MEDIATING EFFECT OF REWARD SYSTEM ON THE RELATIONSHIP BETWEEN TRAINING AND SMEs' PERFORMANCE IN OSUN STATE

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Abstract

The reward systems in Small and Medium Enterprises (SMEs) in Nigeria face significant challenges rooted in economic, structural, and cultural factors. This current study examines the mediating effect of the reward system on the relationship between training as an independent variable and SMEs' performance as a dependent variable. Using a simple random sampling method produced by the Microsoft Excel application package, 363 respondents were selected. A questionnaire was used to gather primary data for the study. Data analysis was performed by structural equation modeling using STATA version 15. Analysis revealed a significant and positive relationship between training and the reward system. Additionally, there is a strong positive correlation between training and the performance of SMEs. This implies that SMEs' performance can be predicted by both

training and reward. It was also discovered that the performance of SMEs and training is partially mediated by the reward system. In order to demonstrate intellectual abilities, such as understanding the business environment, understanding globalization and integration, understanding market conditions, and understanding knowledge about competitors' strategies, managers should be trained to acquire modern entrepreneurial skills and appropriately rewarded. This will help SMEs perform well. The analysis highlights the critical role of training and reward systems in enhancing SME performance, underscoring the value of a well-structured reward system as both a motivator and a mediator between training and outcomes.

1. Introduction

The discussion around poverty eradication, job creation, and wealth creation has been established by literature with the enormous role of the Small and Medium Enterprises (SMEs) in economic transformation (Odetayo, Sajuyigbe & Adeyemi, 2020). According to OECD (2020), the sector has transformed many developed countries such as the United States, the United Kingdom, Japan, Germany, and France, amongst many others, into rich nations and is currently transforming China into the world's growing economy. The view of the United Nations (2020) posits that the rapid growth of SME has increased their contribution to the world GDP from 15.2% in 2005 to 16.3% in 2017. Likewise, Zeqir and Ymer (2019) reiterated that the SME sector is the engine of economic growth and sustainable development in developing countries. This shows that the sector is a facilitator of constant changes, which can produce rapid structural changes, promote growth and development, and reduce poverty cum the level of unemployment. In this current continuous change, the accelerated pace of technological change, with a noticeable view of changes in the nature of customers, increased competition between demands and organizations, and the introduction of the COVID-19 pandemic threaten the growth of the SMEs sector globally (Roșu & Bacanu, 2021). According to Anca-Ioana, Nicolae, Marian, Nicoleta, and Cosmin (2010), no organization across the globe is immune from today's fast-changing, hypercompetitive business environment and rapid changes in technology. Consequently, many SMEs find it extremely difficult to design a high-quality product at a low cost within the shortest lead-time. This is evidence that the SMEs fails to meet the market's requirements, especially in emerging economies.

In Nigeria, the growth of SMEs sector has been steadily declining. For example, Association of Small Business Owners of Nigeria (ASBON)'s president, laments that over 80% of SMEs in Nigeria have moribund due to lackadaisical attitude to key human resource management practices (Anudu & Okojie, 2020). According to Ojokuku and Sajuyigbe (2015), many SMEs in Nigeria could not reach the growth stage of their life cycle. Abiodun (2014) also observes that some internal characteristics like low level of entrepreneurial skills, and poor management practices also interact with the economic variables to undermine the capacity of SMEs. Every small business wants to be successful and have the desire to make constant progress must understand the importance of employee training and reward. Kiruja and Elegwa (2013) confirmed that the overall success of SMEs in achieving their strategic objectives relies heavily on the performance level of employees, and

performance can only be achieved through effective training and reward systems. Existing literature has posited that training and reward systems are platforms in which SMEs can achieve their stated objectives (Yu-ting, Michael, and Johannes, 2016; Kanu, 2015; Ologunde, Monday, and James-Unam, 2015). A substantial number of studies establish a positive association between training, reward systems, and SMEs' performance (Lawal et al., 2023; Sajuyigbe and Amusat, 2012; Stefanelli et al., 2021; Aremu and Adeyemi, 2011). However, none of the available studies examined the mediating effect of the reward system on the relationship between training and SMEs' performance. This study, therefore, addressed a gap in the literature by explaining the mediating effect of the reward system on the relationship between training and SMEs' performance.

2. Theoretical Framework

The underpinning theory of this study is Resource-Based Theory (RBT) with the focus inward the company to find the sources of competitive advantage instead of looking at the competitive environment for it (Osei, 2017; Sitalaksmi & Zhu, 2010; Srivastava, Fahey, & Christensen, 2001; Dollinger, 2003). Previous studies affirm that resource-based theory provides an organization with a golden opportunity to develop competitive advantages over its rivals. These competitive advantages, in turn, can help the organization enjoy strong profits (Sajuyigbe, 2016; Sitalaksmi & Zhu, 2010). In another study, Osei (2017) demonstrates that resource-based theory emphasizes that the long-term competitiveness of an enterprise depends upon the resources (training and reward system) that differentiate it from its competitors, which are durable and are difficult to imitate and substitute (Barney, 1991). The theory recognizes human resources as an asset that can be utilized for competitive advantage, a stance that renders training and reward systems as functions that could enable the SMEs to sustain competitiveness (Yu-Ting, Michael & Johannes, 2016; Enis, Xhavit & Nagip, 2015). Sitalaksmi and Zhu (2010) argue that the resource-based theory shifts the emphasis placed on external factors of the strategic planning of the enterprise towards the enterprise's internal resources (human capital pool) that could be source of competitive advantage to the SMEs if they are effectively and efficiently planned to enhance the objective of the SMEs.

According to RBT, training and reward systems directly impact employees and influence skills, attitudes, and behaviour in terms of the outcome of the practices that are put in place. Subsequently, the outcome of this should be to improve SMEs' performance (Osei, 2017; Zakaria, Zainal & Nasurdin, 2011). In the same direction, Kanu (2015) also reaffirms that the RB theory is potent for the competitive advantage of an organization because is based on its ability to take full advantage of the expertise and skills which collectively characterize the workforce in an organisation and which are unique to that organisation. Thus, that difference in business performance may be ascribed to the resources that cannot easily be replicated by competitors. There are empirical HRM practices studies that have used the RBT as the basis for exploring the relationship between HR and firm performance, and it has significantly and independently influenced the field of strategy and HRM practices (Wright & Nishii, 2006). In conclusion, RBT advocates that SME managers should be given modern technology training and be rewarded handsomely to enable the sector to remain competitive and wax strong in a competitive environment.

2.1   *Concept of Training*

Some researchers consider training as an alternative paradigm for SMEs' survival in a global competitive business environment (Aladejebi, 2018; Nwankwo & Okorie, 2015; Muthoni, 2013; Hartono, 2010; Olaniyan & Okemakinde, 2008). Pansiri and Temtime (2008) argue that training supports the organization's goals and objectives by analyzing needs, designing and developing training programs, and conducting training at all levels throughout the organization. Karmel and Cully (2009) state that training is believed to be the most prevailing driver to improve the competencies of employees and to assist in the growth and increase of profitability of an organisation. Aladejebi (2018) further states that organisations that empower employees through training and development are prone to have less employee turnover, greater productivity, and greater financial performance. SMES need to have access to training programmes that educate them and their staff on how they can improve their business and managerial skills and successfully run their companies (Muthoni, 2013). According to Sajuyigbe and Amusat (2012), training of employees helps organizations to meet competitive challenges and environmental changes. Sandamali et al (2018), in support of the fact that training adds value to organizations, mention that it is one of how human resource professionals build and nurture human competence in achieving organizational objectives. Aladejebi (2018) also concurs with previous studies that training is a major determinant of SMEs' success. In the same vein, Omolo (2015) avers that training helps to improve the performance of employees in their jobs. In a similar study, Rohan and Madhumita (2012) note that training concerns with improving the performance of individuals and groups in SMEs. According to Ojokuku and Adegbite (2014), training and development in performance management is critical to the success of SMEs because it ensures ongoing management of the performance of employees.

Existing research has established a divergent relationship between Training and SMEs' Performance, have divergent results. For example, Aladejebi (2018) examines the impact of the Human Capacity Building on Small and medium enterprises in Lagos, Nigeria. A purposive sampling technique was employed to select 139 respondents from small and medium-sized enterprise entrepreneurs in Lagos. Both descriptive and inferential statistics were used to analyze the data gathered. The study reveals that various training approaches, like formal and informal training, on-the-job training, and job-specific training, have a significant influence on SMEs' performance. Another study conducted by Sembiring (2016) uses Multiple regression, *t*-test and *F-ratio* to explore the influence of knowledge and skills of human resource (training and development) on the performance of culinary Small and Medium Enterprises (SMEs) in Medan City, Indonesia. Data were collected from 120 culinary SMEs located in Medan City. The results depict that knowledge and skills of human resources have a significant and simultaneous effect on the performance of SMEs. Claudette, Michael, and Johannes (2016) also determined the perception of entrepreneurs or SME owners towards the importance of training and development in their business in South Africa. A structured questionnaire was employed to source data from the 60 respondents. The study reveals the training and development are strong predictors of SMEs' performance.

Omolo (2015) also uses percentages and multiple regression techniques to investigate the influence of training and development on the performance of SMEs in Kisumu County, Kenya. Survey research design was adopted for the study, while simple clustering sampling was employed to select 260 SMEs from the target population of 777 SMEs registered in Kisumu County, Kenya. The finding of the study shows that the performance

of an SME is associated with the status of training and development, and that the better the status of training and development in an SME, the higher the performance of the SME. Similarly, Marta et al (2016) also examine the effect of the three components of training practices, namely, training plans, training methods, and programmes, on the performance of the SMEs in the hospitality industry in Kenya. The study establishes that there is a positive relationship between training practice variables and the performance of SME hotels within Mombasa County. The study of Laing (2009) concurs with previous researchers that training is a vital agent that leads to the development and growth of businesses and increases their capabilities and profitability.

Yu-Ting Hung et al (2016) also use Pearson correlation, stepwise regression procedures, and t-test to determine the impact of training and development on SMEs' performance in Malaysia. Data collection was done through mail questionnaires sent out to the selected 500 SMEs. The result indicates that training has a positive impact on SMEs' performance.

The study conducted by Ongori and Migiro (2010) also agrees that training and development of employees is crucial in organisations in this era of competition, especially in SMEs, because organisations need to service, cultivate, and progress in their markets. However, the studies of Marchington and Wilkinson (2013), and Patton and Marlow (2002) asserted that there is no link between training and development and performance. Based on the empirical findings, the following hypothesis emerged:

H1: Training has no significant association with SMEs' performance

H2: Training has no significant association with the reward system

Mediating Factor of Reward System

The reward system is the compensation package adapted to reward individual employees with a spectrum of entrepreneurial skills and performance achievements. According to Mandago (2018), rewards are a reinforcement to motivate and commit employees to the sustainability and performance of SMEs. A Reward system is a motivational tool that assists employees to perform and commit to the organization (Mandip, 2012). A green reward system could be in the form of fringe benefits, bonuses, pay increases, recognition, promotion, and appreciation based on achievements. Compensation packages have been customized to reward skills acquisition and achievements by employees. Both monetary-based and non-monetary-based rewards have been employed for the achievement of employees (Kalyar, Ali, & Shafique, 2021). Empirical studies have linked the reward system to training and SMEs performance. For instance, Khurshid and Darzi (2016) argued that a reward system is designed to influence and modify employees' behavior towards organizational performance. Ahmad (2015) also reiterates that a reward system has tremendous benefits in influencing staff interests towards organizational performance. A study conducted by Ojokuku and Sajuyigbe (2015) discovered that the reward system has a significant relationship with training and performance. In the same perspective, Bratton (2015) attests that a reward system has a potential association with training and organizational performance. Also, Uddin and Islam (2015) conclude that a reward system is significantly related to training and organizational performance. A study conducted in South Africa by Richard (2015) confirms that the reward system is a platform through which training influences SMEs' performance.

In the same direction, Ravi and Santosh (2013) attest that the reward system has a link with training and SMEs' performance in India. Rizwan and Ali (2010) are of the view that when effective rewards are implemented within an organization, a favourable working environment is produced which motivates employees to excel in their performance. Hence, the following hypotheses are proposed:

H3: Reward system is significantly associated with SMEs performance

H4: Reward system mediates between training and SMEs performance

2.2 Conceptual Framework for the Study

After careful study of the literature review, the following conceptual model (Figure 1) is formulated to illustrate the mediating effect of the reward system on the relationship between training and SMEs' performance.

Figure 1 − Conceptual Model
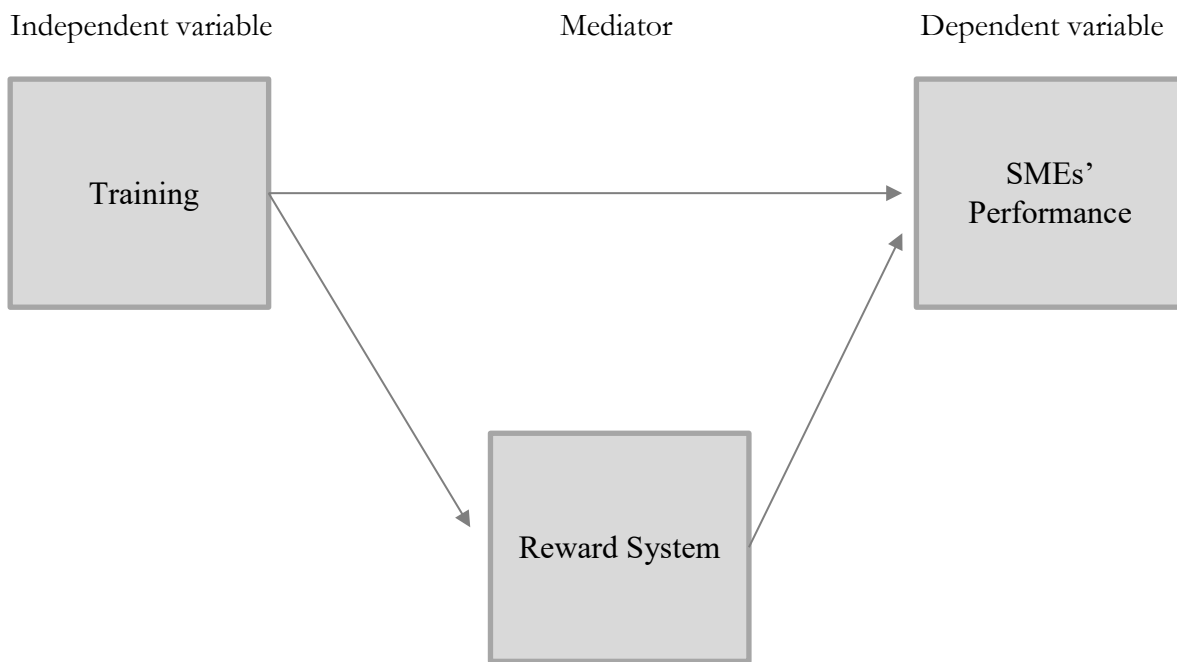
3. Methodology

3.1 Research Design

This study adopted a survey research design to capture the opinions, perceptions, and experiences of participants using a structured, closed-ended questionnaire. The choice of structured questionnaires ensured that respondents remained focused on the research topic, thereby enhancing the reliability of responses. Survey research was deemed appropriate as it offers an efficient means of collecting data, enabling researchers to generate unbiased insights and make informed decisions based on the analyzed results (Mugeda & Mugeda,

2003). The target population included all small and medium-sized enterprises (SMEs) whose leadership comprised either the business owners or Chief Executive Officers (CEOs) with a minimum of four years of operational experience. The rationale for focusing solely on CEOs or owners was due to their comprehensive knowledge of the enterprise's strategic direction, innovation practices, and overall performance, insights typically unavailable to lower-level staff. Since no comprehensive sampling frame existed, a non-probability sampling technique was adopted. Specifically, purposive sampling was used to ensure that only SMEs with qualified CEOs/owners were selected, while convenience sampling allowed for access to willing participants within the defined timeframe. Before sampling, the broader population size was not formally enumerated due to limited centralized SME records. Ultimately, 395 SME CEOs/owners were approached, and questionnaires were administered by the researchers and two trained research assistants between December 14, 2023, and March 25, 2024. Out of the distributed questionnaires, 363 were completed and returned, yielding a high response rate of 91.8%.

3.2 Data Collection Instruments

The data collection instruments for the study comprised of Training Questionnaire (TRS), Reward System questionnaire and SMEs performance questionnaire. These scales were developed and validated by Tahir (2010).

3.3 Validity of the Research Instruments

The instruments used in this study were submitted to a panel of experts for validation. Thus, their constructive criticisms, advice, and suggestions were seriously considered to ensure the validity of the instrument.

3.4 Reliability of the Research Instrument

Eigenvalues of principal components, Kaiser-Meier-Olkin (KMO), percentage of variance, and Cronbach's alpha were used for internal consistency confidence tests (see Table 1).

3.5 Method of data analysis

Data analysis was performed with the aid of Structure Equation Modelling (SEM), STATA version 15.

From Table 1, the high Cronbach's Alpha values, all exceeding 0.8, indicate strong internal consistency. Similarly, the KMO values for all three scales are well above 0.8, confirming the adequacy of the data for factor analysis. The SMEP scale has the highest eigenvalue (3.790), suggesting that a single principal factor accounts for most of the data variation. Additionally, each scale explains over 82% of the variance, demonstrating excellent measurement properties. These results affirm the reliability and validity of the RWD, TR, and SMEP scales.

Table 1 − Reliability Test of the Instruments

Variable		Cronbach's Alpha	KMO	Eigenvalue of the principal Component	% of variance
RWD Scale-Cronbach Alpha (RWD = 0.859)			0.8274	3.078	83.22%
RWDQ 1	Compensation offered by the organization matches the expectancy of employees.	0.794			
RWDQ 2	The salary and other benefits are competitive to the market.	0.854			
RWD Q3	The compensation for all employees is directly linked to their performance.	0.818		Source: Mandago (2018)	
RWDQ 4	The profit sharing is used as a mechanism to reward higher performance.	0.801			
RWDS Q 5	The organization offers both financial and non-financial rewards without discrimination.	0.832			
TR Scale - Cronbach Alpha – (TRS= 0.829)			0.830	2.997	82.85%
TRSQ1	The organization's management is interested of preparing the training programs periodically in order to increase the employee's knowledge and development.	0.827			
TRSQ2	Organization conducts extensive Training and Development (T&D) programs for employees.	0.867		Source: Aladejebi (2018)	
TRSQ3	Training needs are identified through a formal need assessment mechanism.	0.849			
TRSQ 4	4. There are formal training programs to equip new employees with the skills they need to perform their job	0.814			
TRSQ 5	Employees at each job normally go through T&D programs every year.	0.798			
SMEP Scale - Cronbach Alpha – (SMEP= 0.887)			0.847	3.790	83.72%
SMEPQ 1	Promises of the customers are fulfilled as time indicated	0.862			
SMEPQ2	We have the knowledge to answer our customers' questions	0.827			
SMEPQ3	My organization pays much attention to our customers' needs using hi-tech facilities to improve customer satisfaction.	0.851		Source: Ojokuku, and Sajuyigbe (2015)	
SMEPQ 4	My organization tries to build the trust of our customers with respect to the products we offered.	0.799			
SMEPQ 5	Our staff gives much attention and prompts services to our customers irrespective of their status	0.828			

4. Results and Discussion

4.1 Findings

The result presented in Table 2 shows that training exerts a strong, positive, and statistically significant influence on the performance of Small and Medium Enterprises ($\beta = 0.589743$, t = 5.85, p < 0.05). This underscores the vital role of employee training and skill development as key drivers of business success. By prioritizing regular, targeted training programs, SMEs can enhance operational efficiency, foster innovation, and boost customer satisfaction, factors that collectively contribute to improved overall performance. Moreover, dedicating resources to capacity-building efforts should be viewed not merely as a human resource function but as a strategic investment that strengthens competitiveness and supports sustainable growth. The study concurs with the previous studies that training creates a positive atmosphere for SMEs' performance (Ghee et al., 2015; Saan, Boating, and Kamwine, 2013). In another study, Neubauer (2003) shows that training is a follow-up strategy for SMEs' survival in Ghana. Maryam, Sahar, and Meisa (2014) also confirm that training of SME operators/managers is a prerequisite for SMEs' survival in Iran. In the same realization, Dingliana (2013) proposes that training has the greatest impact on SMEs' performance. Hence, H_1 is confirmed.

Table 2 − Results of Structural Equation Modelling

Relationship between variables	Estimates	S.E	t-value	p-value	Hypothesis	Remark
Direct Model						
TRS→ SMEP	.589743	.12250	5.85	***	H_1	Confirmed
TRS→ REW	.376212	.10987	4.76	***	H_2	
REW→ SMEP	.222222	.10495	2.12	***	H_3	Confirmed
Indirect Model						
TRS→ RWD → SMEP	.16666	.07984	2.09	***	H_4	Partially confirmed

Note: *** p < 0.05, TRS = Training, RWD = Reward system, SMEP = SMEs' Performance

The findings further indicate a positive and statistically significant relationship between training and the reward system ($\beta = 0.376$, t = 4.76, p = 0.000). This suggests that improving employee training can enhance the design and effectiveness of reward systems in SMEs. Training helps employees better understand performance standards, making reward structures more relevant and motivational. As employees acquire new skills, they are more likely to achieve or surpass performance targets, thereby justifying performance-based incentives. Additionally, training establishes a clearer framework for fair and merit-based compensation, which can improve employee morale and retention. Aligning training outcomes with reward mechanisms also encourages a performance-oriented culture, motivating staff to apply their skills for organizational success. The study is consistent with the findings of Yu-Ting et al. (2016), who reported a significant relationship between training and the reward system. Similarly, Enis et al. (2015) argued that training can serve as an alternative paradigm to the traditional reward system. Hence, H2 is confirmed.

The result indicates that an effective reward system has a direct and statistically significant impact on SME performance ($\beta = 0.222$, $t = 2.12$, $p = 0.000$). This implies that SME operators should prioritize the design and implementation of performance-based reward systems to enhance employee motivation, productivity, and overall organizational outcomes. By recognizing and rewarding employee contributions appropriately, SMEs can drive higher engagement levels, reduce turnover, and achieve better business performance. The study agrees with Kalyar, Ali, and Shafique (2021) that the reward system is a major determinant of SMEs' performance. In another study, Khurshid and Darzi (2016) argued that a reward system is designed to influence and modify employees' behavior towards organizational performance. Ahmad (2015) also reiterates that a reward system has tremendous benefits in influencing staff interests towards organizational performance. Therefore, H_3 is supported.

Furthermore, the results of the structural equation model (indirect model) of the independent variables (training) and dependent variable (SMEs performance) with mediating effect of reward system reveal that the beta-value of .0798 and p-value of 0.000 showcase that reward system and training are predictors of SMEs performance, therefore, there is partial mediation. This implies that the reward system partially mediates between training and SMEs' performance. This result concurs with that of Zhao et al. (2010), which states that partial mediation occurs when the independent variable and mediator are predictors of the dependent variable. This study aligns with Richard (2015), who confirms that the reward system is a platform through which training influences SMEs' performance in South Africa.

This finding implies that if SME managers are exposed to cutting-edge training and generous compensation, they will be able to demonstrate their intellectual abilities, such as understanding the business environment, understanding globalization and integration, understanding market conditions, and understanding knowledge about competitors' strategies, and increase SMEs' competitive pricing and innovative performance. This is accurate because the performance of SMEs can be influenced by a wide range of entrepreneurial skills and a generous reward system (Richard, 2015; Zhao et al., 2010). Because of this, SMEs can still grow stronger and remain competitive if their managers invest in new skills and are compensated appropriately. Thus, H4 is partially supported.

4.2   *Discussion of Findings*

The findings reveal several critical insights into the relationships between training, reward systems, and the performance of Small and Medium Enterprises (SMEs). First, the study establishes that training exerts a strong, positive, and statistically significant influence on SME performance. This underscores the essential role of employee training and skill development in driving business success. Regular and targeted training programs enhance operational efficiency, stimulate innovation, and improve customer satisfaction—factors that collectively elevate organizational performance. Importantly, training should be regarded not merely as an HR function but as a strategic investment essential for building competitiveness and achieving sustainable growth. These findings are in line with previous research by Ghee et al. (2015), Saan, Boating, and Kamwine (2013), and Neubauer (2003), who emphasized training as critical for SME survival in various contexts. Similarly, Maryam, Sahar, and Meisa (2014) and Dingliana (2013) confirmed the pivotal role of training in enhancing SME outcomes. Thus, H1 is confirmed.

Secondly, the study finds a positive and statistically significant relationship between training and the reward system, suggesting that effective training enhances the relevance and structure of reward systems. Through training, employees gain a clearer understanding of performance expectations, making reward systems more targeted and motivating. As employees develop new competencies, they become better positioned to meet or exceed performance goals, thereby justifying merit-based rewards. Moreover, training creates a basis for fair, transparent, and meritocratic compensation structures, improving morale and retention. These findings align with Yu-Ting et al. (2016), who observed a strong linkage between training and reward systems, and Enis et al. (2015), who proposed training as a viable alternative to traditional reward mechanisms. Therefore, H2 is confirmed.

Additionally, the study confirms that reward systems have a direct and statistically significant impact on SME performance. This suggests that well-structured and performance-based reward systems contribute to higher employee motivation, productivity, and overall organizational effectiveness. When employees are appropriately recognized and compensated for their contributions, they are more engaged and committed to organizational goals. This finding is supported by studies such as Kalyar, Ali, and Shafique (2021), Khurshid and Darzi (2016), and Ahmad (2015), who all emphasized the critical role of reward systems in enhancing organizational performance. As a result, H3 is supported.

Lastly, the structural equation modeling (indirect model) reveals a partial mediating effect of the reward system on the relationship between training and SME performance. This suggests that while training independently influences performance, its effect is also transmitted through an enhanced reward system. This form of partial mediation is consistent with Zhao et al. (2010), who noted that partial mediation occurs when both the independent variable and the mediator significantly predict the dependent variable. The finding also aligns with Richard (2015), who affirmed that reward systems serve as a mechanism through which training impacts SME performance in the South African context.

This implies that when SME managers are exposed to high-quality training and are supported by effective reward systems, they are better equipped to demonstrate entrepreneurial competencies such as market analysis, competitive intelligence, and pricing innovation. These capabilities are essential for enhancing SMEs competitiveness and sustainability. Therefore, H4 is partially supported. In summary, the findings affirm that both training and reward systems are crucial for improving SME performance. Their interplay not only strengthens employee capacity but also fosters a culture of performance and accountability, ultimately driving organizational growth and competitiveness.

5. Conclusions

With the reward system serving as a mediating variable, the goal of this study was to clarify the relationship between training as an independent variable and SMEs' performance as a dependent variable. Using a simple random sampling method produced by the Microsoft Excel application package, 363 respondents were selected. A questionnaire was used to gather primary data for the study. Data analysis was performed by structural equation modeling using STATA version 15. Analysis revealed a significant and positive relationship between training and the reward system. Additionally, there is a strong positive

correlation between training and the performance of SMEs. This implies that SMEs' performance can be predicted by both training and reward. It was also discovered that the performance of SMEs and training are partially mediated by the reward system.

5.1 Practical Implications

The findings of this study offer several practical implications for SME owners, managers, and policymakers aiming to enhance organizational performance: For SME operators, they should view training not as a routine HR activity but as a critical strategic tool for enhancing competitiveness and long-term sustainability. By implementing regular, targeted training programs, SMEs can improve employee competencies, foster innovation, and boost service quality—all of which are essential for achieving superior performance. Since training significantly improves the design and effectiveness of reward systems, SME managers should ensure that training outcomes are clearly aligned with performance appraisal and compensation structures. This alignment helps employees understand performance expectations and increases the motivational impact of rewards. Given the significant positive impact of reward systems on SME performance, it is essential for SMEs to develop structured, transparent, and performance-based reward mechanisms. Such systems encourage employee commitment, enhance job satisfaction, and reduce turnover, thereby improving productivity and business outcomes. In addition, the partial mediation of reward systems between training and performance implies that training alone is not sufficient. SMEs must also ensure that the improved skills and knowledge gained through training are reinforced with appropriate incentives. This combination strengthens the link between employee development and organizational performance.

For policymakers, government agencies, and SME support organizations should prioritize capacity-building initiatives that integrate both training and reward strategies. Policy interventions aimed at subsidizing or supporting employee development programs in SMEs can have a ripple effect on job creation, innovation, and economic growth. By integrating training with performance-based rewards, SMEs can cultivate a high-performance culture. This encourages employees to apply their newly acquired skills toward achieving business goals, thus enhancing overall productivity and competitiveness. In essence, SMEs that strategically invest in employee training and reward systems are better positioned to drive sustainable growth, adapt to changing market demands, and maintain a competitive edge in today's dynamic business environment.

5.2 Study Limitations and Recommendations for Further Studies

The study was limited to Nigerian SMEs; thus, future research should extend to other regions and industry sectors to enhance the generalizability of findings. While this study concentrated on training, reward systems, and performance, subsequent studies could examine additional mediating or moderating factors such as organizational culture, leadership style, employee engagement, or external market dynamics. Moreover, future researchers are encouraged to investigate the impact of government policies and support initiatives on the implementation and effectiveness of training and reward strategies within SMEs.

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