

Original Research Article

Impact of Human Capital Development on Small and Medium Scale Enterprise in Some Selected Firms in Anambra State

Abstract

This study examine the effects of human capital development in Small and Medium-Scale Enterprises (SMEs) and entrepreneurship performance and improvement in some selected SME firms in Anambra State. Descriptive survey design was used in the study. The total population of the study was 270. Findings revealed that human capital development helps in improving the performance of firms through training of employees fro greater performance of SMEs; developing efficiency of the SMEs; influencing the proactiveness of the employees; enhancing the flexibility of the employees; and improving service delivery of the employees. This study recommended that firms should develop human capital development so as to avoid stagnation of the skills of the employee. The study further recommended that firms should utilize human capital development so that it would not affect the quality of service delivery of SMEs.

Keywords: Entrepreneurship; Human Capital; Development; SMEs; service delivery

1.1 Background of the Study

In this challenging business environment, development of human capital is crucial in order to sustain the highly skilled workforce to support the move towards greater productivity (Ezeliora, Umeh & Dilinna, 2020) and higher value-added activities in Small Medium Enterprise (SMEs) (Ezeliora et al 2014; Ezeliora, Nwakobi & Aguh, 2017). Human capital development is a core element to sustain human capital inculcation of entrepreneurship culture as well as the development of strong entrepreneurial skills. Human capital development helps in training through which knowledge is transferred and has been practiced to ensure the objective of the development of the workforce of the organization (Esparza, Monroy & Granados, 2012). Given the fact that training through knowledge transfer and development of skill is the linkage of retaining and skills upgrading of human talent with the organizations especially in SMEs, this would help in the survival of these SMEs. According to Lecuona (2009), Small and Medium-sized Enterprises (SMEs) are businesses with a labor size of 11 – 100 workers or a total cost of

not more than N50 million, including working capital, but excluding the cost of land. Pavon (2010) defined SMEs as industries with a labor size of no more than 10 workers, or a total cost of no more than N1.5M, including working capital, but excluding the cost of land. Walton (2009) asserted that SMEs have always played a significant part in both the national and global economy. The role which SMEs play in developing economies, like Nigeria, is tremendous. This ranges from social, such as stimulation of indigenous entrepreneurship and technology, creation of employment, redistribution of wealth and income, to economic, such as utilization of local resources, dispersal and diversification of economic activities and mobilization of savings (Owuala, 2007, 2009). The study shows that there is a need to reveal the effect of human capital development in other to understand the impact of human capital development on micro, small and medium scale enterprise in Anambra State, Nigeria.

1.2 Objective of the Study

The main objective of the study is to examine the effect of human capital development on entrepreneurship in some selected SMEs Area of Anambra State.

The specific objectives are as follows;

- i. Human capital development helps in training of employees for greater performance of SMEs and entrepreneurship
- ii. Efficiency of the SMEs and entrepreneurship are developed mostly by human capital development
- iii. Human capital development helps to improve service delivery of the employees
- iv. The human capital development sustain the performance of SMEs and entrepreneurship firms in a challenging business environment

1.3 Research Question

The study is guided by the following questions;

- i. Can human capital development helps in training of employees for greater performance of SMEs and entrepreneurship?
- ii. Does the Efficiency of the SMEs and entrepreneurship develop by human capital development?
- iii. Can human capital development helps to improve service delivery of the employees?
- iv. Does human capital development sustain the performance of SMEs and entrepreneurship firms in a challenging business environment?
- v.

1.4 Hypothesis

The study will test the following null hypothesis;

H₀: Human capital development does not significantly helps in training of employees for greater performance of SMEs and entrepreneurship

H₀: Efficiency of the SMEs and entrepreneurship are not developed mostly by human capital development

H₀: Human capital development does not significantly helps to improve service delivery of the employees

H₀: The human capital development does not sustain the performance of SMEs and entrepreneurship firms in a challenging business environment

2 Literature Review

SMEs in Nigeria and elsewhere are recognized as one of the principal driving forces for sustainable economic development because of their role in job creation, stimulation of entrepreneurial skills, and private ownership of businesses (Katwalo & Madichie, 2008) and as such, must involve in human capital development for sustainable development of the their businesses and the economy as well. Sullivan and Sheffrin (2003) define human capital development as the development of stock of competences, knowledge and personality attributes embodied in the ability of a person in order to perform labor so as to produce economic value. Human capital development represents the investment people make in themselves, others or by their organizations that enhance their economic productivity Atkinson (2004). Human capital development is the bedrock upon which all other organizational resources rest upon. Bontis, Dragonetti, Jacobsen & Roos (2009) defined human capital development as representing the human factor in the organization - the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization especially Entrepreneurship firms in Anambra State are those that are capable of learning, changing, innovating and providing the creative thrust which, if properly motivated, can ensure the long-term survival of the Entrepreneurship firms. Human capital development involves on-the-job training; sponsorship to seminars and workshops, as well as participation in trade fairs and exhibitions for serving employees as it helps them adjust to rapidly changing job requirements and market conditions (Industrial Training Fund, 2006). Human capital theory suggests that training or skill development raises the productivity (Ezeliora, Umeh & Dilinna, 2020) of workers by imparting useful knowledge and skills, hence, raising workers' future income by

increasing their lifetime earnings (Becker, 1964). All SMEs need to be involved in human capital development so as to fortify their businesses so as to get more production (Ezeliora et al 2014; Ezeliora, Nwakobi & Aguh, 2017; Ezeliora, Umeh & Dilinna, 2020). There is a popular maxim that the human capital or resource is the greatest asset at the disposal of organizations especially in SMEs (Okpala & Chidi, 2010; Ezeliora et al 2014; Ezeliora, Nwakobi & Aguh, 2017). The workforces of SMEs, especially the small and medium enterprise firms are the stock of human capital it acquires, deploys, and retains in pursuit of profitability, market share, and customer satisfaction (Heneman III & Judge, 2006). Okpala & Chidi (2010) posited that the greatest assets of SMEs are knowledgeable and skillful workers. A study carried out by Ahmed (2012) found that training workers of SMEs (Ezeliora et al 2014; Ezeliora, Nwakobi & Aguh, 2017) gives an added advantage of withstanding the challenges of the present day businesses. The right quality of human capital development helps them in developing the talents of the worker, transfer knowledge to the novice and re-strategies in making more profit. One of the means of achieving quality staff is through continuous updating of skills through training and retraining of staff at all levels to improve their attitude, skill and knowledge (ASK) and to keep them abreast of latest developments and techniques. This has become imperative in view of the dynamic and competitive business which Entrepreneurship firms operate and to keep pace with advances in information and communication technology. Subsequently, SMEs must know how to manage and make use of the assets of human capital development to get maximum returns (Shrader & Siegal, 2007). Knowledge management (KM) has become an essential component of an Entrepreneurship firm which is beginning to change and strategize their planning so as give quality service delivery, (Ogunoh et al., 2014) make profit, (Ezeliora, Okoye & Mbabuike, 2019) and compete favourably in the business arena (Wong & Aspinwall, 2004). Many Small and Medium-scale Enterprises (SMEs) especially Entrepreneurship firms have collapsed because of inadequate knowledge and skills in running the businesses. Some of the Entrepreneurship firms believed and saw human capital development as a negative training philosophy in developing the skills of the workers and transferring of knowledge from the knowledgeable workers to the less knowledgeable workers because they believe that at the end, many of these trained workers would leave to other industries. Many owner-managers of SMEs believe that training and development of skill is not imperative. They hold the view that training/ knowledge transfer is a waste of resources and efforts as they pay lip service to training, both on and off the job (Fajana,

2005). According to McMahon & Murphy (2009), training and development of skill is often perceived as an unaffordable luxury involving not only course fees, but also the cost of unproductive labour. This is consistent with the observation of Fajana (2005) who argues that this negative belief is fuelled a glut of skilled yet unemployed people in the Nigerian labour market. Fear of poaching is also a challenge facing human capital development in SMEs. Many SMEs have the phobia that they should spend fortunes in training and educating their employees. One day, they could be poached by competitors thereby rendering their efforts and resources futile. But on the other hand, the reverse becomes the case because these SMEs that refused to imbibe the culture of human capital development are “muscled out” of the business arena when competition becomes intense. It is unfortunate that many SMEs like the Entrepreneurship firms in Anambra State are unable to pay higher salaries and incentives, greater benefits as well as bonuses to knowledgeable and skillful workers within their organizations. For this reason, the skilled and knowledgeable workers quit the job. The departure of these highly knowledgeable employees becomes a major threat to SMEs (Fajana, 2005). With a view to the above matters, SMEs have their constraint upon unique knowledge transfer challenges and dissemination of knowledge to other employees. It means that there is vagueness of the objective, the mission or the goal to be achieved. As a result of this, performances are reduced, the profits of the business depreciate, and most times, result in the collapse of the business (Dessler, 2001). It is again very understandable that know research work has been carried out on the mean objective, the researcher decided to carry out this research work by formulating the null hypothesis (H_0): Human capital development does not significantly affect the performance and improvement of SMEs with entrepreneurship in Anambra State

3.1 Research Design

In this study, descriptive survey design was used in the study. It involves a clear investigation and description of the various work of study. According to Barridan (2008), research design could be seen as a frame work or plan that is used as a guide in collecting and analyzing the data collected for research study which allows the researchers to draw conclusions between variables.

3.2 Sources of Data

Data for the study were obtained from primary and secondary sources. Primary source of data for this study was obtained through structure questionnaire and oral interview of the target staff of Millennium Industries, and besides, the interviews provided the researcher the opportunity of

seeking for more clarification from the respondent. Secondary data were obtained from the organization's websites, journals, related text books, related unpublished handouts from the school curriculum and so on.

3.3 Population of the Study

The population of this study is made up of workers of micro enterprise, small enterprise and medium enterprise in Ekwulobia zone, Nnewi zone, Awka zone and Onitsha zone all in Anambra state. Therefore, the total population of the study is 270. The researcher used the total population of the study as sample size since the population is small. Hence, no sample size determination technique was used for the study. Therefore, the sample size for the study is 270. However, out of 270 respondents used for this sampling, 259 returned their questionnaires that are complete and well filled. This outcome shows that ninety six percent (96%) completed their questionnaires and returned to the researcher.

3.4. Method of Data Analysis

The data for this research study will be analyzed using simple percentages for respondents characteristics, while mean statistics be adopted in analyzing data collected on the research questions. The use of One Way Analysis of Variance (ANOVA) with the aid of SPSS computer software was adopted in testing the hypotheses formulated for the study.

4.1 Data Analysis

Table 1: Gender

Gender	Frequency	Percentage (%)
Male	152	59
Female	107	41
Total	259	100

Source: Field Survey (2021)

Table 1 showed that only 152(59%) of the respondents were male while 107(41%) of the respondents were female. This also showed that the respondents were evenly distributed and as such, the study is gender sensitive.

Table 2: Educational Qualifications

Educational Qualifications	Frequency	Percentage (%)
FSLC	40	15.3
S.S.C.E	38	14.7
OND/HND	47	18
B.SC.	63	24
M.SC. & Above	71	28
Total	259	100

Source: Field Survey (2021)

Table 2 revealed that 40(15.3%) was with FSLC, 38(14.7%) of the respondent signifies that they were S.S.C.E qualified, while 47(18%) were OND/HND certificate holders, 63(24%) of the respondents also were B.SC certificate holders while only 71(28%) have attained M.S.C. qualifications. This showed that the majority of the respondents were educated to answer the questionnaire items.

Table 3: Respondents' Number of Years of Working Experience

Options	Frequency	Percentage (%)
1-5 years	42	16
6-10 years	82	32
11-15 years	57	22
16 years & above	78	30
Total	259	100

Source: Field Survey (2021)

Table 3 indicates that 42(16%) of the respondents are workers with 1-5 years working experience, while 82(32%) fall within the working years experience of 6-10, 57(22%) also fall within the years 11-15, while 78(30%) of the respondent have worked for 16 years and above. This reveals that the majority of the respondents have good working experience to give detailed answer to the topic of study.

Hypothesis Test (H_0): Human capital development does not significantly affect the performance and improvement of SMEs and entrepreneurship in Anambra State

Table 4: Mean Score Ratings on the how human capital development affects the performance and improvement of the SMEs and entrepreneurship in Anambra State

S/N	Items	SA	A	U	D	SD	\bar{X}	Decision
1	Human capital development helps in training of employees for greater performance of SMEs	105	137	0	14	3	4.263	Accepted
2	Human capital development develops efficiency of the SMEs	93	141	1	23	1	4.166	Accepted
3	Human capital development influences proactive of the employees	118	124	0	14	3	4.313	Accepted
4	Human capital development enhances the flexibility of the employees	96	123	2	31	7	4.042	Accepted
5	Lack of utilization of human capital development affect the performance of SMEs	111	143	0	4	1	4.386	Accepted

6	Human capital development improve service delivery of the employees	97	117	3	37	5	4.019	Accepted
7	Human capital development sustain the performance of SMEs in a challenging business environment	121	129	0	8	1	4.394	Accepted
8	Human capital development has a significant impact on the performance of SMEs	133	124	0	2	0	4.498	Accepted

Source: Field Survey (2021)

From table 4, human capital development has a significant impact on the performance of SMEs and entrepreneurship firms have the highest mean score of 4.498. Human capital development sustains the performance of SMEs in a challenging business environment with a mean score of 4.394. Lack of utilization of human capital development affects the performance of SMEs and entrepreneurship firms have a mean score of 4.386. Human capital development influences proactiveness of the employees has a mean score of 4.313. Human capital development helps in training of employees for greater performance of SMEs and entrepreneurship has a mean score of 4.263. Human capital development develops the efficiency of the SMEs and entrepreneurship has a mean score of 4.166. Human capital development enhances the flexibility of the employees and has a mean score of 4.042. Human capital development improves service delivery of the employees who have the least mean score of 4.019. The mean score outcomes show that the null hypothesis is rejected in all and the alternative hypothesis is accepted which says that human capital development has significant effect on the performance and improvement of SMEs and entrepreneurship in Anambra State.

5.1. Discussion of Findings

During the course of study, the following findings were found in this study:

- i. The number of SMEs and entrepreneurship in the state is more of male
- ii. Greater percentage of the SMEs are owned and managed by bachelor of science degree holders and above
- iii. A good number of the SMEs and entrepreneurship firms are has minimum of six (6) experience and above
- iv. It was revealed that human capital development does significantly improve the performance of SMEs and entrepreneurship firms in the study area.

- v. Human capital development helps in improving the performance of firms in the study area through training of employees for greater performance of SMEs; developing efficiency of the SMEs; influencing proactiveness of the employees; enhancing the flexibility of the employees; and improving service delivery of the employees. This was in line with Seleim, Ashour, & Bontis (2007) finding on the relationship between human capital development and SMEs performances that human capital development had a positive association on SMEs performances. These indicators such as training attended and team-work practices, tended to result in superstar performers where more productivity could be translated to organizational performances. This is geared towards making SMEs compete in the business arena. This was also supported by Dooley (2000) who found a significant positive correlation between the quality of developers and volume of market shares.
- vi. More so, this study found out that lack of utilization of human capital development can significantly affect the performance of SMEs and entrepreneurship firms. This signifies that undeveloped human capital development stagnates the skills of the employee; non-utilization of human capital development affects the quality of service delivery of SMEs; unutilization of human capital development reduces the competitive advantage of organizations; it discourages the knowledge transfer within the SMEs; and reduces the motivation of the employees. This finding was in agreement with Blundell, Dearden, Meghir, & Sianesi (2009) findings that the rate of business mortality is high due to the reasons of low capital outlay, inadequate market information, lack of appropriate technology among others which is as a result of lack of utilization of human capital development.
- vii. Human capital development can sustain the performance of SMEs and entrepreneurship firms in a challenging business environment. Human capital development can sustain performance through developing skills that will sustain the performance of SMEs; improve talents that sustain the performance of SMEs; helping in the improvement of knowledge of employees to sustain the performance of SMEs; helping to retrain its human resources for sustainable performance of SMEs; and helping SME employees attain self-fulfillment for sustainable performance. In line with this study, Seleim, Ashour & Bontis, (2007) found out that human capital enhancement paves a way for greater innovativeness and this in turn offers positive implications on SMEs performances.

viii. In addition, the study found out that human capital development has a significant impact on the performance of SMEs and entrepreneurship firms. Human capital development induces more effort in the employees; induces the right people with the right skills; induces the right strategies so as to increase profitability; enhances reward system for lifting the morale of the employees; and influences training of employee talents for the improvement of the performance of SMEs. In agreement with this study, Youndt et al (2004) admittedly found out in an empirical studies that human capital development and enhancement in SMEs tend to create a significant contribution on organizational competencies, skill development, and this in turn becomes a great boost for further enhancing innovativeness and the current literature to a large extent supports the fact that firm performance is positively impacted by the presence of human capital practices.

5.2. Conclusion

Based on the findings of this study, it could be concluded that human capital development does significantly improve the performance of SMEs in Awka South through training of employees for greater performance of SMEs; developing efficiency of the SMEs; influencing proactive of the employees; enhancing the flexibility of the employees; and improve service delivery of the employees. More so, lack of utilization of human capital development can significantly affect the performance of SMEs and Entrepreneurship firms. This signifies that human capital development stagnate the skills of the employee; non-utilization of human capital development affects the quality of service delivery of SMEs; non-utilization of human capital development reduces the competitive advantage of organizations; it discourages the knowledge transfer within the SMEs; and reduces the motivation of the employees. Finally, the outcome shows that human capital development does significantly affect the performance and improvement of SMEs and entrepreneurship in the aforementioned geopolitical location.

References

- Ahmed, B. (2012). *“Relationship between Training and Employment of Technical College Graduates in Oyo State between 1998 and 2001”*. Unpublished Ph.D Thesis. University of Ibadan.
- Ashika, T. (2001). *“Research Methodology”*. University Press, University of Nigeria, Nsukka
- Atkinson, J. (2004). “Understanding of Workplace Learning”. In Boud, D. (ed) *Understanding Learning at Work* (pp.1-11). London: Routledge.
- Barridan, B. (2008). *Research Methods in The social science* Fifth edition, Hachette U.K. St Martins’ press
- Becker, G. S. (1964). *Human capital*. New York: Columbia University Press.
- Blundell, B., Dearden, T., Meghir, C., & Sianesi, L. (2009). “Developing Human Capital in Small Firms: A Conceptual Framework for Analysing the Effects of Managers on Employee Learning. *Research and Practice in Human Resource Management*. 14(1), pp.143-179
- Bontis, N., Dragonetti, N.C., Jacobsen, K. & Roos, G. (2009). “The Knowledge Toolbox: A Review of the Tools Available to Measure and Manage Intangible Resources.” *European Management Journal*. 17(14), pp. 391-402
- Dessler, G. (2001). *Human Resource Management*, Upper Saddle River, N.J: Prentice Hall.
- Dooley, E. (2000). *Intellectual capital in the software industry: An empirical test*. PhD dissertation, College of Business Administration, University of Washington, Tacoma, WA.
- Esparza, P., Monroy., N. & Granados, F. (2012). “Managerial Effectiveness in Small Enterprises: Implications for HRD.” *Journal of European Industrial Training*. 23(1), pp.25-35
- Ezeliora C. D.; Nwakobi J. O. & Aguh S. P. (2017): Appraisal of Optimal Production Quantity in Small and Medium Scale Industry; *International Journal of Advanced Engineering Research and Technology (IJAERT)* Volume 5 Issue 1, January 2017, ISSN No.: 2348 – 8190; www.ijaert.org
- Ezeliora C. D.; Okoye P. C. & Mbabuike I. U. M. (2019). Prediction and Optimization of Production Quantities in Innoson Manufacturing Extraction Plastic Product. *Journal of*

- Engineering Research and Reports*, 6(2), 1-11. Retrieved from <http://www.journaljerr.com/index.php/JERR/article/view/16947>
- Ezeliora C. D.; Umeh M. N.; Mbeledeogu N. N. & Ezeokonkwo J. U. (2014): Improving the productivity of small and medium scale industries using linear programming model: *International Journal of Scientific & Engineering Research*, Volume 5, Issue 1, January-2014 ISSN 2229-5518; pg 2009-2025
- Ezeliora C.D.; Umeh M. N. & Dilinna A. M. (2020) Investigation and Optimization of Production Variables: A Case of Plastic Manufacturing Industry. *Journal of Engineering Research and Reports* 15(1): 1-16, 2020; Article no.JERR.56495; ISSN: 2582-2926; DOI: 10.9734/JERR/2020/v15i117134
- Fajana, S. (2005). "Managing Human Resources for Productivity in Small and Medium-Sized Enterprises". In Ojo, A.T (ed.) *Management of Small and Medium Scale Enterprises in Nigeria*. (pp.121-134). Lagos: Pumark Nig. Ltd (Educational Publishers)
- Heneman, D. III & Judge, F. (2006). *Personnel Management: Theories and Issues*. Lagos: Panaf Publishing Inc.
- Industrial Training Fund, (2006). "Human Capital Theory: Implications for Educational Development" *European Journal of Scientific Research* Vol.24 No.2, pp.157-162
- Katwalo, A.M. & Madichie, N. O. (2008). "Entrepreneurial and Cultural Dynamics: A Gender Kaleidoscope of Ugandan Microenterprise". *International Journal of Entrepreneurship and Small Business*. Vol. 5, No. 3/ 4, pp. 337-348.
- Lecuona, C. (2009). "The Role of Small Scale Enterprises in the Economic Development of Nigeria." *Management in Nigeria*, Nov-Dec., pp.30-42
- McMahon, R. & Murphy, H. (2009). "Urban vs. Rural: Human Resource Management in SMEs. *Academy of Entrepreneurship Journal*. Vol.12, N0. 2, pp.29-46
- Ogunoh A. V.; Ezeliora C. D.; Okoye P. U. & Umeh M. N. (2014): Simulation of Waiting Line System Using Single-Line Multiple-Channel Models: A Case Study of NNPC Mega Stations in Owerri and Enugu State, Nigeria: *International Journal of Scientific Engineering and Research (IJSER)* ISSN (Online): 2347-3878 Volume 2 Issue 7, July 2014 Pg 27-34
- Okpala, C. & Chidi, T. (2010). *Understanding the Small Business Sector*. London: Thomson Business Press.

- Owuala, G. (2007). "Organizational Learning and the Role of Attitude Surveys." *Human Resource Management Journal*. 8(4), pp. 51–65
- Owuala, P. (2009). "Investment in Human Capital". *American Economic Review*. 51, March, pp 1–17
- Pavon, V. (2010). *Courageous Training: Bold Actions for Business Results*. Colorado, Berrett-Koehler Publishers.
- Seleim, A.; Ashour, A. & Bontis, N. (2007). Human capital and organizational performance: A study of Egyptian software companies. *Management Decision*. 45(4), 789-801.
- Shrader, R., & Siegal D. S. (2007). Assessing the relationship between human capital and firm performance: Evidence from technology-based new ventures. *Entrepreneurship Theory and Practice*, 893-908.
- Sullivan, S. & Sheffrin, K. (2003). Sustaining enterprise competitiveness –is human capital the answer. *Human System Management*. 19(3), 193-203.
- Walton, J. (2009). *Strategic Human Resource Development*. U.K: Pearson Education Ltd.
- Wong, N. & Aspinwall, B. (2004). The relationship between human resource practices and firm performance: Examining causal order. *Personnel Psychology*, 58, 409-446.
- Youndt, M. A., Subramaniam, M., & Snell, S. A. (2004). Intellectual capital profiles: An examination of investments and returns. *Journal of Management Studies*, 41(2), 335–361.