

HUMAN CAPITAL DEVELOPMENT AND SMEs PERFORMANCE: A CONCEPTUAL REVIEW

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Abstract

This study is a conceptual paper which study human capital development and performance of SMEs. It is well supported in human capital development literature that a strong causal relationship exists between human capital and SMEs performance. Most organizations would want to employ people who will add value to their organizations in terms of productivity in order to achieve competitive advantage and attainment of organizational objectives, this can only be achieved through the application of human capital development. Human capital development consists of training, education, participation in seminars, workshops, exhibitions and work experience. From the findings, human capital is perceived to increase productivity and profitability of SMEs. Therefore, the study concluded that there is positive significant relationship between human capital development and SMEs performance. The content analysis was carried out, documentation, seminars, data base were used. The study recommends that SMEs owners/managers should invest more in human capital and pay adequate attention to human capital development by engaging their employees in trainings such as, on-the-job training, off-the-job training, acquiring educational qualification and participation in workshops, seminars, exhibitions should be encouraged among employees in order to have sound knowledge/work experience to achieve a high level of performance for the organization.

Keywords: Human Capital, Human Capital Development, SMEs Performance, Human Development

INTRODUCTION

Human capital development plays a vital role in relation to SMEs performance. This is because everything that needs to be conducted is run by the human resources in the hope to achieve optimal results according to organizational goals as collective team efforts between employees and their employers that development is an effort to improve employees' skills so that they are capable of handling various activities beyond their present capability Wehelmina Rumawas (2015). According to Sari, (2015) the position of human capital development becomes critical in an organization. The role of human capital in an organization occupies an important position as human capital can be a differentiating factor of one organization to another. Along with the development of human capital to switch its position as the capital for an organization so that it can be a competitive advantage for an organization as it is expected to improve the performance of employees of an organization. Daniel *et al.* (2019) postulated that human capital affects organizational culture, structure and impact positively on organizational sustainability and performance. Widarni and Malang, (2015) confirms that SMEs is a line of business that relies heavily on human capital, therefore in order to increase the productivity of SMEs, SMEs sector should invest in education, training, and retraining in efforts to bring new entrepreneurs. Anosa, (2021) supported this assertion and stated that human capital enables the organizations to achieve and sustain greater operational effectiveness and efficiency that will afford them greater leverage for success and performance.

The objective of this study is to examine the major relationship between human capital development and SMEs performance. In doing this, the paper is structured into five sections with the introductory part as the first section. The second section forms the literature review. The third section is discussion on methodology. The

fourth section constituted the results and discussion. The fifth section articulates the final conclusion and recommendations of the study.

LITERATURE REVIEW

Conceptualizing Human Capital Development

A firm's human capital is an important source of sustained competitive advantage, it plays a more crucial role in achieving success (Adebayo *et al.*, 2019; Emmaculate *et al.*, 2019; Anosa, 2021). Ahmed *et al.* (2021) submits that investments in the human capital of the workforce will increase employee productivity and productivity results to performance. In a related view, human capital helps individuals to develop knowledge, skills and competence increases the human capital of the organization. People are better equipped to do their jobs and this is generally of value to the organization (Adebayo *et al.*, 2019). The resource-based theory argues that firm performance is a function of how well managers build their organizations around resources that are valuable, rare, inimitable, and lack substitutes (Barney, 1991). Human capital as resources meets these criteria, hence the firm should care for and protect resources that possess these characteristics, because doing so will improve organizational performance (Adebayo *et al.*, 2019). From another school of thoughts, Anosa, (2021) mentioned that human capital expanded from the resource-based view arguments, a knowledge-based view of a firm considers knowledge as the most important resource to help a firm gain sustained competitive advantages, acquiring talent from outside increases the heterogeneity of the knowledge of a firm. This is particularly important for sustainable organizational performance.

One of the most important resources organizations rely on is human capital as it helps organizations respond to environmental changes innovatively, human capital is considered to be of vital importance as it affects the performance of SMEs (Emmaculate *et al.*, 2019). The HCD is a three-syllabus concept that would be split into two; human-capital (one phrase) and development (two phrase). The quantum or manner in which human beings can generate and use knowledge and skill toward creating intellectual capital is broadly referred to as human capital. Thus, the higher a person's ability to create more relevant intellectual capital, the higher he or she is considered as of higher human capital (Daniel *et al.*, 2019). Ugochukwu and Ikechukwu, (2018) conceptualized human capital development as systematic and continuing process of analyzing an organization's human capital needs under changing conditions and developing personnel policies to the longer-term effectiveness of the organization.

Further review of literatures also exposed other interesting definitions that present other important chunk that are silenced in the earlier ones discussed. Adebayo *et al.* (2019) for instance believe that human capital as a concept should be first viewed as "the sum of employees' competence, knowledge, skills, innovativeness, attitude, commitment, wisdom and experience". Human capital consists of the values, attitudes, and habits of the people in the organization, in addition to the leadership that motivates people to display their potential in the organization. Human capital as a component of development consisting of various ingredients such as, knowledge, talents, skills, abilities, experience, intelligence, training among others things, possessed by an individual or organization upon which every other aspect of development – social, economic, technological, etc. of any organization rests (Ifejika, 2017). Okafor *et al.* (2019) conceptualized human capital as investment made in career support, on-the-job training, off-the-job training, skills, knowledge, attitude which will improve the productivity of employee's low skills, knowledge or/and attitude.

According to Cross, (2019) human capital development includes teaching the skills and knowledge requires in new staff, upgrading the skills and knowledge of old employees, meeting the challenges of technological innovation acquiring the skills required in the competitive market and enhancing human capital resourcefulness. Daniel *et al.* (2019) emphasized that human capital consists of knowledge, skill, and experience, which can be achieved through coaching, training and development, empowerment, delegation and participation in seminar, workshops and exhibitions, this fact is in line with Egberi (2019) who observed that people possess instinctive capabilities, experience, skills and that these elements make up human capital. In a related line of thought,

Marimuthu and Ismail, (2009) admittedly posited that human capital development in organizations tend to create a significant contribution on organizational competencies and this in turn becomes a great boost for further enhancing innovativeness and firm performance which positively impacted on the firm by the presence of human capital practices.

It can be concluded from the above that HCD approach is very important in strengthening the SMEs performance. Hence this study view HCD in relation to SMEs performance as engine room for knowledge transfer, skill building, innovation and firm performance that leads to attainment of organizational objectives. Rumawas, (2018) believe that human capital development is basically an investment, investment in human capital is an expenditure aimed at improving human production capacity, through efforts to improve work, education and training as well as health. Daniel et al. (2019) reiterated that human capital development has become an increasingly critical and strategic imperative for organizations in the current business environment. Ahmed *et al.* (2021) identified the followings; training, education and working experience as human capital development indicators which according to the study are more likely to affect SMEs performance positively.

Training

This is very important in any organizational setting, it is a key to SMEs performance as it improve employee skills, increase productivity of employee and enhance organizational performance and profitability (Sirinaga *et al.*, 2020). Anosa, (2021) demonstrated that, for effective and efficient human capital development organizations must place concerted efforts in training its employees to take abreast of its changing business environment for improved job productivity in organization. Training according to Zemburuka and Dangarembizi, (2020) is a systematic process of acquiring knowledge, skills, abilities and the right attitudes and behaviors to meet the job requirements in an organization, training teach employees how to perform their jobs professionally and preparing for future responsibilities. In another study, Okafor *et al.* (2019) interpreted training as a process of inculcating knowledge and skills relevant to the executing of employees' assigned tasks. And that, training denotes the primary focus on the teaching of employees on how to accomplish their current jobs better and also assist employees to acquire the relevant knowledge and skills needed to execute their duties effectively. The study further maintains that training builds the employee's knowledge and skill such that they will be prepared to take new or greater responsibilities. To corroborate Motlokoa *et al.* (2018) sees training as the blood stream of any organization because the success of an organization to achieve its objectives and goals heavily highly depends on its human capital. For this reason, organizations should invest in employees' training in an effort to enhance their performance and that of an organization. Based on the conceptual review, the current study agreed with the position expressed by the scholars on the effect of training on SMEs performance. Training is a motivational factor which enhance employee productivity and improve organizational performance.

Education

According to Minini and Nwinee, (2021) entrepreneurial education is the key that unlocks all the forces of economic growth and development of a nation and that human capital constitutes the ultimate basis for the wealth of nations. Anosa (2021) confirmed that the "employment of academically qualified workers in a given organization is the inception of sustainable human capital development. Mahmood *et al.* (2021) in their study, also maintained that, entrepreneurship education is essential to achieve successful socioeconomic development and sustainable development. In the same view, Olusadum, (2020) expressed that education plays fundamental roles in producing human capital for the state, this explains why UNESCO insists that 26% of the annual budget of every country should be allocated to education. Hence, Idrus *et al.* (2020) asserted that education is one critical factor for the success of business unit like small and medium enterprise's (SMEs) because education is a force that drives workers to think critically and motivates them to develop business, education also guides SMEs' workers and entrepreneurs to achieve goals and visions of the business success. The success of small and medium enterprises is largely determined by the role of entrepreneur and that entrepreneurs who have a higher education, management experience has a greater expectation on business performance than

entrepreneurs who have lower education levels and lack of management experience (Suroso and Anggraeni, 2017; Silvia and Frantisek 2016; Othman *et al.*, 2016).

Based on the conceptual review, the current study is of the opinion that education exerts considerable influence on SMEs performance and that SMEs owners/managers must have holistic understanding of entrepreneurship education in order to harness the benefits of education.

Work Experience

Experience is very important to improve SMEs performance. work experience is the process development of knowledge or skills about the method of a job because of the involvement of the officer in the execution of work tasks, work experience improves employee work productivity (Ardianto, 2020). At the same time, Maftuchach and Salfadilla (2020) stated that good employee work competencies can be seen from the employee's work experience and employees who have a lot of work experience cannot doubt their abilities. In addition, Ardianto (2020) expressed that work experience in all activities is indispensable, because experience is the best teacher. The intention of it is that one learns from an experience he has ever experienced. In related view, Dash *et al.* (2017) clearly stated that, organizations often require experienced candidates in higher level positions as they believe that such candidates will be not only prove to be a 'suitable work fit,' but will also bring in with them the leadership acumen which will positively influence the behavior and performance of work teams. Peng *et al.* (2020) makes it clear that entrepreneurial work experience is essential to entrepreneurial achievements not only during the entrepreneurs' subsequent career life but also for the long-term development of the entrepreneurial enterprises. Othman *et al.* (2016) demonstrated that experience of entrepreneurs before they start a business have positive effect on firm performance. Egberi (2019) repute that in today's knowledge-based economy, SMEs performance and competitive advantages are attained more from experience and skills possessed by the workforce.

Based on the views of (Maftuchach & Salfadilla 2020; Peng *et al.*, 2020; Egberi, 2019; Othman *et al.*, 2016), this study stresses the significance of work experience as the key to SMEs performance, work experience increases the chances of individual of employment opportunity in the labor market, a well-skilled and experienced workforce could boost SMEs performance.

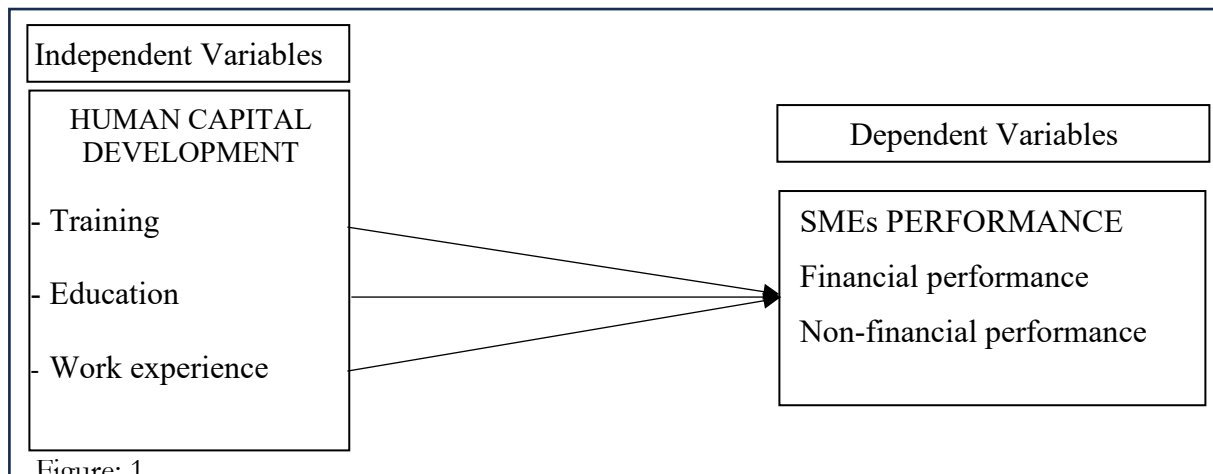
Human Development

Human development as a concept is the process of acquiring and increasing the number of persons who have the skill, education and experience which are critical for the economic and political development of a country, it is thus associated with investment in man and his development as a creative and productive resource (Ogunniyi, 2018). Olusadum (2020) in his submission defined development as a change that occurs in an area whose effect should be to improve the standard of living for the citizens. Development has also been construed as "the process concerned with people's capacity in a defined and over a period to manage and involve positive change, and reduce or eliminate unwanted change, the study also mentioned that development focuses on building the knowledge and skill of organizational members so that they will be prepared to take on new responsibilities and challenges. Other definitions given by Lind (2019) described human development as enlarging people's choices to ensure they are able to lead a long and healthy life, have access to resources for a 'decent standard of living', and have the means for cultural enrichment. Okowa and Vincent, (2019) in their study argued that education is a major platform for human development by equipping individuals with requisite skills and knowledge that will help increase their efficiency and worth, human development is the totality of human potentials (knowledge, skills, attitude, energy and technology), inherent within a nation's human capital stock. In a related line of thought, ifejika, (2017) hold that, education is important in human development, it serve as a supplier of the trained manpower and it is a prerequisite for the accomplishment of other developmental goals. Human development according to the United Nation (UN) as cited in Ekperiware *et al.* (2017) is measured by life expectancy (health), adult literacy (education) and average income. In a broad sense, human capital can be seen as individuals' well-being in terms of health, social, knowledge (education) economic

and political freedom. According to Daniel *et al.* (2019) human development is the process used to build the capacity of the employees to achieve and sustain goals and desires to the benefit of the employee, firm, community and the world.

In view of this, the current study conceptualized human development as a process of enlarging people's freedoms and opportunities as well as improving their well-being which requires the evaluation of nations and organization's current environment – external and internal by aiding people, teams, and organization to identify and develop strategies that improve performance.

Research Paradigm



Figure; 1

Source: adopted from Daniel et al. (2019)

The conceptual framework illustrates the relationship between the independent variables and dependent variables. Independent variable is human capital development (HCD) with its dimensions (Training, Education and Work experience). Dependent variable is SMEs performance with its measurements (Financial Performance Measurement and non-Financial Performance Measurement). The basis for this framework depends on the conceptualization which seek to investigate the influence of human capital development on small and medium enterprises performance. It's hypothesized that human capital has positive influence on small and medium enterprises performance. The conceptual framework also indicates that there is relationship between human capital development and small and medium enterprises performance.

Human Capital Development and SMEs Performance

The human capital development and organizational performance is discussed from the individual and organizational perspectives as these two forms the essential components of human capital (Marimuthu *et al.*, 2009). According to Khayinga and Muathe, (2018) success of every organization depends on human capital and organizations must have the capacity to develop talent, deploy it and continuously attract it depends on human capital management to be competitive and have an advantage over other firms as human capital is the key pillar for any organization to succeed.

In Nigeria about 96% of business enterprise are SMEs with little contribution to employment generation and poverty reduction (National Bureau of Statistics, 2015; SMEDAN, 2017). Evidence abounds that the performance of SMEs in Nigeria is not as the performance of SMEs in other developing countries such as South Africa, Ghana, and Malaysia (Du and Banwo 2015). The low level of SMEs performance in Nigeria has negative effect on the GDP, growth rate, unemployment rate, and Nigeria's ranking on the world competitiveness index. Hence, the contribution of SMEs in Nigeria remains a significant issue. Authors like (Duru *et al.* 2018; Adebayo et al. 2019; SMEDAN 2017) established that major obstacles threatening the performance of SMEs in Nigeria are obsolete technology, multiple taxations, access to the market, poor support

(business development services), inconsistency in government policies, poor infrastructure and access to finance and poor attention to human capital. This current study impinged on human capital development as a major constraint to the performance of SMEs in Nigeria.

Human capital focuses on two main components which is individuals and organizations (Ali, 2020). Kale (2019) said MSMEs are the bedrock of Nigeria's industrialization and inclusive economic development, and the most important component of industrialization as set out in the economic recovery and growth plan is human capital. An Enterprises are classified as micro, small and medium, macro and defined as any legal entity possessing the right to economic activity and to conduct business on its own (Suroso and Anggraeni 2017; Edoko *et al.*, 2018). A survey by Widarni and Malang (2015) established that SMEs types are lines of business that relied heavily on human capital. Qamariah and Muchtar (2019) demonstrated that human capital directly and indirectly affects SMEs performance. Human capital has been exhibited to be central in SMEs' internationalization and performance, its often referred to as an intangible resource that is closely tied to savvy and play a part in SMEs performance.

Furthermore, Ojokuku and Sajuyigbe (2015) posits that in the knowledge economy, firm performance and competitive advantage are derived more from what a firm knows and the human capital that permits the firm to use what it knows. Thus, human capital has been identified as one of the most critical agents of SMEs performance, while human capital development has been recognized as one of the most vital tools for improving SMEs performance.

Cross (2019) studied the effect of human capital development on SMEs performance. The study had a population size of 152, it revealed that there was significant direct relationship between human capital development and SMEs performance. The study recommends that SMEs owners/manager should ensure proper identification, determination and assessment of human capital needs in the organization.

Adebayo *et al.* (2019) examined the impact of human capital development on the performance of SMEs in South West Nigeria. Findings from the study showed that there is a significant relationship between human capital and profitability of SMEs. It showed a strong positive impact on SMEs performance. The study found that building on human capital by SMEs owners/managers will improve the firms' profitability and increase the sales revenue of the firm.

Simic *et al.* (2020), in their study investigated the relationships between human capital and SME performance, introducing into the analysis the mediating effect of entrepreneurial leadership in the specific context of a traditional economy. The study established that human capital has an indirect impact on SMEs performance through the mediating effect of entrepreneurial leadership.

Ojokuku and Sajuyigbe (2015) study offers a field insight into the relationship between human capital development and SMEs' performance in Ibadan, South-Western Nigeria. The study showed that human capital development variables have significant effect on SMEs performance, it revealed that SME's performance can be improve upon with the promotion of on-the-job training. formal education, participation in seminars. The study concluded that SME owners/managers should actively promote participation in seminars, trade fairs, workshops and exhibitions in order to acquire current knowledge that will positively impact on the performance of the SMEs and enhance their capacity for growth and survival.

Ebrahimi *et al.* (2018) in a bid to establish the relationship between entrepreneurship and SMEs performance through innovation and firm size. The study showed that there is a direct and significant relationship between entrepreneurship, innovation and SMEs quality performance. It was revealed that each dimension of entrepreneurship has a significant relationship with SMEs innovation and SMEs quality performance. It was mentioned that SMEs innovation directly enhances their SMEs quality performance.

Nura *et al.* (2019) studied the role of an entrepreneur's social network and human capital on small and medium enterprises (SMEs) performance in Kano state, North-Western Nigeria. This study tries to find out if human capital moderates the relationship between social network and the SMEs performance in Nigeria. The results indicated that an entrepreneurial social network and human capital have significant positive effects on SMEs performance, human capital moderates the relationship between the entrepreneur's orientation and the performance of SMEs. The result implied that social network and human capital are essential drivers for SMEs performance.

SMEs Performance

Performance is the quality and quantity of work achieved by an employee in carrying out his duties in accordance with the responsibilities given to him (Muhtadi *et al.*, 2021). Performance according to Murali (2018) is a multi-dimensional construct, because it can be subjective, depending on the objectives as well as specific aspects, being evaluated. This according to the author means that there is no single approach that can be determined as being the best approach to measuring performance. Notwithstanding, Zaato *et al.* (2020) referred SMEs performance as the ability to arrive at desired results and activities that are generally accepted by the firm. This acceptable measure of performance can either be by subjective (financial) and or objective (non-financial) measures or both. In the same vein, Cicea *et al.* (2019) mentioned that SMEs' performance can be understood from a quantitative perspective: efficiency, financial results, level of production, number of customers, market share, profitability, productivity, dynamics of revenues, costs and liquidity, etc. and also from a qualitative perspective: goals achievement, leadership style, employee behavior, customer satisfaction, product and process innovation, organizational and marketing innovation. Kiyabo and Isaga (2020) said SMEs' performance connotes the outcomes of firms' business activities. Furthermore, Muhtadi *et al.* (2021) stated that in general, performance is divided into two, individual performance and organizational performance.

SME performance is a company's potential to adapt to the business environment, along with changes in the market environment that consist of customers, competitors and other power forces that can change the way business work (Qamariah and Muchtar, 2019). Nura *et al.* (2019) explained that, SMEs' performance is the ability of a firm to realize its targeted goals. According to Yudha (2019) SME performance can be improved if the business actors have human capital potentials. This is supported by the assertion of Hoque *et al.* (2018) that human capital is one of the important resources that influence SME's performance, the study explained further to say, it can be seen as an explicit way by which SMEs relate to opportunities that are available in the environment. Olufemi (2018) also reiterated that "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 capital and quality of life enjoyed by the citizenry".

Similarly, Mohammed *et al.* (2018) referred to SMEs performance as the measurement of financial ability of the SMEs in relation to factors such as the level of investment, profit level with both growths in sales and profit. The study reiterated that performance of SMEs can be seen as an entrepreneurial ability to evaluate business opportunities so as to take advantage of gaining some financial benefits for the amount of business resources committed.

Based on the conceptual review, this study aligned with the position expressed by the scholars on what SMEs performance meant in the very context it is used. This current study agrees with the scholar's definition of SMEs performance, it captures all factors that geared toward attainment of targeted goals (objectives) which SMEs leverage on to strive for survivability and sustainability.

Human Capital Theory

Schultz (1961) laid the ground for this theory which was later advanced by Becker, a Nobel prize winner in economics, in 1964 in his work on the economics of employer-provided training. The theory posits that the

education or training of workers increase their productivity and income level as it raises their skills level and knowledge. In Becker (1967) train of thought, human capital bears similarities with the traditional factors of production like property, plant and equipment. As such funds can be invested in the development of human capital through training, education, provision of quality health care, and the level of total output, like the tangible investment in capital, varies partially with the rate of return on human capital owned. In this sense, human capital can be classified as a factor of production for which continuous investment results in increasing level of output. According to the human capital theory, development of employees is best achieved through educating the human capital as well as enhancing their welfare. According to the theory, the development initiatives can include education, training, and improvement of benefits such as medical care (Murali, 2018). According to Daniel *et al.* (2019) the fundamental claim of human capital principle is the added value that people bring to an organization, human capital is now an asset to any organization. The human capital theory is therefore primarily positioned on the resource-based view (RBV) model.

Resources Based View Theory

The resource-based view theory was introduced by Edith Penrose in 1959 to the believe that organizations should be examined based on resources available at its disposal to achieve its set objectives. Resource based theory (RBT) have been used by scholars interchangeably in literature (Gao *et al.*, 2018). RBV envisioned an organization or community not only as an administrative unit but also as a collection of resources – both physical and human (land, labor and capital resources) that can be used as competitive advantage to improve economic growth of such enterprises (Kor *et al.* 2016; Chandrashekar and Subrahmanya, 2017). The theory states that the organizational resources and capabilities that are rare, valuable, non-substitutable, and imperfectly imitable form the basis for a firm's sustained competitive advantage. RBV suggests that the firm can secure a sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationship; are embedded in a firm's history and culture, and generate tacit organizational knowledge (Odiong, *et al.*, 2013). In light of the above, the theory recognizes human capital as the most valuable, non-substitutable and imperfectly imitable resource that a firm can successfully utilize to achieve organizational productivity and competitiveness. Resource-based theory is linked to human capital theory in that they both emphasize that investment in people adds to their value to the firm, (Baron and Armstrong, 2007).

In view of this, the theory emphasizes that organization can create and sustain high growth rate through the gathering of resources that are valuable, rare, inimitable and non-interchangeably (Jang, 2016; Hitt *et al.*, 2016; Bittencourt *et al.*, 2019). In addition, the resource-based theory (RBT) attributed the survival and performance of any enterprise to the resource possess by the enterprise and the capabilities of the enterprise to utilize the resource to maximize output in the actualization of the enterprise vision and mission. This view holds that no enterprise can survive without resource but the capabilities to turn the resource to competitive advantage are much more strategic than the mere acquisition and possession of resource. RBV helps managers of firms to understand why competences can be perceived as a firms' most important asset and, at the same time, to appreciate how those assets can be used to improve business performance.

METHODOLOGY

The study used a critical review of studies that link human capital development and SMEs performance. Qualitative methodology was adopted in reviewing concepts of human capital development and performance of SMEs in terms of how human capital development shape the performance of SMEs. In order to achieve the study objective, the study adopted the conceptual and theoretical approach in reviewing existing studies on the subject matter. The reviewing process includes the following steps; (i) conceptualizing human capital development. (ii) human capital indicators (iii) human development (iv) conceptual framework (v) human capital and SMEs performance (vi) SMEs performance (x) human capital theory (xi) resource-based view theory. A total 68 of articles was reviewed.

RESULT AND DISCUSSION

The result revealed that there is a positive significant relationship between human capital development and performances of SMEs in Nigeria. The current finding corroborates with the earlier study of Simic *et al.* (2020) who established that human capital has direct influence on SMEs performance. A similar study by Adebayo *et al.* (2019) examined the influence of human capital development on the performance of SMEs in South-West, Nigeria and it shows that there is a positive significant relationship between human capital and profitability of SMEs.

CONCLUSION AND RECOMMENDATIONS

This study explored current literature on human capital development and small and medium enterprises performance. From the findings, the study concluded that human capital is perceived to increase productivity and profitability, the more investment a firm makes on its employees the chances of its productivity and success become higher. This shows there is positive significant relationship between human capital development and small and medium enterprises performance. The conceptualization of human capital development is indeed an important factor that is required for sustainability and performance of small and medium enterprises in Nigeria, human capital serves as an avenue for the wealth creation of a nation due to its influence on the overall production of the country. However, in this study three aspects of human capital development have been taken into account; training, education and work experience. It is expected that an entrepreneur that has full range of human capital aspects of having received effective training, having a good education qualification, and having completed work experience is expected to achieve a high level of performance for the enterprises. But if they have only one part of the human capital aspect, when examined the performance aspect separately will result in insignificant on small and medium enterprises performance.

Based on the content analysis, the followings were recommended; small and medium enterprises owners/managers should invest more in human capital and pay adequate attention to human capital development by engaging their employees in trainings such as, on-the- job training, off-the-job training, acquiring educational qualification and participation in workshops, participation in seminars should be encourage among employees in order to have a sound work experience to achieve a high level of performance for the organization.

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