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Human resource management practices and their impact on job satisfaction and employee performance: Evidence from SMEs in Srinagar

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Abstract

Small and Medium Enterprises (SMEs) form the backbone of local economies by generating employment, supporting innovation, and contributing to regional development. In Srinagar, SMEs operate under unique economic and social conditions and face persistent challenges related to managing human resources effectively. This study examines how Human Resource Management (HRM) practices influence job satisfaction and employee performance in SMEs located in Srinagar. Using primary data collected from employees and managers across different sectors, the study finds that well-structured HRM practices particularly training and development, fair compensation, and transparent performance appraisal have a strong positive effect on job satisfaction, which in turn enhances employee performance. The findings highlight the need for SMEs to move from informal personnel management to more systematic HR practices in order to achieve sustainable growth.

Keyword: Small and Medium Enterprises (SMEs), Human Resource Management (HRM), Employee Performance etc.

1. Introduction

Small and Medium Enterprises play a critical role in the economic development of India. They contribute significantly to employment generation, industrial output, and balanced regional growth. In Jammu and Kashmir, particularly in Srinagar, SMEs operate in sectors such as handicrafts, retail, hospitality, manufacturing, and services. Despite their importance, many SMEs struggle with issues such as high employee turnover, low productivity, and limited employee engagement. These challenges are often linked to weak or informal Human Resource Management practices.

Human Resource Management focuses on managing people in a way that helps organizations achieve their objectives while also meeting employees' needs. Practices such as recruitment and selection, training and development, performance appraisal, compensation, and employee relations play a crucial role in shaping employee attitudes and behavior. Job satisfaction is a key outcome of effective HRM practices and is widely recognized as an important determinant of employee performance.

In the context of SMEs in Srinagar, HRM practices are often informal and based on personal relationships rather than formal systems. This study seeks to understand how existing HRM practices affect job satisfaction and employee performance and to provide evidence-based insights for improving HR management in SMEs.

2. Review of Literature

2.1 Human Resource Management Practices

Human Resource Management refers to the policies and practices involved in managing people at work. Effective HRM practices help organizations attract capable employees, develop their skills, motivate them, and retain them for long-term success. Common HRM practices include recruitment and selection, training and development, performance appraisal, compensation and rewards, and employee relations.

Previous studies have consistently shown that organizations with effective HRM practices experience higher levels of employee satisfaction and better performance outcomes.

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Recruitment systems that ensure person job fit, training programs that enhance skills, and appraisal systems that provide fair feedback all contribute to positive employee attitudes.

2.2 Job Satisfaction

Job satisfaction refers to the level of contentment employees feel about their job roles and work environment. It is influenced by factors such as pay, promotion opportunities, job security, working conditions, supervision, and relationships with colleagues. Employees who are satisfied with their jobs tend to be more committed, motivated, and productive.

In SMEs, job satisfaction is particularly important because employees often perform multiple roles and work closely with owners or managers. Any dissatisfaction can quickly affect morale and performance.

2.3 Employee Performance

Employee performance refers to how well employees carry out their job responsibilities and contribute to organizational goals. Performance includes both task-related activities and supportive behaviours such as teamwork and initiative. Research indicates that employee performance is strongly influenced by motivation, skills, and the organizational environment.

HRM practices play a vital role in shaping employee performance by improving competence through training,

motivation through rewards, and clarity through performance appraisal.

2.4 HRM in SMEs

Unlike large organizations, SMEs often lack formal HR departments. HR decisions are usually handled by owners or managers who may not have formal HR training. As a result, HRM practices tend to be informal and inconsistent. However, studies suggest that even simple and low-cost HR practices can significantly improve employee satisfaction and performance in SMEs.

3. Research Methodology

3.1 Research Design

The study adopts a descriptive and analytical research design. Both quantitative and qualitative approaches were used to gain a comprehensive understanding of HRM practices in SMEs.

3.2 Sample and Data Collection

The study covered 30 SMEs operating in Srinagar across sectors such as retail, hospitality, manufacturing, and services. A total of 150 employees and 30 managers or supervisors participated in the survey. Primary data were collected using structured questionnaires for employees and semi-structured interviews with managers. The questionnaire included items related to HRM practices, job satisfaction, and employee performance.

Table 1: Variables of the Study

Category	Variables Included
HRM Practices	Recruitment & Selection, Training & Development, Performance Appraisal, Compensation, Employee Relations
Job Satisfaction	Work Environment, Pay Satisfaction, Career Growth, Job Security
Employee Performance	Productivity, Quality of Work, Teamwork, Timeliness

4. Data Analysis and Results

4.1 Demographic Profile of Respondents

Table 2: Demographic Profile of the Respondents

Demographic Factor	Category	Percentage
Gender	Male	58%
	Female	42%
Age	Below 25 years	15%
	25-40 years	60%
	Above 40 years	25%
Education	Diploma	30%
	Bachelor's Degree	50%
	Master's Degree	20%

4.2 HRM Practices in SMEs of Srinagar

Recruitment and Selection

Most SMEs rely on informal recruitment methods such as employee referrals and walk-in interviews. Only a small proportion follow structured recruitment and selection procedures.

Table 3: Recruitment and Selection Methods Used by SMEs

	Percentage of SMEs
Informal (Referrals, Walk-ins)	72%
Formal (Advertisements, Structured Interviews)	28%

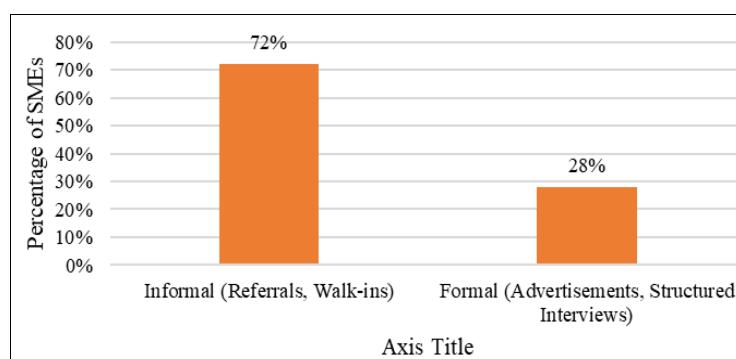


Fig 1: Recruitment and Selection Methods Used by SMEs

Training and Development

Training opportunities are limited in most SMEs. Employees mainly learn through on-the-job experience.

Table 4: Training and Development Practices in SMEs

Training Practice	Percentage
Regular Training Programs	30%
Occasional Training	40%
No Formal Training	30%
Occasional Training	40%
No Formal Training	30%

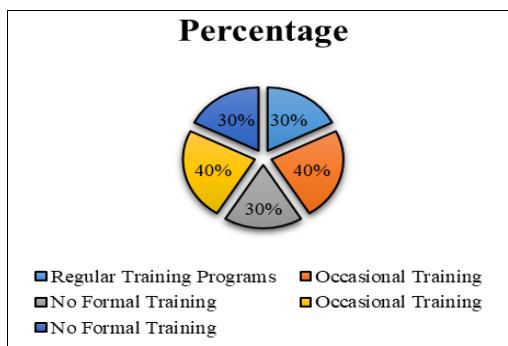


Fig 2: Training distribution shows regular, occasional, informal programs dominate SME practices.

Performance Appraisal

Performance appraisal systems are largely informal and subjective.

Table 5: Performance Appraisal Systems in SMEs

Appraisal System	Percentage
Formal Appraisal System	35%
Informal / Supervisor-Based Feedback	65%

Compensation and Benefits

Many employees expressed dissatisfaction with salary levels and benefits.

Table 6: Employee Satisfaction with Compensation and Benefits

Compensation Satisfaction Level	Percentage
Satisfied	42%
Neutral	28%
Dissatisfied	30%

4.3 Relationship between HRM Practices, Job Satisfaction, and Performance

Analysis of survey responses shows a strong positive relationship between HRM practices and job satisfaction. Employees working in SMEs with better training, fair appraisal, and reasonable compensation reported higher job satisfaction. Job satisfaction was found to have a direct and positive effect on employee performance.

Table 7: Relationship between HRM Practices, Job Satisfaction, and Employee Performance

Variable Relationship	Strength of Relationship
HRM Practices → Job Satisfaction	Strong
Job Satisfaction → Employee Performance	Strong
HRM Practices → Employee Performance	Moderate to Strong

5. Discussion

The findings reveal that HRM practices in SMEs in Srinagar are mostly informal, yet they significantly influence employee attitudes and behavior. Training and development emerged as one of the most critical factors affecting job satisfaction. Employees who received training felt more confident and motivated in their roles. Compensation was another major determinant of job satisfaction. Although SMEs face financial limitations, even small improvements in pay structure and non-monetary benefits contributed positively to employee morale.

Performance appraisal systems lacked transparency in many SMEs, leading to dissatisfaction. Employees expressed a need for clear performance criteria and regular feedback. Overall, job satisfaction acted as a bridge between HRM practices and employee performance. Satisfied employees were more productive, cooperative, and committed to their organizations.

8. Conclusion

This study reveals that HRM practices significantly influence job satisfaction and employee performance in SMEs in Srinagar. Despite constraints, SMEs that adopt effective HRM practices particularly in training, compensation, and performance appraisal foster higher job satisfaction, translating into improved performance outcomes. Job satisfaction plays a vital mediating role, underscoring the importance of employee-centric HR initiatives.

For SMEs in Srinagar and similar emerging markets, adopting structured HRM practices presents a strategic opportunity to enhance workforce engagement, reduce turnover, and achieve sustainable growth. These findings contribute to academic discourse on HRM in SMEs and provide actionable guidance for practitioners seeking to strengthen human capital management in resource-constrained contexts.

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