Innovations

Human Resource Management Practices and Business Performance of SMEs: The Mediating Role of Staff Commitment and Staff Competency in Katsina State

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Abstract: *This study examines the level of implementation of Human Resource Management (HRM) practices in SME's business performance while mediating for staff commitment and competence. A 5-point Likert scale instrument was used to collect first hand information from SMEs and Smart-PLS was used to analyzed the data. The results of the direct relationship revealed a positive and important impact of Recruitment and Selection (RS), Reward and Competence (RC), Training and Development (TD) on Business Performance (BP). The result of the direct effect of the mediating variables Staff Competence (SCP), Staff Commitment (SCT) on BP also revealed a positive and significant relationship. Equally, with exception of mediating effect of SCT on the relationship between RS and BP, all other mediating effect results have revealed a positive and significant impact on SMEs BP. Thus, the implication of the findings are as follows: (i) staff competence cannot be taken for granted when considering the role of recruitment and selection on business performance. (ii) staff competence partially mediates the link between reward and compensation and business performance of SMEs (iii) there is a partial positive mediating impact of SCP, indicating that training and development impact staff competence and staff competence impact SME business performance. Therefore, staff commitment and competences should be given attention towards improving SME's business performance in Katsina state.*

Introduction

In the past three decades, small and medium-sized enterprises (SMEs) have drawn an increasing amount of interest from both scholars and practitioners all over the world, especially in developing nations and regions (Ayyagari*et al*., 2011; Cooke,

2012). Even though SMEs may be an important field for empirical research, the increased focus on Human Resource Management (HRM) in SMEs is a relatively recent phenomenon (Andersen & Tarp, 2003). SMEs are an important part of the Nigerian economy. In countries with the same level of development as Nigeria, SMEs contribute a much higher proportion of GDP than is currently observed in Nigeria compared to other emerging markets. According to International Finance Cooperation (IFC) estimates, approximately 96% of Nigerian companies are SMEs, compared to 53% in the US and 66% in Europe (Oyelaran-oyeyinka, 2020). In terms of number of businesses, SMEs account for approximately 90% of the manufacturing and industrial sectors but contribute only 1% of GDP, compared to 40% in Asian countries and 50% in the United States or Europe (Oyelaran-oyeyinka, 2020).

In comparison to what is practised in large corporations, Human Resource (HR) in SMEs in Nigeria is exceptional. The SME firm's uniqueness stems from its reliance on the owner-management manager's styles, its small scale, and its adaptability in the face of an unstable operating environment. As a result, the SME owner-manager adopts a paternalistic stance and strives to keep every employee satisfied by enforcing HR practices that meet the needs of all employees in the company (Pittino*et al.*, 2016). This contrasts with what happens in larger organisations, where HR is impersonal and frequently autocratic, because it is the result of and motivated by structured policies and procedures (Harney&Dundon, 2006). This suggests that the unique characteristics of SMEs necessitate the adoption of unique HR procedures.

Furthermore, SME owner-managers hold a powerful decision-making role in their companies, and as a result, they have a significant personal impact on company strategies, like HR (LoBonțiu&Lobonțiu, 2014). Thus, many small businesses do not have professional HR departments, and major HR decisions are typically made solely by the owner-manager, who may or may not be an HR expert in the first place (Rauf, 2016). Unless HR professionals are hired, the owner-manager is still in charge of people management and other key business activities in the company (Kroon *et al.*, 2013). According to previous research, HRM in small businesses is marked by informality (Tocher& Rutherford, 2009). This means that the procedures for recruiting, selecting, managing, and evaluating employees' performance may not be documented.

Thus, this study is motivated to examine the HRM practices and the performance of SMEs in Katsina State mediating for staff commitment and competence. Staff Commitment refers to employees' dedication, loyalty, and engagement in their organisation, as well as their willingness to put forth effort to achieve the organisation's goals and objectives (Bhat, 2020). While staff competence is defined as the combination of knowledge, skills, abilities, and characteristics that employees possess and can effectively apply in their job roles (Lekan*et al.*, 2015). According to

Osman *et al*. (2010) and Pittino*et al*. (2016), workers have a sense of proximity to the owner-managers due to the small size of SME firms, which fosters feelings of commitment, loyalty, and generally good working conditions (Innes &Wiesner, 2012). With regards to competence, the informality in HR practice in SMEs due to owner-manager, who is typically not a HR specialist, will lead to inability to handle the impact of operational uncertainties in human resource management (Fabi *et al*. (2009). Thus, this study will use a survey method to collect a direct information from respondents in the study location Katsina. Smart PLS will be used for inferential analysis and hypothesis testing to enable the finding of the study to be used for policy making.

Literature review

Small and medium enterprises' human resource management practices have not received significant attention in managerial research and management training (Hornsby and Kuratko, 1990). There are three premises for this argument: other management functions take precedence over HR; HR research has focused on larger firms; and empirical research on HRM is sparse for small businesses.

Firstly, several studies showed that other management roles, such as accounting, marketing, finance, and development, took precedence over HR management (McEvoy, 1984). Further work on this topic is required because HRM appears to be a key feature for SMEs (Hornsby and Kuratko, 1990). Second, despite a large percentage of the SME population, HR practice research has traditionally focused on larger firms (Chairungruang, 2016). Therefore, in this area, SMEs are under-represented in the mainstream literature (Way, 2002), and are not simply a scaled-down version of larger firms. Third, empirical research on HRM is sparse for small businesses (Nguyen & Bryant, 2004). Sels*et al*., (2006) identified 403 articles that appeared in SMEs between 1984 and 1997, which produced some reporting of HR practices. Of those 403 articles, only 129 specifically addressed concerns about HR management and only 17 articles used quantitative methods to test specific hypotheses. Thus, HR studies in small and medium-sized enterprises are limited in descriptive surveys, and scarce in analytical research (Sels*et al*., 2006).

Human resource management is synonymous with staff supervision. HRM is a framework concept that involves an attempt to attract, motivate, and retain employees to ensure the organisation's and its members' effective functioning, performance, and survival (Boxall*et al*., 2008) through formal practices such as recruitment and selection, training and development, performance management, and compensation.

Hornsby *et al*. (2003) maintained that it is worth noting that SMEs have frequently been overlooked in the HRM literature, resulting in a scarcity of HRM research on SMEs and their relative impact. Georgiadis and Pitelis, (2012), Mcevoy and Buller, (2013) agree, citing a lack of research into the recognition and implementation of

formal HRM practices and policies in small businesses. While there are few numbers of HRM studies in SMEs, it has also been found that many of these firms generally do not have an HRM department, a formally established HR function, or use formal HRM structures compared to larger firms in practice. Instead, it appears that SMEs make great use of unstructured, ad hoc' and largely unorganized HRM elements (Kotey& Slade, 2005). SMEs typically rely on an unstructured combination of employee recruitment and selection, training, performance management, and compensation, with firm owners taking responsibility for business management (Kotey&Folker, 2007). As a result, business owners handle the HRM function on their own, without the assistance of professionals or, in most instances, without any basic training and knowledge in employee management. Many SMEs also start as family-owned businesses, and research has shown that the relationship between family ownership and the use of formal HRM practices is negative (De Kok*et al.*, 2003).

Hornsby *et al*. (2003) argue that informal HRM strategies, such as inadequate recruiting and selection of workers, poor or non-existent training, poor or non-existent performance management systems, and inequitable incentives and compensation, can be detrimental to the survival and success of small business organisations. Barrett and Mayson (2007) observe that SMEs only look to formal HRM practices for attracting, developing, and retaining employees where they perform and grow over time, ignoring the fact that formal HRM practices can drive firm performance and growth over time.

A highly motivated, well-trained, and skilled workforce is viewed as an important determinant of a small company's ability to remain competitive and perform in a dynamic business environment (Hornsby *et al*., 2003). One of the most important measures of small business performance is the financial or accounting result, which is a measure of real financial success or profitability (Mckiernan& Morris, 1994). Recruiting and selection, training and growth, performance management, and compensation are the most widely regarded HRM practices as important and positively associated with firm success.

Several empirical studies on HR practices in small businesses also highlighted the importance of the formality dimension of firm size. Hornsby and Kuratko (1990) conducted surveys with 274 American small businesses which revealed that firm size influences the adoption of HR practices significantly. They found, for example, that smaller firms are less likely to have written job descriptions, to apply formal recruiting procedures (e.g., application forms and interviews), and to conduct performance assessments. That finding is consistent with the study of 991 private Canadian small businesses by Wagar and Rondeau (2006). The result showed that firm size has been a major determinant of whether the company has adopted certain HR practices. For example, the research has consistently found that smaller firms are less likely to embrace any of the eight core HR practices identified by the study, such

as conducting formal performance assessments and new employee orientation programmes.

According to Nigeria Research, inadequate and inefficient management of small business employees has resulted in low productivity and high turnover rates (Ogunyomi&Bruning, 2016) and is one of the leading causes of small business failures. Although success and failure in SMEs are often predicted using financial criteria, Marlow & Patton (1993) argued that effective employee management is also emerging as a key performance variable for SMEs. They further noted that SMEs do not often take advantage of HRM to gain a competitive advantage over their rivals. This study fills a research gap by investigating HRM practices in and SMEs business performance in Katsina by mediating for staff competence and commitment.

Methodology

Survey Design and the population of study

This study aims to examine the HRM practices and the performance of SMEs in Katsina State mediating for staff commitment and competence. The quantitative research design of this study focussed on selection methods and sampling plans in order to provide answer to the research questions of this studyKin (2015). The population of this study comprises one thousand three hundred and fifty-five (1,355) small and medium-sized enterprises (SMEs) in Katsina State, Nigeria (SMEDAN et al., 2013). High failure rate and poor output level are among the reason why SME performance is the focus of this study.

Sample and Sampling Procedure

In this study, the sampling context will be taken from the Collaborative Survey of SMEDAN and the National Bureau of Statistics (NBS) (2013). The reason why SMEDAN / NBS (2013) will be chosen as the sampling frame is because SMEDAN/NBS is Nigeria's most detailed and registered list of SMEs. The SMEDAN/NBS also provides details such as State-by-state SMEs, comparison of total state employment, sex and economic sector employment, types of ownership, distribution of SMEs by economic sector and average monthly economic sector turnover. The data from the survey, therefore, will help this research to classify enterprises more accurately in the category of small or medium-sized enterprises. Based on the characteristics of SMEs as outlined by SMEDAN (2013) and (Ahmad, 2007), the following inclusion criteria will be considered in drawing the required respondents: one, the business needs to be an SME company; two, the business must have 10 to less than 200 employees; three, the respondents must be owner-managers, corporate partners, senior managers, or individuals who participate actively in HRM.

A total of 1,355 (small 1,256 and medium 99) SMEs were identified in the state based on the SMEDAN/NBS National Survey 2013. The response rate in social science

research for SMEs in Nigeria usually ranges from 12 to 18 per cent (Jusoh*etal*., 2008; Rashid *et al*., 2004). The "10 times" rule is frequently used as a guide for estimating the minimum sample size requirement when using PLS-SEM (Peng and Lai, 2012). This rule applies 10 times the number of arrows pointing to a latent variable anywhere in the path model (Sarstedt*et al.*, 2017). Based on this research context, the maximum number of arrows pointing to a latent variable is 13; thus, the minimum sample size for the current study is 130 (13 x 10) observations. However, the thumb rules did not state a maximum, therefore, this study plans to maximize its sample to 250 units, for various reasons. These include the need for maximum usable response, the utilization of an in-person (face-to-face) survey, uncertainty about the response rate and the availability of a big sampling frame (1,355). Systematic random sampling will be used to pick the element in the sampling frame of this study. Every third element in the sampling frame will be chosen at random for this study, yielding a total of 271 elements of SMEs from the targeted population.

Data Collection Method

This researcher concentrates on the in-person method of data collection, which includes face-to-face contact and delivery to retrieve later methods with the respondents. These methods have several advantages, such as allowing the researcher to observe any difficulty with respondents and clarify their questions. Furthermore, it is easy to fill in, easy to administer, easy to code, and easy to input data (Smith, 2010).

A letter of introduction was obtained from the appropriate authority of UniversitiSains Malaysia (USM) seeking permission from the respective SMEs to conduct the research. The researcher obtained a list of registered SMEs from the Katsina State Chamber of Commerce and Industries, as well as from the Manufacturers Association of Nigeria (MAN)Katsina chapter and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and select the minimum sample size from the list using systematic probability sampling. Each third element in the sampling frame is selected (Shalabh, 2017). The researcher employed and train research assistants who assist in the collection of data in order to be competent in the administration of questionnaires. The researcher and assistants emphasize questionnaire retrieval within three months from the date of delivery. All returned questionnaires were checked upon retrieval if they are all answered.

Results and discussion

This study aims to investigate the implementation level of formal HRM practices in improving business performance among SMEs in Katsina state. The study Uses Smart-PLS 4 software for structural equation modelling to analyse and present the first-hand data collected from the respondents. As maintained by Hair *et al.* (2017),

Smart-PLS can simultaneously identify statistical properties and hypotheses of a conceptual framework. This has increased the application of Smart-PLS in management, social and sustainability research in recent times. The independent variable used in this study is HRM practices measures by recruitment and selection, training and development and reward and compensation. The dependent variable is business performance among SMEs while the mediating variables are staff commitment and staff competence. To achieve the stated objectives of the study the hypothesis was tested following the two important steps which involve assessing the measurement model and structural model (Anderson &Gerbing, 1988). These two important phases are presented in the following sections.

Measurement Model
The measurement model involves testing the adequacy of the formulated items (observed variable) for each construct (leading variable or unobserved variable). This is achieved by testing the reliability and validity to determine the quality of the observed variables. Cronbach's alpha, Composite reliability (rho_a), and Composite reliability (rho_c) are used to test the model's reliability, while the Average Variance Extracted (AVE), Discriminant Validity - Heterotrait-Monotrait (HTMT) ratio, and Fornell-Larcker criterion are used to test the model's validity. The tables below show the results of these reliability and validity tests.

Table 1.　　Construct Reliability and Validity – Independent Variables

Constructs	Items loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Recruitment and Selection (RS)		0.88	0.889	0.903	0.462
RS1	0.828				
RS10	0.620				
RS13	0.770				
RS14	0.565				
RS2	0.526				
RS3	0.691				
RS4	0.808				
RS5	0.572				
RS6	0.627				
RS8	0.698				
RS9	0.699				

Training and Development (TD)	0.869	0.899	0.894	0.403
TD1	0.764			
TD11	0.778			
TD12	0.780			
TD13	0.737			
TD2	0.781			
TD3	0.530			
TD4	0.759			
TD5	0.756			
TD8	0.638			
TD9	0.690			
Reward and Compensation (RC)	0.82	0.846	0.858	0.547
RC1	0.536			
RC10	0.702			
RC11	0.745			
RC2	0.741			
RC3	0.622			
RC6	0.585			
RC8	0.692			

Table 1 shows the item (factor) loadings, reliability, and validity tests for the independent variables recruitment and selection, training and development, and reward and compensation, whereas Table 2 shows the item (factor) loadings, reliability, and validity tests for the dependent and mediating variables: business performance, staff commitment, and staff competence. The tables present the item loading with most of the item (factor) loading greater than 0.50 consistent with existing early and recent studies (Ringle&Sarstedt, 2016). Items with loadings of 0.4 and less were deleted and not considered in the analysis consistent with existing studies.

To test the reliability of the measurement model, the rule of thumb is that the coefficients of reliability tests for Cronbach's alpha, Composite reliability (rho_a) and Composite reliability (rho_c) be greater than 0.70 (Bagozzi& Yi, 1988). In Tables 1 and 2 all the reliability tests are greater than 0.70 as such the items that measure the constructs are reliable.

To test the validity of the model, convergence validity and discriminant validity are employed. The convergence validity of our constructs is established using the Average Variance Extracted (AVE). According to Fornell and Larcker, (1981), the AVE

for a construct should be greater than 0.50, however, establishing an AVE of 0.40 is reasonable and satisfactory to provide sufficient convergent validity. In Tables 1 and 2 the AVE obtained are greater than 0.50 or approximately 0.50, as such, sufficient enough to establish the convergence validity of our constructs - recruitment and selection, training and development, reward and compensation, business performance, staff commitment and staff competence. As observed by Fornell and Larcker, (1981), Composite Reliability and Average Variance Extracted gives more evidence on the internal reliability, consistency, and convergence validity.

Table 2.   Construct Reliability and Validity – Dependent and mediating Variables

Constructs	Items loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Business Performance (BP)	0.775	0.78	0.829	0.553	
BP1	0.661				
BP2	0.661				
BP3	0.676				
BP4	0.606				
BP5	0.587				
BP6	0.535				
BP7	0.612				
BP8	0.503				
Staff Commitments (SCT)	0.774	0.798	0.826	0.556	
SCT1	0.687				
SCT3	0.683				
SCT4	0.722				
SCT5	0.592				
SCT6	0.589				
SCT8	0.681				
SCT9	0.505				
Staff Competence (SCP)	0.767	0.792	0.829	0.587	
SCP1	0.652				
SCP2	0.672				
SCP4	0.707				
SCP6	0.761				

SCP7	0.652				
SCP8	0.609				

Furthermore, the discriminant validity of the constructs is determined by the Heterotrait-Monotrait (HTMT) ratio, Fornell-Larcker criterion and cross-loadings. Table 3 presents the Heterotrait-Monotrait (HTMT) ratio discriminant validity of the constructs. The finding obtained suggests that the model has achieved a good discriminant validity given that the HTMT ratios of most of the leading variables are less than the threshold of 0.85 as suggested by (Henseler, 2017).

Table 3. Discriminant Validity - Heterotrait-Monotrait (HTMT) ratio

	BP	RC	RS	SCP	SCT	TD
BP						
RC	0.649					
RS	0.478	0.611				
SCP	0.766	0.803	0.806			
SCT	0.751	0.832	0.764	0.997		
TD	0.627	0.828	0.923	0.888	0.899	

Equally, Table 4 presents the Fornell-Larcker criteria as suggested by early and recent related studies (Fornell&Larcker, 1981; Henseler, 2017). The Fornell-Larcker criteria test is based on the premise that a discriminant validity of a construct is achieved if the square roots of the calculated AVEs are greater than the correlations of each pair of the leading variables of the model (Fornell&Larcker, 1981). The outcome as presented in Table 4 revealed that the discriminant validity of the model has been achieved given that the criterion has been satisfied.

Table **Fehler! Kein Text mit angegebener Formatvorlage im Dokument.**. Discriminant Validity - Fornell-Larcker criterion

	BP	RC	RS	SCP	SCT	TD
BP	0.594					
RC	0.524	0.589				
RS	0.417	0.542	0.680			
SCP	0.623	0.646	0.681	0.622		
SCT	0.582	0.660	0.694	0.790	0.597	
TD	0.523	0.694	0.835	0.742	0.772	0.635

Structural Model

This structural model explains the connection between the dependent and the independent variables and the link between them in terms of direction (whether positive or negative) and magnitude (size of the coefficient). Thus, the estimated path coefficients are used to establish the objective of the study which is to investigate the implementation level of formal HRM practices in enhancing business performances among SMEs in Katsina state.

Direct Effect (Direct Path)

Before analysing the mediating effect, the direct effect (path) results were first analysed. Table 5 presents the result of the direct effect path of the relationship between the dependent variable - business performance (BP) and independent variable level of HRM practices represented by three constructs namely: recruitment and selection (RS), reward and compensation (RC) and training and development (TD). The Table also presents the direct effect of the independent variable constructs of the mediating variables, staff commitment (SCT) and staff competence (SCP).

The result shows that the independent variable constructs RS, RC and TD significantly influence the dependent variable BP and the mediating variables SCP and SCT. The result further indicated that the mediating variables positively influence the dependent variable construct BP. In other words, there exists a positive and significant relationship between the construct of the independent variables and the dependent and mediating construct variables and a positive and significant relationship between the construct of the mediating variables and the construct of the dependent variable. The significant positive connections of the relationship are supported by the t-statistics of the estimations which are greater than 1.96 and p-values less than 5% for all the estimated relationships.

First, the result revealed that RS positively influence BP with a beta (coefficient) value of 0.148 and a t-statistics value of 2.494. This implies that recruitment and selection (RS) as a construct of the implementation level of HRM practice explains SMEs' business performance by 14.8%. Equally, the result shows that RC positively influences the BP with a beta value of 0.178 and a t-statistics value of 4.111. This indicates that RC as a measure of HRM practice explains 17.8% of SME business performance. The result also indicates that TD influences BP positively with a coefficient value of 0.259 and a t-statistic value of 4.160. The implication is that TD as a measure of HRM practice can explain 25.9% of SME business performance.

Second, the result shows that RS positively influence SCP and SCT with a beta value of 0.234 and 0.194 respectively. This suggests that RS as a measure of the level of HRM practice implementation explained 23.4% and 19.4% of staff competence and staff commitment respectively. Furthermore, the result also revealed that RC positively influence SCP and SCT with a beta value of 0.270 and 0.254. This indicates that RC as a measure of HRM practice explains SCP and SCT by 27% and 25.4%

respectively. Also, the result shows that TD positively influences SCP and SCT with a beta value of 0.359 and 0.434 suggesting that TD as a measure of HRM practice implementation level can explain between 35% of SCP and 43% of SCT respectively. Table 5 also presents the impact of SCP and SCT on BP. The result indicated that both mediating variables have a positive effect on business performance.

Table 5.   Direct Effect (path)

	Beta (β)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Results
RS -> BP	0.148	0.059	2.494	0.013	Supported
RS -> SCP	0.234	0.091	2.567	0.010	Supported
RS -> SCT	0.194	0.100	1.941	0.052	Supported
RC -> BP	0.178	0.043	4.111	0.000	Supported
RC -> SCP	0.270	0.066	4.085	0.000	Supported
RC -> SCT	0.254	0.074	3.451	0.001	Supported
TD -> BP	0.259	0.062	4.160	0.000	Supported
TD -> SCP	0.359	0.096	3.737	0.000	Supported
TD -> SCT	0.434	0.099	4.377	0.000	Supported
SCP -> BP	0.434	0.096	4.516	0.000	Supported
SCT -> BP	0.239	0.100	2.402	0.016	Supported

Mediation (Indirect Effect)

This section presents the mediating effect results of the Smart-PLS estimations. In other words, the section presents the indirect effect of how the level of implementing HRM practice measured by RS, RC and TD affects the SME business performance through the mediating effect of SCP and SCT. The results of the mediating effects are presented in Table 6. The result revealed that the mediating effect of SCP on the link between RS and BP is positive and significant. This suggests that SCP has a positive and significant mediating effect between recruitment and selection and business performance. The significance level is indicated by the positive coefficient of 0.102 with t-statistics greater than 1.96 (i.e., 2.361) and a p-value of 0.018 (less than 5%). Therefore, SCP has a positive and significant mediating effect on the relationship between recruitment and selection and business performance.

Moreover, the result also revealed that there is no significant mediating impact of SCT on the relationship between RS and BP. This is justified by the t-statistics value of 1.526 which is less than 1.96 and the p-value of 0.127 greater than 5%. This suggests that SCT is insignificant in mediating the relationship between recruitment and

selection and business performance. Thus, it is concluded that the relationship between RS and BP is direct as earlier established.

Similarly, the mediating effect of SCP on the relationship between RC and BP is positive and significant, indicating that SCP has a positive and important impact on the relationship between reward and compensation and business performance. This is supported by the positive coefficient value of 0.117 and t-statistics of 2.825 along with a p-value of 0.005 which is not less than 5%. The finding implies that staff competence partially mediates the connection between reward and compensation and the business performance of SMEs.

Furthermore, the result indicated that the mediating effect of SCT on the link between RC and BP is positive and significant at a 10% level. This is suggested by the beta value of 0.061 and p-value 6.6%. Although the strength of the mediating effect is not as strong as that of the SCP, the mediating effect of SCT can be accepted since the p-value is less than 10%. This finding implies that SCT is an important partial mediating factor in the connection between reward and compensation and business performance. Thus, reward and compensation influence staff commitment and staff commitment influences business performance.

The impact of SCT as a mediator in the relationship between TD and BP demonstrates that SCT has a positive and significant impact on the relationship between TD and BP. The finding shows that the mediating impact of SCT on the connection between TD and BP is positive and significant. This is supported by the beta value of 0.104, t-statistics of 1.977 and p-value of 0.048. The beta value is positive; the t-statistics is greater than 1.96 and the p-value is less than 5%. The interpretation of this result is that there is a partial positive mediating impact of SCT indicating that training and development impact staff commitment and staff commitment impacts SME business performance. The further implication of these findings is that staff training and development is contingent on the extent of staff commitment for SME businesses to perform.

In addition, the result of the mediating effect of SCP on the relationship between TD and BP is also positive and significant. This is supported by a high t-statistics value of 2.640 and a low p-value of 0.008 which is less than 5%. This suggests that SCP plays a mediating function in the relationship between training and development and SME business performance. This mediating outcome implies that to enhance the business performance of SMEs, the competence of staff cannot be taken for granted.

Except for the insignificant mediating effect of SCT between RS and BP, SCP and SCT have played a partial mediating role in the relationship between recruitment and selection, reward and compensation, training and development, and business performance. The policy relevance of this finding is that, ensuring SME business performance through the implementation of HRM practices measured by recruitment and selection, reward and compensation and training and development may not be

effective without the presence of staff commitment and staff competence. Thus, staff commitment and competencies should be given attention towards ensuring the business performance of SMEs.

Table 6.   Indirect Effects (mediation)

	Beta (β)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Results
RS -> SCP -> BP	0.102	0.043	2.361	0.018	Supported
RS -> SCT -> BP	0.046	0.030	1.526	0.127	Not Supported
RC -> SCP -> BP	0.117	0.041	2.825	0.005	Supported
RC -> SCT -> BP	0.061	0.033	1.841	0.066	Supported
TD -> SCT -> BP	0.104	0.052	1.977	0.048	Supported
TD -> SCP -> BP	0.156	0.059	2.640	0.008	Supported

Conclusion and policy implications

The objective of the study is to examine the level of implementation of HRM practices in improving business performance using the mediating effect of staff commitment and competence. First, the results of the direct relationship between the main independent variable constructs RS, RC, TD and the dependent variable construct BP indicate positive and important influence on the main variables - business performance.

The result of the direct effect of the mediating variables SCP, SCT on BP also revealed a positive and significant relationship. The effect of the main variables on the mediating variables was also tested and the outcome suggests that RS, RC, TD have positive and significant effect on SCP and SCT. Thus, the study concluded that the results of all the direct effects tested are all positive and significant.

Equally, with exception of mediating effect of SCT on the relationship between RS and BP, all other mediating effect results have revealed a positive and significant impact on business performances. Thus, we conclude that except on the relationship between RS and BP, SCP and SCT have a positive and

Since the result revealed that the mediating effect of SCP on the link between RS and BP is positive and significant. This suggests that SCP has a positive and significant mediating effect between recruitment and selection and business performance. The implication of this finding is that staff competence cannot be taken for granted when considering the role of recruitment and selection on business performance.

Moreover, the result also revealed that there is no significant mediating impact of SCT on the relationship between RS and BP. This suggests that SCT is insignificant in mediating the relationship between recruitment and selection and business

performance. The implication is that SCT does not play any significant role on the relationship between RS and BP, as such, the relationship is direct as earlier established. Also, the mediating effect of SCP on the relationship between RC and BP is positive and significant. The implication of the finding is that that staff competence partially mediates the link between reward and compensation and business performance of SMEs in Katsina State.

Equally, the result indicated that the mediating effect of SCP on the link between RC and BP is partly positive and significant. The implication of this finding is that SCT is an important partial mediating factor on the connection between reward and compensation and business performance. Thus, reward and compensation influences staff commitment and staff commitment influences business performance. The finding also shows that the mediating impact of SCP on the connection between TD and BP is positive and significant. The implication of this result is that there is a partial positive mediating impact of SCP indicating that training and development impact staff competence and staff competence impact SME business performance. Thus, staff training and development is contingent on the extend of staff competence for businesses performance.

In addition, the result of the mediating effect of SCT on the relationship between TD and BP is also positive and significant. This suggests that SCT plays a mediating function in the relationship between training and development and SME business performance. The implication of this mediating outcome is that to enhance business performance, the commitment of staff cannot not be taken for granted. The policy relevance of this finding is that, ensuring SME business performance through implementation of HRM practices measured by recruitment and selection, reward and compensation and training and development may not be effective without the presence of staff commitment and staff competence. Thus, staff commitment and competences should be given attention towards ensuring business performance.

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