



**Impact of Human Resource Management Practices on the SME's Performance- A study
in Khara Industrial Area (Distt- Bikaner)**

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) form the backbone of a developing economy like India in every development sector i.e, economic, technological, regional, socio-cultural, political and global. It contributes 45% of industrial output, 40% of exports. The industry produces more than 8,000 products ranging from traditional to high-tech items, employing about 59 million people in more than 26 million units across the country. The total number of jobs created by the MSME sector exceeds 805 lac, representing about 40% of India's workforce (MSME Annual Report 2014-15). By promoting SMEs, India can target inclusive growth by developing rural India alongside urban India. Therefore, the researcher is interested in embarking on SME research. This study attempts to explore the link between HRM practice and SME performance in Khara Industrial area, Distt-Bikaner by conducting a survey of 126 SMEs.

Introduction :

Economies around the world have emphasized the important role of small and medium enterprises (SMEs) in economic growth and development is mainly because the sector is one of the most "dynamic" industries. The Micro, Small and Medium Enterprises (MSME) sector in India has become a very vibrant and vibrant region. Estimated to employ more than 805 people, this sector offers great employment opportunities with relatively lower capital costs than large industries and contributes to the industrialization of backward rural areas. Thus, it contributes to reducing regional imbalances, encouraging decentralization, ensuring inclusive growth and equitable distribution of national income and wealth. Moreover, SMEs both complement and complement major industries as ancillary units and thus, make a great contribution to the country's socio-economic development.



The Indian Planning Commission's Report 2020, Indian Planning Commission (2002), asserts that international experience confirms that SMEs are better insulated from external shocks, more resilient to constraints and better responsive to the demands of rapid technology adoption, globalization and development of entrepreneurship. Micro, Small and Medium Enterprises (MSMEs) form the backbone of a developing economy like India in every development sector i.e, economic, technological, regional, socio-cultural, political and global. The share of the MSME sector in total GDP was about 38% (37.54% to be exact) in 2012-13, according to the 2015 annual report on MSMEs. 16. SMEs are the source of a number of innovations in the manufacturing and services sectors and are also key links in the supply chains of companies and UAPs. According to MSME Annual Report 201516, the share of MSME production in total production in 201213 was 37.33%. To illustrate the amount of opportunity this sector holds, it would be interesting to note that in India, MSMEs contribute 45% of industrial output, 40% of exports. The industry produces more than 8,000 products ranging from traditional to high-tech items, employing approximately 59 million people in more than 26 million units across the country (MSME Annual Report 201415). Total cumulative employment in the Khadi and Industrial Villages (KVI) sector is estimated to have grown to 15.5 million in 201516 from 13.4 million people in the corresponding period of the previous year, according to the 2015 annual report on MSMEs¹⁶. With India on high growth momentum, the MSME sector is expected to create 100 million jobs in the next few years. The government is also considering major labor reforms to facilitate manufacturing in India. All this creates significant incentive and opportunity to examine the prevailing HRM practices and extract maximum potential from this sector. Theories on Human Resource Management are often developed and tested in large organizations. Studies on HRM within SMEs occur less often. The majority of publications on HRM within small and medium sized enterprises are based on qualitative studies. Heneman et al. concluded that "lack of information on human resources in SMEs is a dilemma for theory, research and practice" (Heneman et al., 2000). Information on human resource management practices in MSMEs is lacking (Chandler and McEvoy, 2000; Heneman and Tansky, 2003)... therefore, researchers are interested in conducting research and



finding the link between performance HRM practices and business performance of MSMEs in particular refer to SMEs in Khara Industrial Area- Bikaner district. In this study, samples were selected from eight industrial parks out of a total of 12 industrial zones (i.e. 67% industrial zones) in Bikaner district.

Linkage between HRM and Performance

The study of human resource management (HRM) deals with the choices that organizations make among a wide variety of employee management policies, practices, and structures. However, in a more strategic sense, HRM is interpreted as a combination of practices and policies that are carefully designed to enhance an organization's effectiveness, resulting in better operational results. As Wright and McMahan (1992) define HRM as “the activities and planned implementations of HR that enable an organization to achieve its objectives”. They suggest that it is the HR practice model that will contribute to business performance and goal achievement.

This study focuses on the strategic link between HRM and performance. The representation of the HRM performance relationship proposed by Guest et al. (2000), as shown in Figure below, serves as a useful visual representation of this strategic linkage.



(Source: Guest *et al*, 2000)

Figure 1-1 - Model of the Link between HRM and Performance



Human Resource Management Practices

Human resources authors and advisors infer that there cannot be one universal rule for all HRM methods and policies. It is basically based on the business needs of the company in its context (culture, structure, technology and processes) (Armstrong Michael, 2006). So "best fit" is more important than "best practice". Thus, different "best practices" components from different successful referral organizations can be selected and combined to develop an approach that best suits the established business needs. determined by the company. Therefore, it can be said that human resource management practice is a set of practices aimed at improving the productivity and efficiency of workers.

Good HRM practices lead to effective workforce planning, reducing errors in the selection process; effectively manage people through an open performance management system (PMS); create a good performance development plan (PDP) for its employees; develop their staff through appropriate coaching, mentoring, training and development; develop an effective compensation management system that enables better employee retention as well as good motivational strategies to keep employees motivated and productive. In small businesses, the owner is responsible for decisions regarding human resources. Their management style has a direct influence on HRM performance (Koch de Kok, 1999). Based on Literature Review (Paauwe & Richardson, 1997; Guest, 1997), the **major HR practices** identified in the present study are:

- Recruitment and Selection
- Training and development
- Performance Management System
- Employee participation
- Employee decision-making
- Welfare Measures



Firm's Performance

A company's performance can be captured in a variety of ways. The distinction is adopted by Dyer and Reeves (1995) who suggest that performance measures can be divided into four categories:

- Employee outcomes, which address the impact of practices on employees (eg attitudes, behaviors, absences and rotations, etc.).
- Organizational results, more focused on performance measures (e.g. productivity, quality and shrinkage)
- Financial/accounting results, referring to actual financial performance measures (eg: costs, income and profits) and finally,
- Market-based earnings, which reflect how financial markets value a company, such as through its stock price or variations. The performance dimensions identified in the literature review study (Dyer & Reeves, 1995; Paauwe & Richardson, 1997) were: Employee outcomes such as employee competencies, attitudes (commitment, co-operation) work); Employee behavior (regularity, punctuality, discipline); Employee involvement. Organizational performance (e.g. customer, supplier satisfaction Satisfaction, Product/service development, Quality, Utilization of resources, Defect reduction, % change in net profit margin, ROI (as % of 2-year average performance)

Managing Heads

Respondents in this study are SME owners/entrepreneurs as well as corporate employees, including the SME general manager/head of any SME functional area such as human resources, accounting, finance, production or simply supervision. SMEs have observed that the person designated as a "supervisor" or "manager" is responsible for some or all of the SME functional areas. He is the one that all workers bring back from their daily work or from their problems or problems. Thus, a person known as a "supervisor" or "manager" is also an executive according to the study.

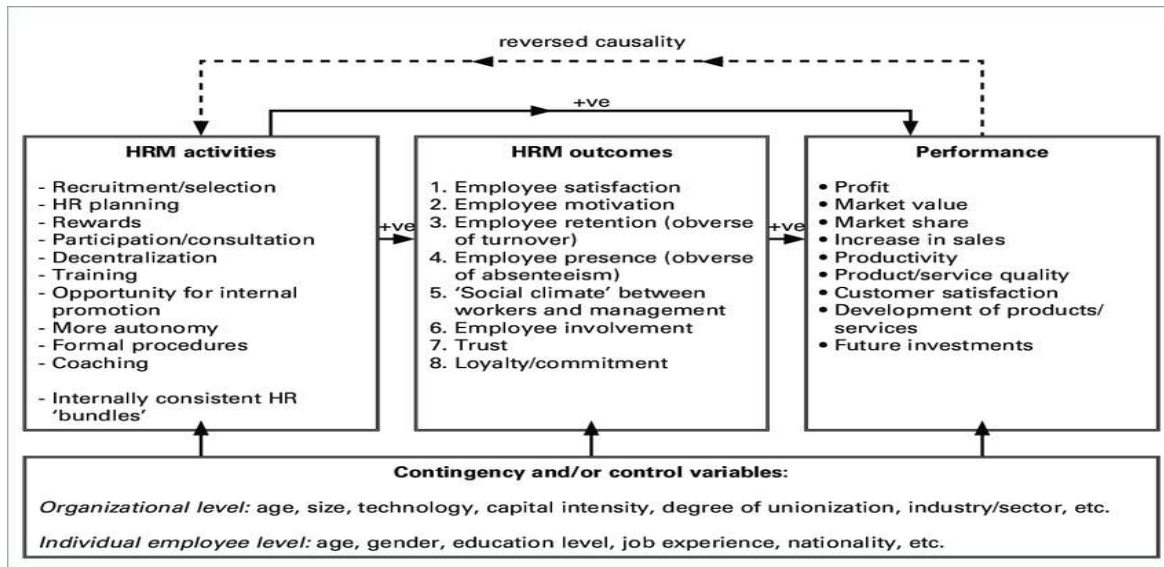


This study identifies the main HRM practices and operational dimensions of SMEs in Khara Industrial Area-Bikaner district through a survey of SMEs from industrial zones.

Literature Review

It is a matter of great conversation among HR researchers regarding how the overall set of HR practices is associated or linked with firm performance and competitive advantage (Ferris et al., 1999). The well recognized ‘resource based view’ with respect to human resources which provides a unique source of competitive advantage on account of its inability to be replicated or imitated, is well established (Barney 1991; Wright et. al 1994; Boxall 1996, Ferris et.al 1999). There is an increasing empirical data suggesting that HR bundles which are equally reinforcing, synergistic and overlapping facilitate employee commitment and involvement (MacDuffie, 1995; Guthrie, Spell & Nyamori, 2002; Camps & LunaArocas, 2010). Previous studies identified training efforts as one of the main factors to improve organizational performance. Successful organizations tend to spend more time on training, especially on communication and team skills (Lau & Ngo, 2004; Wimbush, 2005). Research by Erdil & Gonsel (2012) further corroborates the strong link between cross-functional training and organizational performance. Thus, the resource-based perspective has produced a great deal of research on how HRM practices contribute to business performance by leveraging desired attitudes and behaviors (Wright et al. 1994; Lado et al. Wilson, 1994; Becker and Gerhart, 1996).

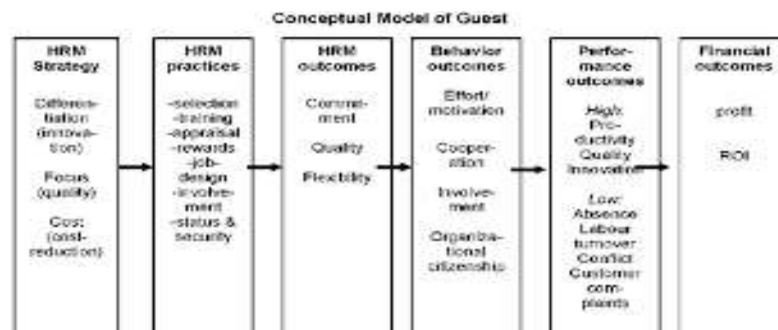
The representation of the HRM-performance linkage is put forward by **Paauwe and Richardson (1997)** depicted as



Paawe & Richardson Model (1997)

Guest's (1997) model has six interlocking boxes, as shown in Figure:

- Start with the Porter-style strategy model - distinguishing business strategies that focus on differentiation/innovation, focus/quality and cost reduction;
- These are reflected in HRM practices,
- Outcomes from HRM outcomes, including behavioral outcomes;
- Cumulative impact on operating results... and thus financial results.





Research Gap

1. There is lack of research in HRM related practices in SMEs.
2. The linkages between HR practices and SMEs performance needs to be established.
3. There is scarcity of knowledge about the HR practices in SMES.

DEFINITION OF THE PROBLEM

To find the linkages between HR Practices and SMEs performance in Khara Industrial Area-Bikaner district

OBJECTIVES OF THE STUDY

The main objectives of the study are as under:

- To find the linkages between HRM Practices and Performance of SMEs in the Khara Industrial Area-Bikaner district
- To find the linkages between HRM Practices and Employee Outcomes in SMEs.
- To find the linkages between Employee Outcomes and Performance of SMEs.
- To identify the state of HR practices and the major HRM practices being practiced in the SMEs.
- To understand the various aspects of SMEs with respect to its presence in the presentscenario.
- To understand the various policy initiatives and strategies undertaken in the sector.
- To identify the various problems, challenges or issues faced by the SMEs as a part of the qualitative study.
- To give recommendations and suggestions to improve the SME sector.



Significance of the Study:

The study is significant because the following results will be achieved from the study:

To understand the linkages between HRM practices and SME's performance in Khara Industrial Area-Bikaner district. Although a lot of studies have been done in the large enterprises regarding the linkages between performance and human resource management practices, there is dearth of such studies in SMEs. The findings in the study will contribute to theory building in the areas of linkages between HR practices and performance in the SME sector.

Investigate the current state of HR practices in the SMEs in the Khara Industrial Area-Bikaner district. HRM practices in the large sized firms have been widely studied. But unlike largescale firms, research indicates that HRM practices like recruitment, motivation and retention are one of the biggest problems for small firms (Gatewood and Field 1987, Hornsby and Kuratko 1990). Thus, the present study is significant as it tries to find the HRM practices which are practically prevalent in the SME firms in the Khara Industrial Area-Bikaner district.

Identify the important HR practices practiced in the SMEs. The HR practices which are mostly practiced by a majority of the SME firms across the various estates have been identified. These practices will be considered important HR practices in SMEs. The findings of the study will contribute to the development of theories in the areas of HR practice in the SME sector.

Identify the problems and challenges faced by entrepreneurs/SME managers in general. Small business owners and managers face a lot of problems from different aspects of the internal and external environment. Research will help to understand these SME issues through open discussions and interactions with SME owners/managers to gain a real understanding of the field. This will certainly also contribute to a good theoretical framework, opening the door for future research.



Identify key policies as well as new policy initiatives that are popular among SMEs. A detailed review of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 was carried out including all new initiatives taken by the government as well as other agencies, obtained from different secondary data sources, to understand the real perspective. This is important because it can help aspiring entrepreneurs who want to start a small or medium-sized factory get guidance on policy initiatives in a single platform.

Understand the different functional areas prevalent in the SME sector, with particular emphasis on human resource management.

Recommendations to improvise the SME sector, one of the most dynamic sectors of the economy. This study is also important from a context perspective, as several recommendations have been made, based on the research done and the results of the study, which can be made by the Owners/Managers/Departments commerce and businesses as well as industry associations absorb to improvise the SME sector.

RESEARCH METHODOLOGY

Research Design:

The research design of the study is a combination of descriptive and exploratory research. Descriptive research is a type of conclusive research whose primary goal is to describe something, usually the characteristics or functions of a market (Malhotra & Dash, 2011). In this study, the descriptive research design consists of a pre-planned and structured design through quantitative analysis through hypothesis testing and the use of a survey method through an idiosyncratic approach. Additional information is collected on practical aspects such as issues, challenges or concerns facing the SME sector as part of exploratory research to better understand the issue. It is done through open-ended questions in a semi-structured interview, through discussions and interactions with entrepreneurs and leaders. The main objective of exploratory research is to provide information and understanding of the problem situation the researcher is facing (Malhotra & Dash, 2011).



Research Approach

A descriptive and exploratory study design will be used to conduct this study. Research approach basically refers to the general direction of the research. Quantitative research techniques collect numerical data and use statistical analysis to arrive at meaningful conclusions. Whereas analytical qualitative techniques are based on the quantification of words and concepts. Thus, the research will be both deductive and inductive. Deductive research is a test of theory, often associated with quantitative analysis. While theory-generating inductive research can be linked to qualitative interviews collected from respondents to identify common issues and challenges facing the industry. In this study, the use of brainstorming discussions through open-ended questions posed to respondents and detailed interactive sessions will be held with CEOs helped uncover the real challenges/problems that SMEs face in different areas of in the Khara Industrial Area-Bikaner district.

Sampling Design:

Non-probability Sampling method of Convenience Sampling will be used for selecting the samples.

The samples will be selected from eight Industrial Estates in the Khara Industrial Area-Bikaner district.

Sources of Data

Primary data is generated by the researcher with the specific aim of solving the problem at hand. In this study, primary data was collected by administering a structured questionnaire and asking respondents to complete it through an individual approach. In addition, several open-ended questions in the semi-structured interview elicited primary data from respondents about the issues and challenges facing the industry.

Secondary data is data that has been collected for purposes other than the subject matter in question. Secondary sources for research include information from journals, books, theses/dissertations, website references as well as government/organizational reports, annual reports or publications products and directories.



Sampling Unit & Sampling Size

The respondents will constitute of Owners/ Entrepreneurs and others which includes employees as well as people from Senior Management. (viz. Heads of Department/ HR Managers/ HR Executives/ Supervisors/ Administrative Heads/ Accountants) of the selected SME firms, in the various industrial estates in the Khara Industrial Area-Bikaner district.

The sample size comprises of respondents from 126 SME firms across the eight Industrial Estates of the Khara Industrial Area-Bikaner district.

The respondents in the study comprise of 82 owners (including entrepreneurs, Directors, CEOs, Chairman, Proprietor, Partner) and other employees, including people from senior management, comprising of General Managers, Heads of Departments, HR Managers, Supervisors, HR Executives, Incharges, Accountants etc.

Research Tool

The research tool will be a detailed structured Questionnaire filled by the Owners/ HR Heads/ Managing heads of the SME firms.

The Research tool will comprises of five point Likert scale questions (where 1= Strongly Disagree, 2=Disagree, 3= Neither Agree Nor Disagree, 4= Agree and 5= Strongly Agree), multiple-choice questions, check-list questions as well as few open-ended questions to gather the respondent's views on few important issues.

Data will be collected using the one-to-one approach as an interactive discussion through personal contact is most suitable to gain the insights into a problem.

Research Hypotheses

A hypothesized Technology Acceptance Model will be tested using structural equation modeling using AMOS 18 software.

The major hypotheses in the study will be:



H1: HR Practices positively and directly affects Organizational Performance.

H2: Employee Outcome positively and directly affects Organizational Performance.

H3: There exists covariance between HR Practices and Employee Outcome.

RESULTS & FINDINGS

SECTION I: DESCRIPTIVE STATISTICS

Descriptive Statistics was done to get an overview of the samples selected, using various frequency distribution analysis, including percentages, mean, standard deviation, Reliability Tests etc.

1. Age of the Respondents

Table 1: Age of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-25 YRS	6	2.8	2.8	2.8
26-35 YRS	59	27.4	27.4	30.2
36-45 YRS	66	30.7	30.7	60.9
46-55 YRS	57	26.5	26.5	87.4
ABOVE 55 YRS	27	12.6	12.6	100.0
Total	215	100.0	100.0	

About 31% of the respondents belonged to the middle age-group of 36-45 yrs (Table 1).

2. Gender of the Respondents

Table 2: Gender of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MALE	196	91.2	91.2	91.2
FEMALE	19	8.8	8.8	100.0
Total	215	100.0	100.0	

It can be seen from Table 2 that majority of the respondents (about 91%) are males.



1. Designation of Respondents

Table 3: Designation of Respondents

	Frequency	Percentage	Valid Percent	Cumulative Percent
Valid Owner/MD	82	38.1	38.1	38.1
Other Managing Heads/emp	133	61.9	61.9	100.0
Total	215	100.0	100.0	

It can be seen from Table 3 that about 38% of the respondents were owners/entrepreneurs whereas about 62% of the respondents were other employees including senior managers.

3. Size of the Firm

It can be seen from Table 4 that about 67% of the firms were small enterprises whereas about 33% firms were medium enterprises. The MSMED Act, 2006 defines small enterprises as the manufacturing units with investments in plant and machinery above Rs. 25 lakhs and upto Rs. 5 crore and for medium enterprises above Rs. 5 crore and upto Rs. 10 crore (MSMED Act).

Table 4: Size of the Firm

	Frequency	Percentage	Valid Percent	Cumulative Percent
Valid SMALL	143	66.5	66.5	66.5
MEDIUM	72	33.5	33.5	100.0
Total	215	100.0	100.0	

1. Our firm has some written documentation of HR Policies

Research shows that well-written business policies and procedures allow employees to clearly understand their roles and responsibilities within predefined limits, and removes ambiguity.



It was found that 47% of the SMEs had no rules, regulations or HR policies in written form in the form of Employee Handbook, Rule-book or HR Manual, as shown in Table 5

Table 5: Our firm has some written documentation of HR Policies

	Frequency	Percent	Valid Percent	Cumulative Percent
EMP HANDBOOK	49	22.8	22.8	22.8
RULE BOOK	22	10.2	10.2	33.0
HR MANUAL	43	20.0	20.0	53.0
NOTHING LIKE	101	47.0	47.0	100.0
Total	215	100.0	100.0	

4. The person who handles HR functions

It is also worth mentioning that about 49% of the firms had no internal HR expert designated to undertake the HR functions in the firm, but was mostly taken care of by the owner/ entrepreneur.

Table 6: The person who handles HR functions

	Frequency	Percent	Valid Percent	Cumulative Percent
No Internal HR expert	106	49.3	49.3	49.3
Presence of Internal HR expert	109	50.7	50.7	100.0
Total	215	100.0	100.0	

Descriptive Statistics of Scale Items (Only key items summarized)



**Table 7: Cronbach's Reliability Test, Mean & Standard Deviation
(of Scale Items)***

	Me an	Std. Dev.	N	Cronbach(α)
HR Practices				
Good performers are given non-financial incentives.	2.98	1.127	21 5	0.8 02
Employees can openly communicate with the superiors	4.14	.574	21 5	
Mean & σ of HR Practices	3.84 7	0.812		
Employee Outcomes				
Employees are punctual and report daily	3.55	0.873	21 5	0.8 88
Employees co-operate among themselves	3.97	0.761	21 5	
Mean & σ of Employee Outcomes	3.77 1	0.800		
Organizati onal Outcomes				
Return on Investment (in %) has increased	3.68	.887	21 5	0.8 65
Measures have been taken by the firm for product/service development	4.24	.688	21 5	
Mean & σ of Organizational Outcomes	4.03 7	0.747		

Interpretation

After arranging the items in ascending order of the Means, it can be observed from Table 7 that the Mean is 2.98 which is the lowest for the statement 'Good performers are given non-financial incentives'. The Standard Deviation for the same item is 1.127. This shows that SME firms do not encourage Non-Financial incentives to a great extent. It can also be observed that Product Development has highest mean of 4.24 with standard deviation of 0.688, which is a good sign and shows the fact that SMEs undergo a lot of product development, based on customer needs.



Multiple Responses

Responses were gathered to know the most prevalent HR practice prevalent in the SMEs in Vadodara district. Table 8 shows the most important method/ source of the HR Practice.

HRM Practice	Responses		Percent of Cases
	N	Percent	
Sources of Recruitment: Employee's Referral	147	25.8%	68.4%
Sources of Selection: Interview	174	40.7%	81.7%
Sources of Selection: On Job Testing	109	25.5%	51.2%
Welfare Measures: Insurance (ESIC)	184	27.5%	86.8%
Welfare Measures: Bonus	177	26.4%	83.5%
Performance Assessed By: Performance Appraisal Format	82	29.8%	39.4%
Performance Assessed By: Evaluate Past Performance (informally by HOD/ owner)	136	49.5%	65.4%
Use of Performance Assessment: Developing Employees	123	26.8%	60.3%
Type of Training: On-the-Job Training	189	43.5%	88.7%

SECTION II: INFERENTIAL STATISTICS

Inferential Statistics was used to draw some inference about the various linkages between HRM Practices, Employee Outcomes and Firm's Performance using various inferential statistics like Cross-tabulation and Chi-square Mann Whitney Test, Kruskal-Wallis Test, Logistic Regression.

Crosstabs

1. Documentation of HR Practice and Type of Firm

H0: There is no significant association between type of firm and documentation of HR

practice.H1: There is significant association between type of firm and documentation of HR practice.

**Table 9: Chi-Square Tests of Documentation of HR Practice & Type of firm**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.222 ^a	15	.000
Likelihood Ratio	49.507	15	.000
Linear-by-Linear Association	.800	1	.371
N of Valid Cases	215		

a. 11 cells (45.8%) have expected count less than 5. The minimum expected count is .41. As the **p-value is less than 0.05** (in Table 9), so we **reject null hypothesis** and conclude that there is significant association between type of firm (type of firm includes Proprietary, Partnership, Private, Joint-stock or Private Limited) and documentation of HR practice (in the form of Employee hand-book, Rule-book, HR Manual, nothing like)

2. Documentation of HR Practice and Size of the Firm

H0: There is no significant association between size of the firm and documentation of HR practice.

H1: There is significant association between size of the firm and documentation of HR practice.

Table 10: Chi-Square Tests: Documentation of HR Practice * Size of the Firm

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.611 ^a	3	.000
Likelihood Ratio	26.401	3	.000
Linear-by-Linear Association	12.370	1	.000
No. of Valid Cases	215		

Table 11: Chi-Square Tests: Documentation of HR Practice * Size of the Firm

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.611 ^a	3	.000
Likelihood Ratio	26.401	3	.000
Linear-by-Linear Association	12.370	1	.000
No. of Valid Cases	215		

a. 0 cells (.0%) have T count less than 5. The minimum expected count is 7.37.



As the **p-value is less than 0.05** (in Table 11), so we **reject null hypothesis** and conclude that there is a significant association between size of the firm (small or medium) and documentation of HR practice (in the form of Employee hand-book, Rule-book, HR Manual, nothing like).

3. Presence of an Internal HR expert & Documentation of HR Practice

H0: Documentation of HR practice is not associated with the presence of an internal HR Expert.

H1: Documentation of HR practice is associated with the presence of an internal HR Expert.

Table 12: Chi-Square Tests: Presence of an Internal HR expert * Documentation of HR Practice

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.405 ^a	3	.001
Likelihood Ratio	17.923	3	.000
Linear-by-Linear Association	4.707	1	.030
No. of Valid Cases	215		

As the p-value is less than 0.05, so we reject null hypothesis and and conclude that Documentation of HR practice is associated with the presence of an internal HR Expert.

Non-Parametric Tests

As the data are measured on an ordinal scale and are not normally distributed and showsinhomogeneity of variance, so non-parametric Tests were used for the analysis.

Mann-Whitney Test

1. Presence of an Internal HR Person * HR Practices

H₀: There is no significant influence of the presence of an internal HR person on HR

PracticesH₁: There is a significant influence of the presence of an internal HR person on HR

Practices



Table 13: Mean Ranks: Influence of presence of an internal HR person on HR Practices

The person who handles HR functions		N	Mean Rank	Sum of Ranks
Organizes training and skill development programs	No Internal HR expert	106	92.37	9791.00
	Presence of Internal HR expert	109	123.20	13429.00
	Total	215		
Enough opportunity for career growth	No Internal HR expert	106	93.43	9903.50
	Presence of Internal HR expert	109	122.17	13316.50
	Total	215		

As can be seen in Table 13, the mean rank of ‘Presence of internal HR expert’ is 123.20 and 122.17 respectively for ‘The firm organizes Training & skill development programs’ and ‘There is enough opportunity for career growth’, so it can be concluded that HR experts consider that the firm organizes training and skill development programs as well as that there is enough opportunity in the firm for career growth.

Table 14: Test Statistics^a Mann Whitney: Influence of the person who handles HR functions on HR Practices

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Selection is on the basis of merit	4600.500	10271.500	-3.153	.002
Organizes training and skill development programs	4120.000	9791.000	-3.901	.000
Employees receive feedback	4719.000	10390.000	-2.851	.004
Enough opportunity for career growth	4232.500	9903.500	-3.653	.000
Compensation is decided on the basis of competence or ability	4550.500	10221.500	-3.353	.001



Good performers are given financial incentives	4785.000	10456.000	-2.311	.021
Good performers are given non-financial incentives.	4711.500	10706.500	-2.416	.016
Good performers are given more authority and responsibility.	4936.000	10607.000	-2.086	.037

Grouping Variable: The person who handles HR functions

As the p-value of all the statements shown in Table 14 is less than 0.05, so we reject the null hypothesis, and conclude that there is a significant influence of person who handles HR functions on the following HR practices: Selection, Training and skill development, Feedback mechanism, Opportunity for career growth, Compensation, Financial or Non-Financial Incentives as well as Authority and responsibility (delegation of power).

The Hypotheses are (only major ones):

Linkage 1:

H0: HR Practices does not affect Organizational Performance.

H1: HR Practices positively and directly affects Organizational Performance.

Linkage 2:

H0: Employee Outcomes does not affect Organizational Performance.

H2: Employee Outcome positively and directly affects Organizational Performance.

Linkage 3:

H0: There exists no covariance between HR Practices and Employee Outcome. H3: There exists covariance between HR Practices and Employee Outcome.



Relation Between Constructs	Estimate	P Value	Null Hypothesis
HR Practices □ Organizational Performance (Linkage 1)	0.879	0.000	REJECT
Employee Outcome □ Organizational Performance (Linkage 2)	0.702	0.000	REJECT
HR Practices □ □ Employee Outcome (Linkage 3)	0.096	0.000	REJECT

As the p values for all the three statements are less than .05 so we reject the Null Hypothesis and conclude the following linkages:

Linkage 1:

H1: HR Practices positively and directly affects Organizational Performance.

Linkage 2:

H2: Employee Outcome positively and directly affects Organizational Performance.

Linkage 3:

H3: There exists covariance between HR Practices and Employee Outcome. Major

output:

1. All estimates whose P-value is less than 0.05 are indicated by *** and so they are significant estimates
2. **Minimum Discrepancy** which is chi-Square divided by degree of freedom i.e. $Cmin/DF$ should be less than 5. Here it is **4.507** so the parsimonious (prudent) model is fit.
3. All **NFI (Normed Fit Index)**, **RFI (Relative Fit Index)** and **TLI (Tucker-Lewis Index)** are nearer to 0.9 which is good (A value close to .95 is considered representative of a well-fitting model).
4. **RMSEA (Root mean square error of approximation)** is **0.128** which is more than 0.05 so the model is good (Values less than .05 indicates good fit).

CONCLUSION

The study concludes linkages between HR Practices and SMEs performance with respect to employee outcomes as well as organizational outcomes. The study has come out with some major HR practices which are prevalent in the SME firms in the Vadodara district. The study



also brought about the emphasis of the presence of HR internal experts in the SME firms, which helps to improve the implementation of effective HR Practices.

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