2015). Olawale & Garwe (2010) noted that management capacities are sets of skills, competencies, and knowledge that can make SMEs more effective. Many researchers have linked SME growth to management training (Pasanen, 2007). Many researchers argue in support of the role human capital play in the entrepreneurial performance (Bosma et al. 2002; Cooper, Gimeno-Gason and Woo 1994, Kurosaki & Khan, 2004; Gimeno et al.; 1997; Honig 1998). Acquisition of knowledge is a critical factor that can change the competition model of business over time and contribute to the success of an organization (OOI, 2009; Wang & Wu, 2011). Marshall et al.; 1993, 1995; Patton et al.; (2000) asserted that there is no link between capacity building and performance. There is a probability that if there is a positive link between capacity building and performance, SMEs may increase their level of capacity building. Acquisition of knowledge is important in successful running SMEs today. Training is a vital agent which leads to the development and growth of businesses and increase their capabilities and profitability ((Bamfo, Asiedu- Appiah, Oppng-Boakye. 2015). Management skills are vital to an SME owner/manager in order to plan, organize, control and direct its activities (Zarook, Rahaman & Khanam, 2013). Garcia (2005) Pansari & Temtime (2008); Fatoki & Asah, (2011) all agreed that lack of appropriate skills for owner-managers of SMEs is one of the major reasons for the failure of SMEs. Entrepreneurial education and training are vital to the success of entrepreneurship venture (Elmuti Houry & Omran, 2012).

Wen-Long Wen Guu & Chiang (2014) argued that entrepreneurs that went through entrepreneurial courses had a good chance of identifying opportunities. The courses attended by these entrepreneurs helped them in their problem-solving skills. Education also helps entrepreneurs to improve their information technology skills thereby contributing to their success (Monahan, Shah, and Mattare, 2011).

### 3.6 Constraint to Human Capacity Building of SMEs

High cost, level of education and technicalities involved hamper a large number of SMEs owners and managers to learn about bookkeeping (Chepkemos,2013). Some of the issues hindering capacity building among SMEs is the high cost of training. Another reason is that some SME owners do not see any need for capacity building (Bouazza et al., 2015). According to Nwankwo & Okorie, (2015), the following factors affect the development of the human capacity building in Nigeria: Inadequate funding, inflation, inadequate information, and political instability. SMEs face greater barriers to training and development compared with large firms. These barriers according to Susomrit & Coetzer, (2013) includes: Cost of training and development; the opportunity cost to small firms of training and development; dearth of relevant training and development programs for staff of SMEs; fear of resignation by owners of SMEs after they have trained their personnel and negative attitude of owner-managers about training and development.

A study carried out by Marlow (1998) among 28 owners, or directors of SMEs revealed that time and money was two significant constraints to training and development. While a study carried out by Matlay (1999) among 200 respondents showed three obstacles to training, time and lack of cover for trainees. Furthermore, Kitching and Blackburn (2002) used a telephone survey to get the views of 1,005 respondents about why they do not want to provide training for their staff.

The reasons the respondents adduced most were lost working time while training staff and cost of training. According to Ayodeji (2015), one of the factors inhibiting the growth of entrepreneurial development especially at SME level is inefficient educational system resulting in lack of appropriate training and leadership development for entrepreneurial capacity.

### **3.6 Areas and Strategies to Improve Capacity Building among SMEs**

Afande (2015), the areas of capacity building for SMEs include all forms of Marketing, Computer skills, Taxation, Product development, Leadership, Communication, Materials and Production, Quality Control, Accounting, Finance, Economy, Foreign Trade, Sales, Networking, and Interpersonal relations. The context of a business determines the training needs. Age, Size, Ownership, and type of activities may determine the type(s) of capacity building needed by an enterprise. According to Nwankwo & Okorie, (2015), the following measures could enhance the development of human capacity building in Nigeria: Electronic training off-the-job training, vocational entrepreneurship training, on-the-job training, Entrepreneurship education, Government policies and programs, financial institution. According to Susomrit & Coetzer, (2013), Cost benefits analysis of training needs, training products awareness, unique design and delivery, flexibility and being informal may improve the participation of SMEs in training. The major point in providing appropriate training is to identify what the main training needs are. Training should be delivered at different levels of sophistication (Adebisi & Oni, 2012).

The size of an organization has a significant influence on the capacity building activities of the organization (Afande, 2015). Managers believe that informal training is more cost-effective than formal training. According to O'Dwyer and Ryan (2000), SME Capacity Building should emphasize managerial and educational training, as both are important to the success of an enterprise.

### **3.8 Role of Government in Human Capacity Building**

Governments of developing countries have important roles to perform in capacity building of entrepreneurs in their countries ((Bamfo, Asiedu- Appiah, Oppng-Boaky. 2015). Government agencies can build the capacity of SME owners and managers through workshops, training and subsidized accounting services (Maseko et al. 2012; Afandi, Ahmed & Latif, 2013; Jayasekara & Thilakarathna, 2013). Many government institutions are involved in the capacity building of Nigeria's labor force, and this includes Centre for Management Development (CMD); National Directorate of Employment (NDE), National Poverty Eradication Program (NAPEP) et al.

The Federal Government of Nigeria established the National Enterprise Development Programme (NEDEP) in 2013. Part of NEDEP functions is to provide Entrepreneurship training and skills acquisition (Osunde, 2016). Federal Government of Nigeria has established various Agencies over the years to cater for the needs of MSMEs. These institutions include SMEDAN, NEDEP, YOUWIN. These agencies apart from providing financial assistance, loans also provide capacity building for owners and managers of SMEs (Shettima, 2017). Federal Industrial Research, Oshodi (FIRO); Nigeria Small and Medium Enterprises, Equity Investment Scheme (SMEEIS), Industrial Development Centres (IDC). SMEDAN provides training for young entrepreneurs throughout Nigeria (Buowari, 2015). National Open Apprenticeship Scheme (NOAS), National Poverty Eradication Programme (NAPEP), The Youth Employment Scheme (YES). In the early 2000s, entrepreneurship studies were brought into the curriculum of tertiary institutions as a compulsory course.

The Centre for Entrepreneurship Development (CED) was introduced with the objective of teaching and encouraging students of tertiary institutions to gain knowledge about entrepreneurship, innovation and management skills (Ugoani, John, Ibeenwo & Grace, 2015).

## **4.0 Research Method**

The sample consists of SME owners in Lagos, Nigeria. Data was generated from the questionnaire distributed to 150 respondents. The questionnaire was divided into two main sections. Section A covers the basic information about the respondents, while section B covers information relating to the study. 139 people submitted their questionnaires. The SPSS was used to analyze the data gathered. 5 points Likert- Type scale was adopted.

## 5.0 Results

Data was collected from one hundred and thirty-nine (139) entrepreneurs. The questionnaire was formulated using a Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1) to provide information on human capacity building for SMEs in Lagos.

**Table 1: Characteristics of Entrepreneurs-A**

Variable	Frequency (n=139)	Percentage (%)
<b>Type of Business</b>		
Brokerage	7	5.0
Construction & Engineering	6	4.3
Catering	6	4.3
Consulting	19	13.7
Pharmacy	2	1.4
Real Estate	2	1.4
Trading	81	58.3
Artisan	16	11.5
<b>Period of Operation</b>		
Less than 1 Year	23	16.5
1 to 5 years	39	28.1
6 to 10 years	74	53.2
16 years and above	3	2.2

The table above shows the characteristics of the entrepreneurs who participated in the survey. Majority (58.3%) of the entrepreneurs were in the trading business, 13.7% were operating consulting companies, 11.5% were artisans, 5% were brokers, 4.3% were running construction and engineering companies, another 4.3% were in the catering and hospitality business, 1.4% were pharmacies and the last 1.4% were into real estate. When asked the number of years their businesses have been in operation, majority (53.2%) stated that their businesses have been running for 6 to 10 years, 28.1% of the businesses have been running for 1 to 5 years, 16.5% have been in operation for less than a year while only 2.2% have been in operation for 16 years and above.

**Table 2: Characteristics of Entrepreneurs-B**

Variable	Frequency (n=139)	Percentage (%)
<b>No of Full-Time Employees</b>		
Less than 25	136	97.8
26 to 50	3	2.2
51 to 75	0	0
76 to 100	0	0
101 and above	0	0
<b>Gender</b>		
Male	61	43.9
Female	78	56.1

A large percentage (97.8%) of the SMEs had less than 25 full time employees; only 2.2% had 26 to 50 full time employees while none of the SMEs recorded above 50 full time employees. The gender of the population was majorly female as 56.1% were females, and 43.9% were males.

**Table 3: Characteristics of Entrepreneurs –C**

Variable	Frequency (n=139)	Percentage (%)
<b>Age Group</b>		
18 – 27 years	6	4.3
28 – 37 years	43	30.9
38 – 45 years	57	41.0
46 – 55 years	26	18.7
55 years and above	7	5.1
<b>Academic Qualification</b>		
Primary School	0	0
Secondary Education	11	7.9
College Education	41	29.5
University Education	81	58.3
Post Graduate	5	3.6
None	1	0.7

Majority of the entrepreneurs (41%) were between 38 and 45 years of age followed by 30.9% who were between 28 and 37 years; 18.7% were in the middle age group (48 – 55 years), 5.1% were 55 years and above while the list age group population (4.3%) were those between 18 and 27 years of age. Most of the SMEs (58.3%), had university qualifications, 29.5% were college graduates, 7.9% had only completed secondary education, 3.6% had post-graduate degrees while one respondent (0.7%) had no formal education.

**Table 4: Characteristics of Entrepreneurs –D**

Variable	Frequency (n=139)	Percentage (%)
<b>Duties and Responsibilities</b>		
Management & Supervising	98	70.5
Accounts & Admin	3	2.2
Sales & Marketing	30	21.6
Training	8	5.8

The respondents were asked about the duties and responsibilities they perform in their businesses. The majority (70.5%) stated that they perform mostly managerial and supervisory roles, 21.6% explained that they take charge of sales and marketing, 5.8% perform training duties, while 2.2% stated that they perform accounting and administrative roles.

**Table 5: Barriers to performance of SMEs**

S/N	VARIABLE	MEAN	SD
1	Limited managerial skills	4.60	0.71
2	Low marketing skills	4.61	0.76
3	Limited extension services	4.16	0.85
4	Difficulty in getting access to technology	4.32	0.90
5	Regulatory constraints	4.74	0.59
6	Accessibility to affordable credit	4.72	0.61

The entrepreneurs were asked about that level of agreement to the extent to which specific factors have been a barrier to their business performance. Analysis of their responses showed positive and high means for all the factors listed ranging from 4.16 to 4.74 with a standard deviation ranging from 0.59 to 0.90. Regulatory constraints (4.74), accessibility to affordable credit (4.72), low marketing skills (4.61) and limited managerial skills (4.60) recorded the highest means.

**Table 6: Managerial problems affecting operations of SMEs**

S/N	VARIABLE	MEAN	SD
1	Marketing	4.62	0.75
2	Operations	4.30	0.90
3	Financial management	4.63	0.74
4	HRM – inadequate and inefficient management of employees	4.53	0.81
5	Distribution management	4.20	0.85
6	Information technology management	4.30	0.93
7	Materials management	4.48	0.85

The entrepreneurs indicated the extent to which they agree that specific managerial problems had affected their operations as SMEs. Analysis of the result revealed positive and high means for all stated managerial problems ranging from 4.20 to 4.62 with a standard deviation ranging from 0.74 to 0.93. Financial management (4.63), marketing (4.62) and inadequate and inefficient management of employees (4.53) gave the highest means.

**Table 7: Statement on Human Capacity Building**

STATEMENT	MEAN	SD
Managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals	4.69	0.65

Majority of the entrepreneurs agreed that managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals. Analysis of their responses showed a positive mean of 4.69 in agreement to this statement and standard deviation of 0.65.

**Table 8: Human Capacity Building Needs of SMEs**

S/N	VARIABLE	MEAN	SD
1	Advanced vocational skills	4.03	0.96
2	Basic vocational skills	4.64	0.55
3	Cooperation and networking	4.65	0.52
4	Creativity and innovation	4.68	0.56
5	Customer service	4.76	0.48
6	Efficiency, profitability and time management	4.76	0.61
7	Exports and internationalization	4.32	0.98
8	Financial management	4.60	0.88
9	Foreign languages	3.12	1.57
10	Human Resources Management	4.54	0.78
11	Information technology	4.48	0.80
12	Legal knowledge	4.45	0.84
13	Management and leadership skills	4.69	0.56
14	Marketing and dissemination of information	4.68	0.58
15	Process management and process development	4.30	0.91
16	Production and materials management	4.38	0.84
17	Quality control	4.68	0.59
18	Skills related to attitude: commitment, flexibility, and responsibility	4.71	0.61
19	Taxation	4.37	0.86
20	Teamwork	4.76	0.61

To determine the presence of a positive relationship between capacity building and performance of SMEs, the entrepreneurs were asked about their agreement to human capacity building needs in respect to their organization. Analysis of their responses showed positive means ranging from 3.12 to 4.76 with a standard deviation ranging from 0.48 to 1.57. Customer service (4.76), efficiency, profitability and time management (4.76), Teamwork (4.76), and skills related to attitude (4.71) had the highest means while foreign languages (3.12) had the least mean.

**Table 9: Human capacity building approaches for SMEs**

S/N	VARIABLE	Freq (n=139)	%*
1	Formal training approaches	83	59.7
2	Informal training approaches	64	46.0
3	On-the-job training	65	46.8
4	Job-specific training	34	24.5

\* multiple choices were allowed hence frequency and percentage represents counts.

The entrepreneurs were asked the training approaches they use in their businesses in capacity building; 59.7% mentioned formal training approaches, 46% mentioned informal training approaches, 46.8% mentioned on-the-job training while 24.5% mentioned job-specific training.

**Table 10: Impact of capacity building on performance of SMEs**

S/N	VARIABLE	MEAN	SD
1	Management practices determine an increase in company profits	4.69	0.65
2	Organisations with training programmes do better	4.65	0.54
3	Training enhances business performance	4.66	0.56
4	Training leads to higher levels of sales	4.59	0.65
5	Formal training leads to higher levels of sales growth than informal training	4.39	0.86
6	Different organizations need different training approaches	4.55	0.96
7	Its assumed training and development will be more successful in the long run	4.48	0.94
8	Training facilitates a firm's expansion, existence, profitability and productivity, and competitive advantage	4.41	0.99
9	Training is a powerful agent of change facilitating and enabling a company to grow, expand and develop its capabilities thus enhancing profitability	4.44	0.96
10	Firms with training systems and strong management support for training are more successful in delivering training	4.43	0.95
11	Organisational performance can be held back through neglect of training activity	4.31	1.05
12	Government funded training investments in business have significant influence in setting proactive strategies to combat the recession, ensure increased employment opportunities, increased investments, and increased profits	4.48	0.94
13	Training is important in enhancing competitive advantage	4.50	0.86
14	Training can be considered as a useful means of coping with market competition	4.55	0.80

The agreement to certain statements concerning the impact of the capacity building on the performance of SMEs was inquired from the respondents in relation to their businesses. Analysis of the result showed positive means ranging from 4.39 to 4.69 with a standard deviation ranging from 0.54 to 1.05. The statements: "management practices determines an increase in company profits" (4.69), "Training enhances business performance" (4.66) and "Organisations with training programmes do better" (4.65) had the highest means.

## 6.0 Discussion

The entrepreneurs in this study were majorly in the trading business, and most had been in business for more than five years which shows that the population is a quite experienced one business-wise. Almost all the SMEs with the exception of three had less than 25 full time employees who are typical of small and medium scale businesses. There were more females in the population than males; this can be as a result of the constantly growing female SME population in Nigeria. In respect to age, the population was an older population with a low percentage of youths; this is in line with the experience of the SMEs which is majorly six years and above. Regarding academic qualifications, the population was majorly a formally educated one.

Most of the SME owners performed managerial and supervisory roles while some performed sales and marketing duties. This reflects the approach these SME owners adopt in managing their businesses. The entrepreneurs agreed that all the listed barriers to performance affected their businesses with regulatory constraints, accessibility to affordable credit, low marketing skills and limited managerial being major strong points. Accessibility to affordable credit is a major challenge experienced in the country as SMEs find it difficult to access facilities at single digit rates. Lack of accrual of importance to managerial skill acquisition by SME owners makes limited managerial skills a barrier; this was reflected in the agreement to specific management problems affecting their operations with financial management, marketing, and poor HR management practices being major vital areas. They most strongly agreed with the need to acquire basic skills to achieve their goals.

Major human capacity building needs of these SMEs were Customer service, efficiency, profitability and time management, Teamwork and Skills related to attitude. The SMEs acknowledged the need for formal training approaches. The impact of the capacity building on the performance of SMEs was evident in the responses of the entrepreneurs. They majorly agreed that human capacity building enhances the achievement of organizational goals and business performance.

In summary, the SME owners were well aware of the importance of human capacity building for their businesses but seemed not to practice their knowledge based on the barriers they agreed to face in their business. This could be a result of nonaccrual of importance to human capacity building or lack of capital to invest in human capital. This is a call for further research on the factors preventing SMEs from implementing human capacity building strategies in their businesses. It is recommended that SMEs owners see an acquisition of managerial skills as an important investment for their businesses. The government also needs to help create more avenues to assist SMEs to access affordable credit.

## 7.0 Conclusion and Recommendations

A human capacity building is important to the success of a business. Some SME owners know the value of the human capacity building for the development of their businesses. SME owners should identify the training needs of their firm and train their staff. The government should come up with sound educational policies that will enhance capacity building to develop SMEs. There is the need for government to integrate entrepreneurial studies into the University education. This will help to prepare young graduates to start their own business. Identification and assessment of SMEs essential needs towards capacity building and enhancement of skills. Also, Government can provide technical training and advisory assistance programs.

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