HRM Practices and Human Capital Management: An Empirical Study of SMEs in Gulbarga District of Karnataka

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***Abstract*—Small and Medium Enterprises constitute the most dynamic segment of India's industrial economy, yet their adoption of formalised Human Resource Management practices remains inconsistent, particularly in Tier-2 industrial districts. This paper investigates two objectives: first, to examine the extent of adoption of key HRM practices comprising recruitment and selection, training and development, performance appraisal, and reward management among 112 respondents drawn from selected SMEs in Gulbarga District, Karnataka; and second, to analyse the relationship between Human Capital Management practices and employee motivation, satisfaction, and organisational performance. Primary data were collected through a structured questionnaire of 89 items administered to top management and executive staff. Four statistical analyses were conducted: descriptive statistics, Spearman rank correlation, Kruskal-Walli's test, and Mann-Whitney U test. Findings reveal that recruitment and HCM practices record the highest adoption, while reward management and performance appraisal remain underdeveloped. Spearman correlation confirms significant associations between motivation and organisational performance (rho = 0.682, p < 0.001), satisfaction and performance (rho = 0.646, p < 0.001), and HCM and performance (rho = 0.442, p < 0.001). The study contributes original empirical evidence from Gulbarga District of Karnataka and provides actionable guidance for SME practitioners and policymakers.**

***Index Terms*—HRM Practices; Human Capital Management; SMEs; Gulbarga District; Karnataka; Organisational Performance; Spearman Correlation; Emerging Economy**

I. INTRODUCTION

The twenty-first century has ushered in a fundamentally altered competitive environment for enterprises across the globe. The ongoing process of globalisation, characterised by liberalisation, privatisation, and the trans-nationalisation of markets, has compressed the advantages once enjoyed by enterprises with access to superior technology or financial capital. In this environment, the single most difficult-to-replicate source of competitive advantage is the quality of an enterprise's human capital and the effectiveness with which it is managed. Human Resource Management has accordingly moved from a peripheral administrative function to a central element of strategic business planning.

India's SME sector contributes over thirty per cent of GDP, accounts for approximately forty-five per cent of total exports, and provides employment to more than one hundred and twenty million people. Yet, paradoxically, this sector has been the slowest to adopt formalised HRM practices. For a large majority of SME owner-managers, people management continues to be conducted informally, on the basis of personal relationships and long-established tradition rather than structured, evidence-based systems.

Gulbarga District, located in the northern part of Karnataka, has witnessed sustained industrial growth over the past two decades. The district hosts a diverse range of small and medium enterprises across manufacturing, agro-processing, construction materials, textiles, and service sectors. Yet no academic inquiry has systematically examined the HRM landscape of its SME sector. This paper seeks to address that gap through a rigorous empirical

investigation based on primary data collected from 112 respondents across selected SMEs in Gulbarga District.

The research problem addressed in this study stems from a fundamental tension observed across Gulbarga District's SME sector. On one hand, owner-managers consistently acknowledge that their employees are their most important asset. On the other hand, the systems and practices through which these enterprises attract, develop, retain, and motivate their people remain largely informal, unstructured, and unevaluated. This gap between awareness and action is not merely an academic curiosity. It has direct consequences for employee productivity, retention, and the overall competitiveness of these enterprises in an increasingly demanding market environment. Understanding the nature and extent of this gap, and identifying the factors that perpetuate it, is the central problem this paper sets out to investigate.

The paper is organised as follows. Section 2 reviews the relevant academic literature on strategic HRM, HRM in SMEs, and the relationship between human capital and firm performance. Section 3 identifies the specific research gaps motivating the study. Section 4 states the research objectives and Section 5 present the hypotheses. Section 6 describes the research methodology including data collection, sample profile, composite variable construction, and statistical methods. Section 7 presents the data analysis and interpretation across four statistical techniques and two figures. Sections 8, 9, and 10 present the key findings, discussion, and conclusion with recommendations respectively. References are provided at the end of the paper.

II. REVIEW OF LITERATURE

2.1 Strategic Importance of HRM

Prahlad and Hamel (1990) established the theoretical basis for treating human capital as a source of sustained competitive advantage, arguing that knowledge, skills, and attitudes embedded in an organisation's members constitute core competencies that are difficult for competitors to replicate. Watson (1963), founder of IBM, observed that while capital could be acquired and buildings erected, only people could build a business. Bohlander, Snell, and Sherman (2001) synthesised this evidence into a comprehensive HRM framework, identifying recruitment, training, performance appraisal, and compensation as its four foundational pillars. Christansen (1977) introduced the concept of vertical integration of HR practices within business strategy, connecting individual competencies to organisational capabilities and ultimately to business performance.

2.2 HRM in Small and Medium Enterprises

Hess (1987) identified the core paradox of SME HRM: owner-managers consistently ranked people management among their most important activities yet received little guidance from the academic literature. Hornby and Kuratko (1990) noted that generic HRM models fail to account for the structural and resource constraints of SMEs, where the owner-manager typically performs HR functions alongside all other management roles without dedicated personnel or formalised systems. Anderson (2003), examining Danish SMEs, documented significant variation in HRM adoption across enterprises and confirmed that structured HRM was a comparatively recent phenomenon in smaller firms. Singh (2005) found that most Indian firms relied on managerial conviction rather than systematic evidence when designing HR systems, noting a marked paucity of empirical research on the HRM-performance link in the Indian context.

2.3 Human Capital Management and Firm Performance

Becker (1964) provided the foundational theoretical argument for human capital as an economic investment, distinguishing between general and firm-specific human capital and establishing the rationale for employer investment in training and retention. Pareek and Rao (1992) observed that unlike Western organisations, even leading Indian enterprises showed limited interest in management research, resulting in HR systems rarely evaluated for effectiveness. These observations are particularly applicable to SMEs in Gulbarga District of Karnataka, where no prior academic inquiry has been conducted into HRM practices.

2.4 Recent Evidence on HRM in Emerging Economy SMEs

The past decade has witnessed a renewed scholarly interest in HRM practices within SMEs of emerging economies, driven in part by the recognition that the institutional contexts, resource constraints, and

cultural dynamics of these enterprises differ substantially from those studied in earlier Western-focused research. Saini and Budhwar (2016) examined HRM practices in Indian organisations and highlighted the persistent gap between formal HRM policies and their actual implementation, noting that smaller enterprises faced particular challenges in translating strategic HR intent into operational practice. Their work underscored the importance of contextualised HRM research that accounts for the specific regulatory, cultural, and economic conditions of Indian industry.

Krishnan and Singh (2011) investigated the relationship between HRM practices and firm performance in Indian knowledge-intensive firms and found that training and development and performance management were the two practices most strongly associated with improved outcomes. While their study focused on larger technology firms, its methodological contribution, particularly the use of composite HRM practice indices, directly informs the analytical approach of the present study. Ngo, Lau, and Foley (2008) examined HRM practices and organisational performance across Asian economies and found that the alignment between HRM practices and organisational strategy was a more powerful predictor of performance than any individual practice in isolation. This finding is consistent with the present study's use of composite HRM and performance indices rather than single-item measures. More recently, Srivastava and Agrawal (2020) examined HRM adoption in small manufacturing enterprises in Uttar Pradesh and found that owner education and sector affiliation were stronger predictors of HRM formalisation than enterprise size or age, a finding that resonates with the present study's Kruskal-Wallis results from Gulbarga District. Collectively, this recent evidence confirms that HRM research in Indian SMEs remains an active and unresolved area of scholarly inquiry, and that district-level empirical studies such as the present one makes a meaningful contribution to building the evidence base.

III. RESEARCH GAP

Four specific gaps motivate this study. First, empirical studies on HRM in SMEs within Karnataka's non-metropolitan industrial districts are absent from the published literature. Second, simultaneous examination of both HRM practice adoption and HCM perceptions within the same SME sample has received limited empirical attention in India. Third, studies employing rigorous non-parametric statistical methods appropriate for ordinal Likert data, such as Spearman rank correlation, Kruskal-Wallis, and Mann-Whitney tests, are rare in Indian SME HRM research. Fourth, no study has examined whether HRM adoption levels are moderated by experience, capital investment, or gender in an emerging South Indian district context. The present study addresses all four gaps.

VI. OBJECTIVES OF THE STUDY

Objective 1: To examine the extent of adoption of HRM practices, namely recruitment and selection, training and development, performance appraisal, and reward management, among SMEs in Gulbarga District, Karnataka.

Objective 2: To analyse the relationship between Human Capital Management (HCM) practices and employee motivation, satisfaction, and organisational performance in selected SMEs of Gulbarga District.

V. HYPOTHESES

In alignment with the two research objectives and grounded in the theoretical framework established in the literature review, the following hypotheses are proposed for empirical testing.

H1: There is a statistically significant positive relationship between HRM practices and organisational performance in selected SMEs of Gulbarga District, Karnataka.

H2: HRM adoption levels do not differ significantly across SMEs grouped by business experience or capital investment.

H3: There is no statistically significant gender difference in HRM practice and Human Capital Management perceptions among respondents in the sampled SMEs.

H1 is tested through Spearman rank correlation between the HRM Composite and the Organisational Performance Proxy. H2 is tested through the Kruskal-Walli’s test across experience and capital groups. H3 is tested through the Mann-Whitney U test comparing male and female respondents across all HRM and

HCM dimensions. The results of these tests are presented in Section 7.

VI. RESEARCH METHODOLOGY

6.1 Research Design and Data Collection

The study adopts a quantitative, cross-sectional survey design. Primary data were collected through a structured questionnaire of 89 items administered to top management staff and executive personnel of selected SMEs in Gulbarga District. The questionnaire covered eight sections: general opinion on HR practices, recruitment and selection, training and development, performance appraisal, reward management, motivation, Human Capital Management perceptions, and satisfaction with employer-provided benefits. The questionnaire was developed as part of the broader PhD research registered with Gulbarga University. Responses were recorded on five-point Likert scales where lower scores indicate more favourable outcomes across all sections. A total of 112 usable responses were obtained from enterprises spanning manufacturing, agro-processing, textiles, and services sectors. Data collection was conducted through a personal interview-cum-questionnaire method, with the researcher visiting each enterprise individually.

6.2 Composite Variables and Statistical Methods

Two composite indices were constructed for hypothesis testing. The HRM Composite was computed as the mean of Sections 2 through 5, addressing Objective 1. The Organisational Performance Proxy was computed as the mean of Sections 6 through 8, representing motivation, HCM, and satisfaction, addressing Objective 2. Four statistical techniques were applied. Descriptive statistics established baseline measures. Spearman rank correlation assessed relationships between dimensions and organisational performance, appropriate for ordinal Likert data as it requires no normality assumption. The Kruskal-Walli's test, which is the non-parametric equivalent of one-way ANOVA, examined whether HRM adoption differed across experience and capital groups. The Mann-Whitney U test, which is the non-parametric equivalent of the independent samples t-test, tested gender differences. All analyses were conducted using Python 3 with the SciPy library at a significance level of $p < 0.05$.

VII. DATA ANALYSIS AND INTERPRETATION

7.1 Table 1: Descriptive Statistics

Table 1 presents descriptive statistics for all eight questionnaire sections and two composite indices. On the scale used, 1 indicates the most favourable response and 5 the least favourable. Lower mean scores therefore reflect stronger adoption or more positive perceptions.

Table 1: Descriptive Statistics of HRM and HCM Dimensions

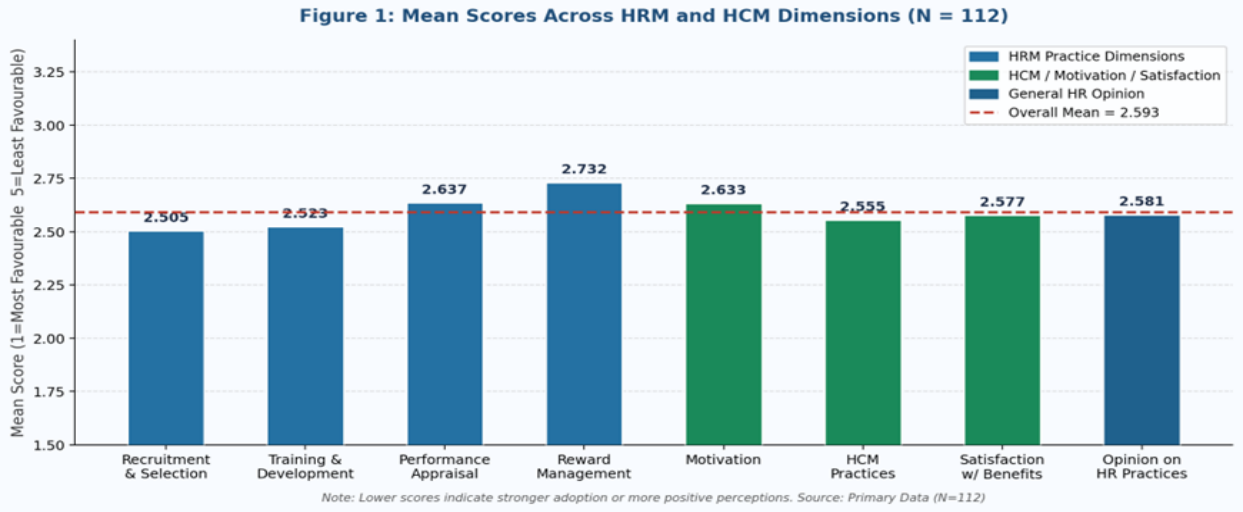
Dimension	N	Min	Max	Mean	Median	Std Dev	Variance	Skewness	Kurtosis
Sec1 - Opinion on HR Practices	112	1.25	4.33	2.581	2.583	0.373	0.139	0.406	-0.271
Sec2 - Recruitment & Selection	112	1	4.14	2.505	2.571	0.481	0.231	0.073	0.047
Sec3 - Training & Development	112	1	4.25	2.523	2.5	0.465	0.216	0.666	0.802
Sec4 - Performance Appraisal	112	1.64	3.91	2.637	2.636	0.367	0.135	0.432	0.107
Sec5 - Reward Management	112	1	4.33	2.732	2.667	0.456	0.208	0.125	0.318
Sec6 - Motivation	112	1.25	4.13	2.633	2.625	0.431	0.186	0.072	-0.143
Sec7 - HCM Practices	112	1.42	3.75	2.555	2.542	0.28	0.078	-0.118	0.196
Sec8 - Satisfaction w/ Benefits	112	1.42	4	2.577	2.583	0.33	0.109	0.021	-0.204
HRM Composite (Sec2-5)	112	1.55	3.52	2.599	2.601	0.249	0.062	-0.268	0.154
Org Performance Proxy (Sec6-8)	112	1.67	3.5	2.588	2.625	0.231	0.053	-0.602	0.685

Source: Primary Data, Computed by the Author

The HRM Composite mean of 2.599 indicates moderate-to-positive adoption. Recruitment and Selection (mean = 2.505) is the strongest HRM dimension, reflecting the immediate and visible consequences of hiring decisions for business performance. Training and Development (mean = 2.523) shows moderate adoption but with limited systematic design and outcome evaluation.

Performance Appraisal (mean = 2.637) and Reward Management (mean = 2.732) are the weakest dimensions, with respondents describing appraisal processes as largely informal and reward structures as fixed and inadequately performance-linked. The HCM dimension (mean = 2.555) reflects strong positive perceptions, with the lowest standard deviation of all dimensions (0.280), indicating a consistent shared appreciation for human capital's strategic role. Skewness values across all dimensions fall within acceptable ranges, confirming distributional symmetry in the sample.

Figure 1 provides a visual comparison of mean scores across all eight dimensions.



Source: Primary Data, Computed by the Author

Figure 1: Mean Scores Across HRM and HCM Dimensions

Note: Scale ranges from 1 (most favourable) to 5 (least favourable). Lower scores indicate stronger adoption.

7.2 Table 2: Spearman Rank Correlation Analysis

Spearman rank correlation is the standard non-parametric measure of association for ordinal Likert-scale data, assessing monotonic relationships without requiring normality of distribution. Table 2 presents the correlation between each HRM and HCM dimension and the Organisational Performance Proxy. On the scale used, positive rho values indicate that dimensions move in the same direction, where lower (more favourable) scores on one dimension tend to associate with lower (more favourable) scores on the performance proxy.

Table 2: Spearman Rank Correlation with Organisational Performance Proxy

HRM / HCM Dimension	Spearman rho	p-value	Significance	Interpretation
Recruitment & Selection	0.183	0.053	ns	Weak positive association
Training & Development	0.032	0.739	ns	Negligible association
Performance Appraisal	0.014	0.88	ns	Negligible association
Reward Management	0.077	0.419	ns	Weak positive association
Motivation	0.682	<0.001	***	Strong positive association
HCM Practices	0.442	<0.001	***	Moderate positive association
Satisfaction w/ Benefits	0.646	<0.001	***	Strong positive association

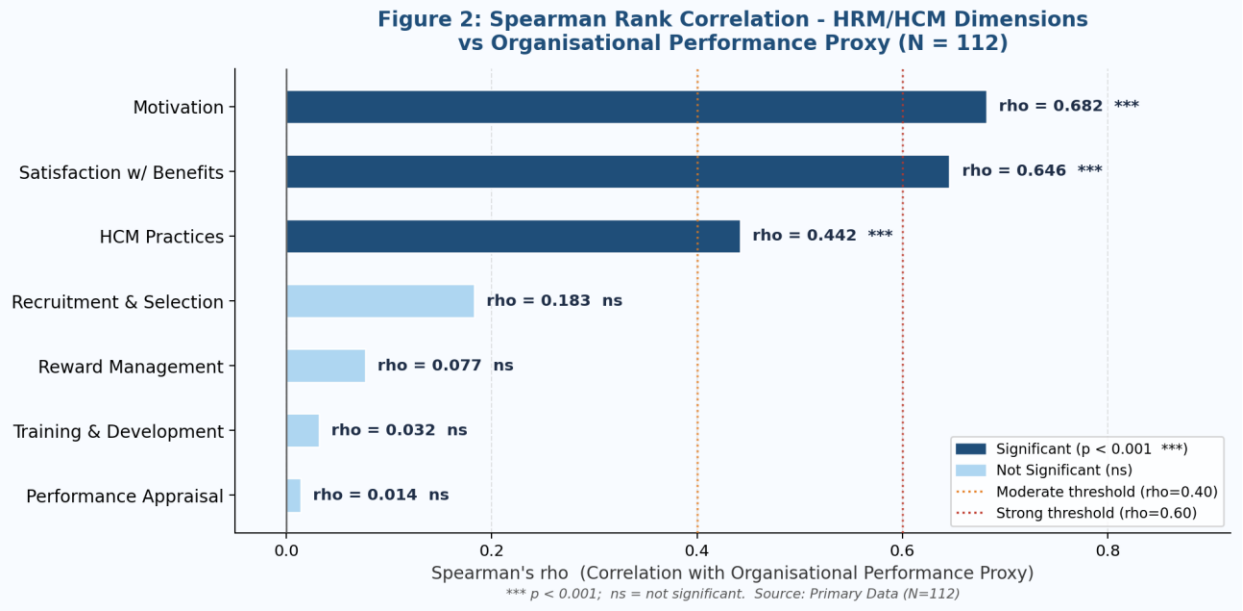
Source: Primary Data, Computed by the Author

*** $p < 0.001$; ns = not significant at $p < 0.05$

Motivation records the strongest significant correlation with Organisational Performance (rho = 0.682, $p < 0.001$), confirming it as the most immediate and powerful driver of performance perceptions in these enterprises. This finding is consistent with Herzberg's two-factor theory and self-determination theory, both of which position motivation as the critical mediating variable between workplace

conditions and performance outcomes. Satisfaction with employer benefits follows closely (rho = 0.646, p < 0.001), indicating that the adequacy of employer-provided benefits is a meaningful co-determinant of performance perceptions. HCM Practices record a moderate but highly significant association (rho = 0.442, p < 0.001), confirming that enterprises with stronger human capital management mindsets report more favourable performance outcomes, consistent with Becker (1964) and Prahlad and Hamel (1990). The four conventional HRM dimensions show weak, non-significant correlations, reflecting the indirect and time-lagged nature of structural HRM interventions rather than their unimportance.

Figure 2 presents the Spearman rho values visually, distinguishing the three significant dimensions from the four non-significant ones.



Source: Primary Data, Computed by the Author

Figure 2: Spearman Correlation Coefficients - HRM/HCM vs Organisational Performance Proxy
Note: Dark bars indicate statistical significance at p < 0.001 (***). Light bars indicate non-significant associations.

7.3 Table 3: Kruskal-Wallis Test

Test Note: The Kruskal-Walli's test is the non-parametric equivalent of one-way ANOVA. It replaces ANOVA here because the Likert-scale data does not satisfy ANOVA's normality assumption. It tests whether three or more independent groups differ significantly on a given variable.

Table 3a tests whether HRM Composite scores differ across experience groups. Table 3b tests whether HCM scores differ across capital investment categories.

Table 3a: Kruskal-Wallis Test - HRM Composite by Business Experience

Experience Group	N	Mean HRM Score	Median	Std Dev
Up to 2 years	3	2.449	2.509	0.312
3 to 5 years	19	2.598	2.659	0.271
6 to 10 years	26	2.678	2.636	0.268
Above 10 years	64	2.575	2.606	0.237
Kruskal-Wallis Test	112	H = 3.289	p = 0.349	ns

Source: Primary Data, Computed by the Author
ns = not significant at p < 0.05

Table 3b: Kruskal-Wallis Test - HCM Practices by Capital Investment

Capital Investment Group	N	Mean HCM Score	Median	Std Dev
Below Rs. 25 Lakh	19	2.579	2.583	0.298
Rs. 25 Lakh to Rs. 50 Lakh	35	2.619	2.667	0.267
Rs. 50 Lakh to Rs. 75 Lakh	32	2.548	2.562	0.289
Above Rs. 75 Lakh	26	2.458	2.458	0.262
Kruskal-Wallis Test	112	H = 4.764	p = 0.190	ns

Source: Primary Data, Computed by the Author

ns = not significant at $p < 0.05$

Both Kruskal-Wallis tests return non-significant results. HRM adoption does not differ significantly across experience groups ($H = 3.289$, $p = 0.349$), nor do HCM scores differ across capital investment categories ($H = 4.764$, $p = 0.190$). While the descriptive means show a slight upward trend in HCM favourability as capital increases, with enterprises above Rs. 75 lakhs recording the most favourable mean of 2.458, this gradient does not reach statistical significance. These findings carry an important policy implication: the barriers to HRM formalisation in Gulbarga District SMEs are primarily attitudinal and informational rather than financial or experiential. An enterprise with limited capital and a less experienced owner is no more or less likely to adopt structured HRM than a larger, more experienced counterpart.

7.4 Table 4: Mann-Whitney U Test

Test Note: The Mann-Whitney U test is the non-parametric equivalent of the independent samples t-test. It replaces the t-test here because the Likert-scale data does not meet the normality and equal-variance assumptions of the t-test. It tests whether two independent groups differ significantly in their distribution of scores.

Of 112 respondents, 96 were male (85.7%) and 16 were female (14.3%). Table 4 examines whether gender significantly differentiates HRM and HCM perceptions.

Table 4: Mann-Whitney U Test - Gender Differences across HRM and HCM Dimensions

Dimension	Male Mean (n=96)	Female Mean (n=16)	U Statistic	p-value	Sig.	Effect Size (r)
HRM Composite	2.599	2.602	797	0.813	ns	0.005
Recruitment	2.512	2.464	812	0.716	ns	0.033
Training & Dev	2.495	2.695	624	0.231	ns	0.11
Performance Appraisal	2.65	2.562	896	0.287	ns	0.101
Reward Management	2.74	2.688	796	0.815	ns	0.022
HCM Practices	2.549	2.586	721	0.699	ns	0.036
Motivation	2.673	2.391	1010	0.043	*	0.193
Org Perf Proxy	2.6	2.516	901	0.271	ns	0.104

Source: Primary Data, Computed by the Author

* $p < 0.05$; ns = not significant. Effect size r = rank-biserial correlation. Scale: 1 = most favourable, 5 = least favourable.

Gender differences are absent across seven of eight dimensions, confirming that male and female managers hold broadly similar HRM and HCM perceptions. The sole significant finding is for Motivation ($U = 1010$, $p = 0.043$, $r = 0.193$), where female respondents report higher motivation (mean = 2.391) than male counterparts (mean = 2.673). On the scale used, lower scores indicate higher motivation. The effect size is small, suggesting a statistically significant but practically modest difference. This finding likely reflects self-selection of particularly motivated and resilient women into SME management roles in the district, and warrants dedicated investigation in future research with larger female samples.

VIII. KEY FINDINGS

The analysis of primary data from 112 respondents across selected SMEs in Gulbarga District yields six substantive findings. First, HRM adoption across the sampled enterprises is at a moderate-positive level overall, with the HRM Composite mean of 2.599 reflecting neither full formalisation nor complete informality. Recruitment and Selection emerge as the strongest HRM dimension with a mean of 2.505, while Reward Management is the weakest at 2.732, confirming that incentive systems and compensation design receive the least systematic attention in these enterprises.

Second, the Spearman rank correlation between Motivation and Organisational Performance is strong and statistically significant (rho = 0.682, $p < 0.001$). This is the most powerful finding of the study and directly supports Objective 2. It confirms that motivation is the single most immediate and measurable driver of organisational performance perceptions in Gulbarga District SMEs, outweighing structural HRM dimensions in both strength and significance.

Third, Satisfaction with employer-provided benefits records a similarly strong and significant correlation with Organisational Performance (rho = 0.646, $p < 0.001$). This indicates that the quality and coverage of benefits, ranging from training facilities and safety measures to statutory compliance, constitute a meaningful and independent determinant of performance outcomes alongside motivational factors.

Fourth, HCM Practices record a moderate but statistically significant association with Organisational Performance (rho = 0.442, $p < 0.001$). Enterprises whose managers perceive human capital as the central resource for competitive advantage tend also to report more favourable organisational performance, confirming the practical relevance of Becker's (1964) human capital theory in this context.

Fifth, the Kruskal-Wallis tests confirm that HRM adoption levels do not differ significantly across experience groups ($H = 3.289$, $p = 0.349$) or capital investment categories ($H = 4.764$, $p = 0.190$). This finding reframes the diagnosis of HRM informality in Gulbarga District from a resource constraint to an attitudinal one, with significant implications for the design of policy interventions.

Sixth, the Mann-Whitney U test reveals no statistically significant gender differences across most HRM and HCM dimensions. The sole exception is Motivation ($U = 1010$, $p = 0.043$, $r = 0.193$), where female respondents report higher workplace motivation than their male counterparts, a finding that is statistically significant but modest in practical effect size.

IX. DISCUSSION

The most consequential finding is the strong Spearman correlation between Motivation and Organisational Performance (rho = 0.682, $p < 0.001$). This is consistent with Herzberg's two-factor theory and contemporary self-determination theory, both of which position motivation as the critical mediating variable between workplace conditions and performance outcomes. The finding carries a clear and actionable message for SME practitioners: improving motivational conditions through better job design, recognition mechanisms, and supervisory relationships can yield measurable performance dividends even before structural HRM reforms are fully implemented.

The strong correlation for Satisfaction with employer benefits (rho = 0.646) reinforces a complementary insight. The adequacy of statutory and non-statutory benefits directly shapes the overall performance climate. Notably, statutory compliance items such as PF and Gratuity recorded among the lowest satisfaction scores in the descriptive analysis, suggesting that gaps in basic employer obligations may be actively undermining the performance environment in a portion of these enterprises.

The moderate but significant HCM correlation (rho = 0.442) supports the resource-based view and Becker's human capital theory. Even in small enterprises, a human capital mindset among owners and managers associates with better performance outcomes. The non-significant correlations for structural HRM dimensions reflect their indirect, time-lagged nature rather than their irrelevance. In nascent HRM contexts, system-level interventions take time to embed before manifesting in measurable performance changes.

The Kruskal-Wallis non-significance is the most practically important finding for policymakers. If better-capitalised and more experienced enterprises are not adopting significantly more structured HRM, the constraint is not financial. The appropriate policy

response is therefore management awareness and capacity building rather than financial support alone. The gender finding on Motivation, while modest in effect size, points to a richer research agenda on gender and HRM in Gulbarga District of Karnataka.

X. CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

This study set out to examine two questions that sit at the heart of HRM research in emerging economy SMEs. The first was how extensively SMEs in Gulbarga District have adopted formalised HRM practices across the four foundational dimensions of recruitment and selection, training and development, performance appraisal, and reward management. The second was whether Human Capital Management practices, employee motivation, and satisfaction with employer-provided benefits associate meaningfully with organisational performance outcomes. Both questions have been answered with empirical clarity.

On the first question, the evidence confirms that HRM adoption in Gulbarga District SMEs is at a moderate-positive level, characterised by relative strength in recruitment and notable weaknesses in performance appraisal and reward management. This pattern reflects a broader feature of SME HRM in emerging economies, where people-acquisition functions tend to develop earlier and more organically than performance management and incentive systems, which require greater institutional discipline and long-term thinking to design and sustain.

On the second question, the Spearman correlation results constitute the most theoretically significant contribution of this study. The strong associations between Motivation and Performance (rho = 0.682), Satisfaction and Performance (rho = 0.646), and HCM and Performance (rho = 0.442) confirm that the relational, attitudinal, and human capital dimensions of the employment relationship are the most immediate drivers of organisational performance in this context. This finding has implications not only for Gulbarga District's SME practitioners but for the broader field of HRM in emerging economy enterprises. It suggests that the path to performance improvement in resource-constrained SMEs does not necessarily run through the adoption of elaborate HR systems. It runs, more immediately and more powerfully, through the cultivation of motivated employees, the assurance of adequate and fair benefits, and the deliberate development of a human capital mindset among owners and managers.

The Kruskal-Wallis finding that HRM adoption is uniform across experience and capital groups reframes the policy conversation. If financial resources and seniority do not explain the variation in HRM adoption, then the investment most needed is not financial but educational. Awareness, attitude, and access to simplified HRM tools and knowledge are the variables that policy must target. This is a finding with direct implications for the design of district-level management development programmes in Gulbarga District and comparable Tier-2 industrial districts across Karnataka and beyond.

10.2 Recommendations

Based on the empirical findings of this study, five recommendations are offered to SME practitioners, management development institutions, and policymakers in Gulbarga District.

First, SME owner-managers should prioritise the enhancement of the motivational climate within their enterprises. Given the strong correlation between motivation and organisational performance confirmed in this study, investments in job enrichment, structured employee recognition programmes, and the quality of supervisory relationships are likely to yield measurable performance improvements at relatively low cost. Unlike formal HRM system redesigns, motivational interventions do not require large financial outlays and can be initiated immediately.

Second, performance appraisal systems should be formalised across the sampled enterprises. The current practice of conducting informal, ad hoc reviews should be replaced with structured biannual appraisal processes that explicitly link assessment outcomes to training needs identification, career planning decisions, and compensation reviews. Even a simple, one-page standardised appraisal template, consistently applied, would represent a significant improvement over current practice.

Third, reward management structures need to be redesigned to incorporate performance-linked components. At present, compensation in these enterprises is largely fixed and does not adequately reflect individual or team contributions. Introducing variable pay elements, communicating reward criteria transparently, and aligning incentives with measurable

performance targets would strengthen the motivational impact of existing compensation systems.

Fourth, statutory compliance in the areas of Provident Fund, Gratuity, and workplace accident compensation should be treated as a non-negotiable baseline. The low satisfaction scores recorded for these items in the present study suggest that compliance gaps exist in a portion of the sampled enterprises. The District Industries Centre, Gulbarga, should organise targeted compliance awareness workshops and provide simplified guidance materials to SME owners on their statutory obligations.

Fifth, a district-level HRM capacity building programme should be launched under the joint auspices of the District Industries Centre, local universities, and industry associations. Given that the Kruskal-Wallis findings confirm that attitudinal and informational barriers are the primary constraints on HRM formalisation, the most impactful policy investment is one that builds management awareness and equips SME owners with simplified, context-appropriate HRM tools and frameworks.

10.3 Limitations and Future Research

The study is limited by its cross-sectional design, single-district focus, and small female subsample. Future research should adopt longitudinal designs to capture delayed HRM-performance effects, expand geographic coverage to multiple Tier-2 districts for comparative analysis, and deliberately target larger female samples to enable robust gender-stratified analysis. Triangulating questionnaire data with objective firm-level performance indicators would further strengthen the evidence base.

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