

## Impacts of Human Resource Practices on Performance of Small and Medium Scale Enterprises in Kwara State

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### Abstract

Small and Medium Scale Enterprises are pivotal instrument of economic growth and development, thus occupies a place of pride in any economy. Despite the recognition of HRM as a critical factor in the success of both small and large businesses, most of the researches in existing literature have concentrated mainly on large businesses. This study examined the impact of HRM practices on the performance of in SMEs in Kwara State. Primary data was collected using a structured questionnaire which was administered to 195 SMEs registered with National Association of Small and Medium Enterprises (NASMEs) in Kwara Central Senatorial District. Hypotheses were tested using Multiple Regression analysis and Pearson Product Moment Correlation Coefficients. Findings revealed that overall; HRM practices have significant impact on the performance of SMEs in Kwara State. This was indicated by the result of the multiple regression analysis which showed an overall p-value of 0.000 and  $R^2$  of 0.615. Reward was found to have positive significant relationship ( $\beta=0.46$ ;  $t = 11.01$ ;  $p < 0.05$ ). Similarly, owner/manager communication style has a positive relationship ( $\beta=0.30$ ;  $t = 7.05$ ;  $p < 0.05$ ). Recruitment and selection ( $\beta= 0.32$ ;  $t = 7.44$ ;  $p < 0.05$ ) as well as training and development ( $\beta= 0.47$ ;  $t = 4.66$ ;  $p < 0.05$ ) was significant but very low. The study concluded that SMEs in Kwara State, Nigeria adopt HRM practices to a large extent. It was recommended that SMEs should pay more attention to the HRM practices identified in this study with a view to improving their implementation.

**Keywords:** Human Resource, Management, Organisation, Performance, SMEs.

### Introduction

Effective and efficient production of goods and services has continued to be one of the most viable and reliable options for development, growth and survival of any economy and small and medium scale enterprise have been recognized as a driver, engine and panacea of economic growth and development and in fact a major factor by extension in promoting the realization of placing Nigeria as one of the top 20 economies by the year. In every economy, SMEs has been seen as a pivotal instrument of economic growth and development either in developed or developing economies (Rabiun, 2016). This is why SMEs occupy place of pride in virtually every country or state. SMEs are seen to represent an engine of growth and

catalyst of socio-economic transformation in any country as they represent a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous technology (Brimah, Olanipekun & Brimah, 2018). SMEs play significant roles in economic development as they have the ability to stimulate entrepreneurship and create employment for the teeming masses. They also have the flexibility to respond quickly to fluctuating demands of the market due to their size and innovativeness. Aremu (2010) posit that Small-Scale Enterprises provide income, savings, and employment generation. They are seen as veritable engines for the development of entrepreneurial

capabilities and indigenous technology which will generate employment in the country. SMEs promote industrial development through the utilization of local resources, production of intermediate goods, and contribute immensely to the gross domestic products (GDPs) of many countries (Udechukwu, 2003; Asaolu, Oladoyin, and Oladele, 2012). Thus, such enterprises as SMEs require HRM to gain competitive advantage in today's rapidly changing competitive business environment.

Olesin (2014) opined that the Kwara State government after realizing the pivotal role that SMEs plays in the economy have made several efforts to accelerate them to become major players in the economy. One of such efforts is the flagging off of a N250million micro credit intervention scheme for Small and Medium Scale Enterprises (SMEs) designed to strengthen the capacity of cooperative societies to contribute to boost economic activity in the state. The intervention scheme was part of government's effort to create shared prosperity through the economic empowerment of small business owners and artisan in the state. The ₦250 million was the first tranche of a N500 million fund designed to boost entrepreneurship and enhance the economic well-being of people of the state. Furthermore, the government has created an agency for the management of the SMEs sub sector known as Kwara State Agency for Micro, Small and Medium scale enterprises. The new agency was saddled with the responsibility of managing the N2billion loan the state plan to access from the Central Bank as well as the existing N750m loan scheme for SMEs in the state. Similarly, the office of the technical adviser to the executive governor has also been created to assist in advising the government.

The present business environment is changing rapidly due to phenomena such as globalization, rapid environmental change, changing customer and investor demands, and competition to provide innovative products and services. To compete successfully in the environment, firms need to constantly improve their competitiveness by reducing costs, enhancing quality, and differentiating their products and services. The key to sustaining enviable competitiveness is the productivity of the workers. People are the most valuable resource of firms. Apart from the people, all the assets of an organization are

passive resources which require human application to generate value (Fitz-enz, 2000).

Thus, having the right human resources (personnel) at the right place and at the right time is of utmost importance to the survival and success of any firm. Pfeiffer (1994) argued that human capital has long been held to be a critical resource in most firms. Companies are now trying to add value with their human resources and human resource (HR) department has been set up in order to manage their human capital, whereas organization in last decade, managed their human capital through personnel department which is only a small division of the company.

### **Statements of the problem**

Overcoming the deficiencies associated with SMEs failure has required firm to embrace and develop the value of their human resources practices in order to be more competitive. This question has been achieved in the developed and emerging economy, such as American, Japan, and Taiwan, where SMEs are well-known in engaging the services of strategic human resource management regularly (Huang, 1999), to achieve various performance measures. Besides, in SMEs which is the key driver of economic growth and development, there is dearth in literature as to how HRM influences their performance. Ojokuku (2012) also opine that despite the recognition of HRM as a critical factor in the success of both small and large businesses, most of the research in existing literature have concentrated mainly on large businesses. Research on HRM and SMEs is still evolving and very much fragmented leaving a wide gap to be filled in terms of empirical research on the interface between HRM practices and small businesses. Against the backdrop of the increasing realization of the vital contribution of HRM practices to business success, this study attempts to fill this gap examining the impact of HRM practices on smallscale business performance in Kwara State, Nigeria.

### **Objectives of the study**

- i. to examine the relationship between adoption of HRM practices and performance of SMEs in Kwara State;

- ii. to evaluate the effect of selected HRM practices on SMEs performance in Kwara State

### **Research hypotheses**

H<sub>01</sub>: There is no significant relationship between adoption of HRM practices and performance of SMEs in Kwara State

H<sub>02</sub>: HRM practices do not have a significant effect on the performance of SMEs in Kwara State.

## **Literature review**

### **a. Conceptual Clarifications**

#### **Definitions of Small and Medium Scale Enterprise (SMEs)**

The definition of SMES is amorphous as it varies from country to country and even within the same country, it may vary from sector to sector depending on the purpose for which the definition is sort (Onyeiwu 2012). Ayaggari (2003) contends that the definition of SMEs varies according to context, author and countries. The conceptualization of the concept of SMEs depends to a large extent on a country's level of development (Nnana 2002) and this makes it difficult to have a universal definition of what an SMEs is. It is however quick to note that there are some common indexes of the definition such as number of employees, value of assets and turnover. Kozak (2007) argues that the best way to describes explain SMEs is that they are companies with metric usually number of employees or annual turnover that falls below certain threshold. It is these indicators, numbers of employees and /or rate of turnover that tends to define the context within which different countries and economies situate their understanding of small and medium scale enterprises. This is to say that even though SMEs is definable with much or less the same indicator (numbers of employees, rate of turnover etc) the indicators are not the same in all countries all the time. In other words, the number of employee and total amount of turnover for defining SMEs in different countries are certainly not the same.

For example, Dalberg (2009) opined that Egypt consider SMEs as having more than five and fewer than fifty employees, Vietnam considers SMEs to have between 10 and 300 employees. World Bank considers SMEs for

those businesses with maximum employees of 300, \$15million in annual revenue and \$15 million in assets. Furthermore, in Britain, it is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid employees. This shows that there is no generally acceptable definition of small business because the classification of business into large scale, medium scale or small scale is a subjective and qualitative judgment. On this note, it becomes imperative for us to examine some of these definitions of SMEs.

Central Bank of Nigeria (2001) defined it as those enterprises whose total cost including working capital is between N10million and N100million and/or a workforce between eleven and seventy full time and/or with a turnover of not more than N10million in a fiscal year. Kanyanula and Quartey (2000) quoted United Nations Industrial Development Organisation (UNIDO) definition as follows "Small firms with less than 99 workers, and medium firms with 100-499 workers". For developing countries, the organization defines it as small firms with 519 workers, and a medium firm with 520-599 workers. The above shows clearly that there is no clear-cut definition of SMEs as the various definitions are centered on one or a combination of criteria such as the number of employees, sales turnover, capital outlay, asset base etc. One would quite agree that indeed definitions of SMES varies from country to country and even in the same country, it varies from sector to sector as different institutions may adopt different definitions depending on the policy focus. It is also quick to note that these definitions change overtime.

### **Human resource management practices**

Human Resource Management (HRM) can also be defined as a process of procuring, developing, maintaining competent human resource in the organization so that goals of an organization are achieved in an effective and efficient manner. In short, it is an art of managing people at work in such a manner that the give their best to the organization for achieving its set goals (Khanka, 2003).

The question of how HRM impacts on organisational performance has ignited three perspectives. The universalistic perspective (Boxall and Purcell, 2008) projects a bundle of high performance "best practices" that should be

adopted by organisations to yield organisational performance. This implies that business strategies and HRM policies are mutually independent in determining organisational performance (Katou and Budwar, 2007). The contingency perspective proposes that in order to be effective, an organization's HR policies must be consistent with other aspects of the organisation. Rather than adopting best practices, a fit must exist between HRM and business strategy (Dany, Guedri, & Hatt, 2008) and this is also described as "vertical fit". Boxall and Purcell (2008) argue that both perspectives; best practice and best fit might be right in each in their own way. However, the actual design of HR practice depends to some extent on the unique organisational context. The third which takes the contingency perspective a step further is the configurational perspective (Ulrich and Brockbank, 2005). This has a holistic approach that emphasises the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of organizational performance. Configuration has been defined by Huselid, Jackson and Schuler (1997) as the structures, processes, relationships and boundaries through which an organisation operates. All perspectives are relevant in exploring the linkage between HRM and performance. In this research, emphasis was placed on only four human resource practices namely Recruitment and Selection, Training and Development, Reward and Compensation, Owner/ Manager Communication Style because of the pivotal relationship they have with small and medium scale enterprises.

### **Recruitment and selection**

Recruitment is the process of creating a large pool of applicants that are willing and able to work for the organization while selection is a process by which potential employees recruited from various sources are examined and separated into classes- those to be employed and those not to be accepted. Essentially, it consists of a procedure for identifying and eliminating those who are unsuitable candidates for the available jobs (ISMN, 2014). the Recruitment which is the process of generating a pool of capable people to apply for employment to an organisation and selection which is the process by which managers and others use specific

instruments to choose from a pool of applicants a person or persons more likely to succeed in the job(s) given management goals and legal requirements (Bratton & Gold, 2007). Recruitment and selection can play a pivotal role in shaping an organisation's effectiveness and performance, if organisations are able to acquire workers who already possess relevant knowledge, skills and aptitudes and are also able to make an accurate prediction regarding their future abilities. Performance improvement is not only a result of well-functioning system but also depends on effective human resource strategies that succeed in recruiting and maintaining a committed and motivated workforce (Al-Ahmadi, 2009).

### **Training and development**

Training has been defined as the planned and systematic modification of behaviour through learning events, programmes and instruction which enable individuals to achieve the level of knowledge, skills and competence to carry out their work effectively while development can be defined as the growth or realization of a person's ability and potential through the provision of learning and educational experiences. Training generally focuses on providing immediate knowledge, skills and attitudes required by the individual to carry out his/her job. Development focuses on the future – assisting the individual to grow on the job and prepare him/her for a career and increased responsibility (Armstrong, 2010).

According Cole (2002), in his book personnel and human resources management, training is a learning activity directed towards the acquisition of specific knowledge and skills for the purpose of an occupation or task. The focus of training is the job or task for example, the need to have efficiency and safety in the operation of particular machines or equipment, or the need for an effective sales force to mention but a few.

Nwachukwu (2007) described training as consisting of planned programs designed to improve performance at individual, group and or organizational levels. Therefore, improved performance on the part of employee is a function of improvement in knowledge, skill, and attitude and of social behaviour. Iboma (2008) says the objective of training is to achieve a change in the behaviour of those trained. It plays a large part in determining efficiency of the establishment. It is one of the

most vital contributions to the future and long-term growth development and survival of such enterprise.

### **Communication**

There are a lot of definition of communication from different people and different culture. According to Kotler (2006), communication is the means by which firms attempt to inform, persuade and remind consumers – directly or indirectly – about the products and brands that they sell. Gronroos (2004) explain communication as “the process of creating, transmitting and interpreting ideas, facts, opinions and feelings. Communication is the transmission of meaning from one person to another, either verbally or non-verbally (Barrett, 2006). Ojomo (2004) defined communication as the process of sharing ideas, feelings, thoughts and messages with others. Rothwell (2001) sees communication as a transactional process of sharing meaning with others.

Whether an organisation is large, small or virtual sharing information among its parts and with the outside world is the glue that binds the organisation together. In organizations, people communicate with each other in different ways. Messages may move downward and upward between hierarchical levels or horizontally among employees at equivalent level (Dwyer, 2005) Effective workplace communication is based on interpersonal, professional relationships that are developed through a keen awareness of courtesy, attentive listening; active participation and situation appropriate body language” (Richason, 2012). According to Alyssa (2006), the ability to communicate, and communicate well is one of the biggest factors in business success.

### **Compensation and rewards**

Compensation processes are based on compensation philosophies and strategies contained in the form of policies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation. This constitutes measuring job values, designing and maintaining pay structure, paying for performance, competence and skill and providing employee benefit. However, compensation management is not just about money, it is also concerned with

that non-financial compensation which provides intrinsic or extrinsic motivation (Bob, 2011). Compensation has a motivational effect and therefore implies that having a compensation structure in which the employees who perform better are paid more than the average performing employees is vital to enhancing organisational performance (Hewitt, 2009). The growing recognition and consensus that compensation promotes productivity is consistent with the early work of Peter Drucker (1956) that states “happy workers are productive workers.”

Establishing and implementing a reward system needs careful analysis of the company policies and procedures. Deciding how to recognize employee’s efforts and what to provide them requires thorough analysis of responsibilities and risks involved in a particular job. Reward system of an organization should also be in alignment with its goals, mission and vision. Reward management is one of the central pillars of human resource management. Reward refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. Bratton (1999). The three principal objectives of reward management are to attract and retain suitable employees, maintain or improve levels of employee performance and comply with employment legislation and regulations.

### **SMEs performance**

Researchers have different opinions of what performance is. SMEs performance just like Organizational performance continues to be a contentious issue in the management research circles. Javier (2002) equates performance to the famous 3Es; economy, efficiency and effectiveness of a certain programme of activity. According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes; financial performance, profits, return on assets, return on investment, etc), product market performance (sales, market share, etc), and shareholder return (total shareholder return, economic value added, etc.). Organizational performance is the organization’s ability to attain its goals by using resources in an effective and efficient manner Daft (2000). We can put organizational performance as the actual output or results of an organization as measured against its intended outputs, that is; goals and objectives.

Organizational performance is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share. The concept of organizational performance is core to businesses because the major objective of businesses is to make profits. Iravo, Ongori and Munene (2013) state that one of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the drivers of organizational performance. Fwaya (2006) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee' morale and effectiveness. Nzuve and Nyaega (2012) opined that Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance.

## **b. Theoretical Review - Resource Based View Theory**

The fundamentals of the Resource-Based View (RBV) of the firm can be found in the work of Penrose (1959) on the "*Theory of the Growth of the Firm*", which conceived the firm as an administrative organization and a collection of productive resources, both physical and human. Both material resources and human resources can provide the firm a variety of usefulness. Thus, the resource-based theory of the firm combines concepts from organizational economics and strategic management (Barney, 1991). It addresses the resources and capabilities of the firm as critical determinants for organizational performance. Johnson, Scholes and Whittington, (2008) opined that the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities. Thus, the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Wernerfelt, 1984; Rumelt, 1984; Penrose, 1959; Wernerfelt, 1995).

RBV is generally accepted as a background for understanding the relationship between strategic Human resource management and organizational performance (Lado & Wilson, 1994; Wright & Mc Mahan & McWilliams, 2004). Three types of resources associated with

organization (Jackson and Schuler, 2005) are (a) physical resources (plant; technology and equipment) (b) human resources (employees experience and knowledge), and (c) organizational resources (structures, system for planning, monitoring, and controlling activities; social relations within and between organization and external contingencies). Kanoche (2006) refers human resources as the accumulated stock of knowledge, skills, and abilities that individual possess, which the firm has built up overtime into an identifiable expertise. Wright, Dunford, and Snell (2001), discussed at length the impact of the resource-based theory on SHRM theory and practice. A fundamental assumption of this view is that organizations can be successful if they gain and maintain competitive advantage (Porter, 2005). The resource-based theory of the firm is based on the notion that a firms HRM system can constitute one source of competitive advantage (Lado and Wilson, 2004; Pfeiffer, 2004; Barney 1991). A resource can be considered to be a source of sustained competitive advantage if it meets the criteria of value, rarity, non-substitutability, and inimitability (Barney, 1991, 1995; Wright and McMahan. 2002).

## **c. Empirical review**

The empirical review is based on observed and measured phenomenon and derives knowledge from actual experience rather than from theory or belief. Thus, the empirical framework of this study is based on the outcome of other researchers.

More recent empirical study on HRM practices (Lee & Lee, 2007) uncovered six underlying HRM practices on business performance, namely training and development, teamwork, compensation/incentives, HR planning, performance appraisal, and employee security help improve firms' business performance including employee's productivity, product quality and firm's flexibility. This study reveals that three items of HRM practices influence business performance: training and development, compensation/incentives, and HR planning. Delery and Doty (1996) examined the effect of SHRM on firm financial performance using universalistic, contingency, and configurational performance perspectives in 1,050 banks. The results showed that each of the perspectives was viable and led to different

assumptions about the relationships among HR practices, strategy, and organizational performance. Also, the findings revealed that in each perspective there was a strong relationship between SHR practices and measures of financial performance.

Similarly, on the relationship between SHRM and firm performance within the context of a developing country, Tessemer and Soeters (2006) conducted a research in Eritrea, Africa's youngest and poorest country. The study revealed that successful implementation of HR practices could enhance performance of individual and civil service organization of Eritrea, but the economic and political environment within which HR practices operate are not conducive. Oladipo and Abdulkadir (2011) investigated the extent to which SHRM impact on organizational performance in the Nigerian manufacturing sector. Correlation and regression analysis were performed and the results showed that SHRM was moderately practiced by the companies operating in the Nigerian manufacturing sector. Results also indicated that SHRM practices had positive and significant effect on organizational performance in the Nigerian manufacturing sector.

Muogbo (2013) investigated the impact of SHRM on manufacturing SMEs in Anambra State Nigeria using 17 paint manufacturing firms. Employing correlation analysis, the results indicated that there was a strong positive correlation between SHRM and performance level of competition in SMEs. However, the study showed that majority of the SMEs in Anambra state Nigeria does not adopt SHRM. Using data from 197 Taiwanese high-tech firms Chang and Chen (2002) conducted a comprehensive study to evaluate the links between HRM practices and firm performance. This study reveals that HRM practices including training and development, teamwork, benefits, human resource planning, and performance appraisal have significant effect on employee productivity. This study also found benefits and human resource planning have negative relationship with employee turnover.

Abdulkadir (2011) investigated the extent to which SHRM impact on organizational performance in the Nigerian manufacturing sector. Correlation and regression analysis were performed and the results showed that SHRM was moderately practiced by the companies

operating in the Nigerian manufacturing sector. Results also indicated that SHRM practices had positive and significant effect on organizational performance in the Nigerian manufacturing sector. Mustafa, Ronald, Fusun and Jacob (2011) studied Human resource management practices in small and medium sized enterprises in Turkey. They identified that use of the HRM practices are moderate and rated their effectiveness as only moderate as well and respondents indicating greater use of these HRM practices rated the effectiveness of their SME generally higher than their competitors and higher in the current year than last year. According to them demographic characteristics of the respondent, and characteristics of the SME are inconsistently related to use of the HRM practices. Their Findings indicate that use of particular HRM practices is associated with perceptions of better SME performance.

## **Methodology**

This study adopted the survey strategy in which it is descriptive and was inductive in approach. Additionally, this study has a population of 200 SMEs whose businesses are situated in Kwara Central Senatorial District and who are registered with the National Association of Small and Medium Enterprises (NASMEs). Primary data with the aid of a structured questionnaire was employed. The close ended questionnaire was designed using Rensis Likert scale format and administered to owners of selected SMEs. Data collected from the questionnaire were analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage. Multiple regression analysis was adopted to show the degree of impact of HRM practices on SMEs performance while Pearson Product Moment Correlation Coefficient (PPMCC) was used to show the relationship. The hypotheses were tested at 5% level of significance with the aid of STATA 11.0 Computer statistical software.

## **Results and discussion of findings**

### **Test of Hypothesis I**

**H<sub>01</sub>:** There is no significant relationship between HRM practices and performance of SMEs in Kwara State.

**Table 1.** Correlation Matrix showing relationship among Training, Reward, Recruitment and selection, and SMEs performance

|                            | SMEs performance | Training & Development | Reward & Compensation | Recruitment & Selection | Owner/ Manager Comm. Style |
|----------------------------|------------------|------------------------|-----------------------|-------------------------|----------------------------|
| SME performance            | 1.0000           |                        |                       |                         |                            |
| Training & Development     | 0.6895           | 1.0000                 |                       |                         |                            |
| Reward & Compensation      | 0.8955           | 0.8393                 | 1.0000                |                         |                            |
| Recruitment & Selection    | 0.5499           | 0.7632                 | 0.8083                | 1.0000                  |                            |
| Owner/ Manager Comm. Style | 0.8709           | 0.8208                 | 0.7789                | 0.8400                  | 1.0000                     |

Source: Researcher's Analysis, 2019 Using STATA 11.0

The table shows the correlation matrix which is an indication of how the individual variables are related. It shows that HRM practices such as Training and Development (69%), Compensation and Reward (90%), Recruitment and Selection (55%), and Owner/Manager Communication Style (87%) is significantly correlated to the performance of SMEs. This implies that adoption of HRM practices is contributing positively to the performance of SMEs. The association between them is positive and significant. The null hypothesis is rejected and the alternative hypothesis is accepted which

states that there is significant relationship between adoption of HRM practices and performance of SMEs in Kwara State. This is in line with previous studies of Muogbo (2013), Oladipo and AbdulKadir (2011) and AbdulKadir (2012) whose studies also discovered a significant relationship between adoption of HRM practices and SMEs performance.

## Test of Hypothesis 2

**H<sub>02</sub>:** HRM practices do not have a significant impact on the performance of SMEs in Kwara State.

**Table 2.** Multiple Regression Analysis showing the Impact of Human Resource Management Practices on SMEs performance

| Model                      | R-Squared     | Adjusted R Squared |              | Root MSE |             |
|----------------------------|---------------|--------------------|--------------|----------|-------------|
| 1                          | 0.6955        | 0.6888             |              | .1410    |             |
| Source                     | Sum of Square | Df                 | Mean Square  | F        | Probability |
| Model                      | 794.785       | 4                  | 198.696      | 99.8977  | 0.0000      |
| Residual                   | 348.077       | 175                | 1.989        |          |             |
| Total                      | 1142.861      | 179                | 200.685      |          |             |
| Variable                   | Coef.         | Std. Error         | T Sig        | Beta     |             |
| Training and Development   | 1.259         | 0.114              | 4.66 0.039   | 0.470    |             |
| Reward and Compensation    | 1.054         | 0.094              | 11.013 0.000 | 0.461    |             |
| Recruitment and Selection  | 0.574         | 0.078              | 7.442 0.047  | 0.316    |             |
| Owner/ Manager Comm. Style | 0.936         | 0.132              | 7.052 0.000  | 0.302    |             |
| Cons                       | 22.294        | 4.853              | 4.594 0.078  |          |             |

Source: Researcher's Analysis, 2019 Using STATA 11.0 (Statistically significant at 5%)

The regression analysis results obtained in evaluating the impact of HRM practices on SMEs performance shows that the R<sup>2</sup> Coefficient (0.6955) which is the coefficient of

determination indicates that the explanatory variables account for 70% of the variation of HRM practices that influences SMEs performance. Given the adjusted  $R^2$  of 69% with 0.0000 at 5% level of significant. This is an indication that the independent variables in the model jointly and significantly explain the HRM practices that influences SMEs performance.

Reward and Compensation ( $\beta=0.46$ ;  $t = 11.01$ ;  $p < 0.05$ ) was significant. This implies that the availability of funds constitutes the most factor that influences the adoption of HRM practices by SMEs in Kwara State. Owner/Manager Style of communication was also significant with ( $\beta=0.30$ ;  $t = 7.05$ ;  $p < 0.05$ ). This implies that the adoption of HRM practices also depend on the size of SMEs. Although, Training and Development ( $\beta= 0.47$ ;  $t = 4.66$ ;  $p < 0.05$ ) and Recruitment and Selection ( $\beta= 0.32$ ;  $t = 7.44$ ;  $p < 0.05$ ) were significant but low. The null hypothesis is rejected and the alternative hypothesis is accepted which states that HRM practices do not have a significant impact on the performance of SMEs in Kwara State. This is also in line with the findings of Obasan (2012), Fanny (2009) and Ojokuku (2012) who opine that HRM practices significantly influences the performance of SMEs.

## Conclusion and Recommendations

This study concludes that the HRM can increase the ability of small companies to select, develop and motivate a labour force capable to produce superior results. While designing and implementing such practices, one important thing is to be kept in mind that the HRM practices should be analyzed from time to time and it should be updated accordingly. Based on the findings of this study, it can be concluded that HRM practices have significant impact on the performance of SMEs in Kwara State. SMEs in Kwara state adopt HRM practices to a large extent, although it was discovered that most of the HRM practices were informal which might be why recruitment and selection and training are significant but low. This study recommended that SMEs should pay more attention to the HRM practices identified in this study with a view to improving their implementation. This will foster employee commitment to work which will consequently enhances productivity and profitability.

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