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ENHANCING EMPLOYEE ENGAGEMENT IN SMALL AND MEDIUM ENTERPRISES (SMEs) THROUGH LEADERSHIP, COMPENSATION AND APPRAISALS

ABSTRACT

Small and Medium Enterprises (SMEs) are pivotal to the financial growth of any country, functioning as labour-intensive units whose success relies heavily on employee productivity. Consequently, employee engagement is a critical determinant of success for SMEs, where each employee's contribution is important.

This empirical study aims to enhance employee engagement by examining HRM Practices such as leadership, pay practices, performance appraisal, and training and development in Indian SMEs. It investigates the relationships and impacts of these HRM Practices on employee engagement within SMEs. By analysing these practices, the study seeks to uncover the essential elements that influence strategic decisions related to employee engagement.

The research employs statistical analyses, including factor analysis, correlation, and regression and adopts an exploratory survey method. It included 300 participants from SMEs, with 230 successfully submitting fully completed surveys both offline and online.

Notably, the study investigation produced encouraging results by fulfilling the KMO and Bartlett's Test criteria, correlation coefficients, and standardised coefficients (Beta), among other indicators. The findings show that leadership, performance appraisal, and training and development all have a beneficial impact on employee engagement in SMEs. However, pay policies have no meaningful impact.

The findings offer valuable insights into effective strategies for SMEs to cultivate a motivated, committed, and high-performing workforce, providing actionable recommendations to enhance organisational performance and competitiveness.

Keywords: employee engagement, leadership, pay practices, performance appraisal and training and development, Small and Medium Enterprises (SMEs), workforce sustainability

JEL Classification: O3, O16, O33, G2, G33

INTRODUCTION

The landscape of Small and Medium Enterprises (SMEs) is characterised by its dynamic and competitive nature, where the ability to foster employee engagement plays a pivotal role in organisational success (Bakker et al., 2012; Tregaski et al., 2013). As highlighted by numerous studies, including those by Ismail et al. (2021) and Nkansah et al. (2024), employee engagement is not merely a metric but a strategic imperative that directly impacts productivity, retention rates, and overall business performance within SMEs (Sugandini et al., 2018; Sirisuhk et al., 2019). In today's business climate, characterised by intense competition and changing market conditions, the role of effective leadership, equitable pay practices, robust performance appraisal systems, and targeted training and development initiatives cannot be overstated in cultivating a motivated and high-performing workforce (Febrian et al., 2024; Subramanian, N., and Suresh, M. (2024).

In this evolving landscape, digitalisation has become a key factor shaping entrepreneurs' perceptions and behaviours (Shama, 2024). Technology serves as a disruptive innovation aimed at meeting consumer needs (Nigam, 2021). The growing adoption of digital payments by a diverse range of merchants, including small businesses and vendors, has helped build increasing trust in P2P payment gateways. (Farhina Sardar Khan, 2023).

An inclusive financial system and inclusive growth are essential for the country's economic development (Arif Jamal, 2019). Small and Medium Enterprises (SMEs), which make up a significant part of the global economy, face challenges such as resource constraints like limited financial resources, market penetration and competition, human resource management, etc. (Kindström, D., Carlborg, P., and Nord, T., 2024). Micro, Small, and Medium Enterprises (MSMEs) are widely regarded as the backbone of economic growth and development, making their ability to adapt to the digital age crucial (Shama, 2024). Finance is viewed as the core factor driving the growth and progress of any economy (Khan, 2023). Despite confronting distinct challenges, SMEs possess the potential to cultivate workplaces where employees are deeply engaged, fostering heightened productivity, innovation, and sustainable growth (Patel et al., 2017; Nazia Akhlaq et al., 2019). Each team member in SMEs plays a crucial role, rendering their engagement not merely advantageous but essential for the company's enduring success and viability (Madhani, 2020; Davis, 2021).

This study pinpointed the effective HRM Practices that bolster employee engagement within SMEs (Nagori, 2022). Through a comprehensive review of existing literature and the analysis of questionnaire data, this research endeavours to uncover strategies that cultivate a motivated and dedicated workforce within this specific regional context. Employing statistical tools, including factor analysis, correlation analysis, and regression analysis, the study scrutinises the significance of HRM Practices such as leadership, pay practices, performance appraisal systems, and training and development (Maqbool, A., and Misra, S., 2014).

This study seeks to explore key research trends related to the use of technology and innovation within small businesses or SMEs. By utilising bibliographic mapping, the research highlights significant findings on the innovative capacities of SMEs as they adopt advanced technologies (Shama, Mazhar, Rehman, & Khan, 2023).

This study explores the correlation between SMEs' adoption of effective strategies for enhancing employee engagement and their implementation of leadership styles, pay practices, performance appraisal systems, and training and development initiatives. The central theme of this research focuses on understanding how these elements collectively impact employee motivation and engagement within SMEs.

This study uses a comprehensive methodology, including surveys and interviews with a broad set of SME owners and managers, to assess the efficacy of various tactics in developing a motivated and engaged workforce.

The findings of this empirical study have important consequences for stakeholders such as SME owners, legislators, and industry experts. It attempts to create a comprehensive framework to advise SMEs towards creating environments where employees feel valued and committed, ultimately enhancing organisational resilience and competitiveness in today's dynamic business environment competitiveness in today's changing business climate.

This study tries to understand the key variables, providing actionable insights to help SMEs build a workplace with high employee engagement, thereby supporting sustainable growth and strengthening their competitive edge in the market-place.

LITERATURE REVIEW

Employee engagement stands as a cornerstone of organisational success, influencing factors such as productivity, performance, retention, and overall performance (Nasir et al., 2022; Bajpai P. et al., 2022). In recent years, scholars have delved into identifying effective HRM Practices, contributing to fostering employee engagement. This literature review aims to synthesise existing research findings to uncover the key HRM Practices that drive employee engagement.

Leadership and Employee engagement

Employees are crucial to an organisation and contribute to its growth just as significantly as other factors (Priyanka Bajpai, 2022). Effective leadership plays a critical role in enhancing employee engagement within SMEs and serves as a cornerstone for fostering trust, communication, and a feeling of purpose among employees (Klahn, 2024). Transformational leadership, characterised by traits such as idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration, greatly increases employee engagement by encouraging them to go beyond their self-interests for the common welfare of the organisation (Bass and Riggio, 2006; Shojol, 2023). This leadership style creates an environment where employees feel valued and motivated to contribute their best efforts (Boccoli et al., 2024). Furthermore,

organisational cultures aligned with key principles and missions foster higher levels of engagement by promoting transparency, trust, and collaboration (Kwarteng et al., 2024). Training programs offer chances for growth and development, and career growth programs and mentoring further enhance engagement by demonstrating organisational investment in employees' professional growth (Choo and Bowley, 2007). Effective communication channels and feedback mechanisms also play a pivotal role in maintaining engagement by facilitating open dialogue and recognising employee contributions (Cai et al., 2024). Various leadership styles within SMEs, such as transformational, transactional, and servant leadership, contribute individually to developing a supportive and motivated workforce, eventually driving organisational success (Azmy, 2019).

H1: Leadership positively influence employee engagement in SMEs.

Pay Practices and Employee Engagement

Fair and equitable pay practices are integral elements of a robust employee engagement strategy as they satisfy fundamental human needs for fairness and acknowledgement (Ali et al., 2022). By implementing fair compensation systems, organisations communicate to employees that their contributions are valued comparably to industry standards and their peers, fostering trust in the leadership and operational processes (Azmy, 2019; Jose, 2024). Furthermore, performance-based rewards provide tangible incentives for employees to strive for higher levels of performance and productivity, directly tying individual accomplishments to the organisation's overall success (Sanders et al., 2018). In essence, well-structured pay practices not only establish a positive psychological contract between employees and employers but also cultivate a culture that recognises and rewards high performance, thereby promoting enduring employee engagement and organisational prosperity (Othman et al., 2019). Employees who believe their pay is fair and proportional to their efforts are more likely to be motivated and devoted to their jobs.

H2: Pay practices positively influence employee engagement in SMEs.

Performance appraisal, Training and Development and Employee Engagement

Performance appraisal systems serve as crucial tools for providing feedback, identifying strengths, pinpointing areas for improvement, and aligning individual performance with organisational objectives (Daniels et al., 2017; Begum, 2024). When conducted effectively and transparently, these appraisals significantly contribute to employee development and career progression, thereby enhancing job satisfaction and engagement (DeNisi and Smith, 2014; Anitha, 2013). Meanwhile, training and development initiatives play a pivotal role in augmenting employee skills, competencies, and job satisfaction within SMEs (Choo and Bowley, 2007). Targeted training programs not only equip employees with essential skills but also underscore organisational commitment to their professional growth and development (Briscoe et al., 2011). Cultivating a culture of continuous learning and development not only enhances individual performance but also fosters innovation and adaptability, critical qualities for SMEs competing in dynamic markets (Collins and Smith, 2006; Shuck and Wollard, 2011; Azmy, 2019). This study aims to provide actionable insights for SMEs seeking to bolster employee engagement and achieve sustainable growth by comprehensively examining these factors.

H3: Performance appraisal and training and development positively influence employee engagement in SMEs.

AIMS AND OBJECTIVES

This study aims to determine the effective HRM practices that promote employee engagement in SMEs. It attempts to understand how these factors influence the level of engagement among employees within SMEs. The objective is to analyse how specific factors, such as leadership quality, pay practices, performance appraisal systems, and training and development opportunities, contribute to enhancing employee engagement in SMEs. By examining these factors, the study aims to establish a clear relationship between them and employee engagement.

This study adds new insights to the academic literature by demonstrating the importance of these elements in employee engagement in SMEs. It also underscores the importance of understanding the interplay of these elements to drive organisational success and sustainability by filling these gaps; the study intends to give a full examination of the impact these elements play in boosting employee engagement within SMEs, delivering significant insights for policymakers, researchers, and practitioners to enhance the overall work environment and productivity in the sector.

METHODS

Measures

The hypotheses were assessed using a variety of questionnaire items, all of which were obtained from existing research but tailored as needed to fit the study's specific context. Exogenous variables were measured using a 5-point Likert scale. Respondents completed the questionnaire, expressing their opinions on a scale from "5", indicating strong disagreement, to "1", indicating strong agreement. The study incorporated four constructs, each comprising five to six statements, which were analysed accordingly. Measurement items were adapted from previous studies on employee engagement, leadership, pay practices, performance appraisal, and training and development (Ali et al., 2022; Chandani et al., 2016; Shojol, 2023; Chahar and Hatwal, 2018).

Sample Selection and Data Collection

The study used a survey-based research approach, using a structured questionnaire, to collect quantitative data on the determinants impacting employee engagement in Indian SMEs. The questionnaire covered demographics, leadership quality, pay practices, performance assessment systems, training and development opportunities, and overall employee engagement using a Likert scale (1-5) ranging from strongly disagree to strongly agree. The questionnaire underwent expert review and adjustments based on feedback from a pilot survey to ensure comprehensiveness and relevance.

Survey participants included 230 employees from various roles across Indian SMEs, achieving a robust response rate of 77%. Managers comprised 17% of the sample, with 83% being non-managerial employees. Among respondents, 60% reported tenures of 1 to 5 years, 19% over 5 years, and 21% less than one year.

A convenience sampling approach ensured representation across different SME types (small and medium enterprises). Data collection was conducted through a cross-sectional survey design, administered both in-person and online to accommodate diverse participation.

The study integrated primary data collected via a structured questionnaire devoid of open-ended responses, complemented by secondary data sourced from relevant literature, including research journals, books, magazines, and reports received from the institutional review board, ensuring participant informed consent, confidentiality, and anonymity. Participants were assured that their replies would be utilised exclusively for academic research reasons.

This methodological approach ensures a robust analysis of factors influencing employee engagement in SMEs, providing valuable insights for enhancing organisational performance and fostering employee engagement.

Data Analysis Techniques

Content validity was developed to ensure that the data was valid and reliable through expert review. Additionally, the questionnaire's internal consistency was measured using Cronbach's alpha, with a value of 0.910, which is high as the alpha value of 0.7 or above is satisfactory. This ensured that the survey instrument was both accurate and reliable in measuring the constructs of interest.

Several statistical techniques were employed to examine quantitative data. Exploratory factor analysis (EFA) was used to find underlying relationships between factors and extract critical factors that influence employee engagement. This helped with understanding the primary dimensions of engagement. A correlation test was conducted to assess the relationship between effective HRM Practices and employee engagement, highlighting the strength and direction of these associations. Furthermore, regression analysis was used to determine the impact of the identified factors on employee engagement, providing insights into how these variables contribute to engagement levels. All these tests and techniques are shown in the analysis part under the Results section of this study.

RESULTS

Analysis

Demographic Analysis

The demographic characteristics of the respondents are presented in Table 1.

Table 1. Demographics of Respondents.

Variables	Respondents	Percentage (%)
Age (Years)		
Below 30	68	29.56
31-40	92	40.00
Above 40	70	30.44
Total	230	100
Educational Qualification		
Intermediate and below	95	41.30
Graduate and above	115	50.00
Uneducated	20	8.70
Total	230	100
Occupation		
Managers	39	16.96
Non-Managerial employees	191	83.04
Total	230	100
Experience		
Less than 1 year	48	20.87
1 to 5 years	138	60.00
More than 5 year	44	19.13
Total	230	100
Type of Enterprise		
Small Enterprises	106	46.09
Medium Enterprises	124	53.91
Total	230	100

The final dataset included responses from 230 SMEs from various roles across Indian SMEs, presented in Table 1, revealing a demographic distribution. The demographic information (Table 2) revealed that the majority of the respondents were non-managerial staff (83.04%), while managers constituted only 16.96%. In terms of age, the largest proportion fell within the 31-40 age group (40%), closely followed by the age groups below 30 and above 40, which were 29.56% and 30.44%, respectively. Regarding educational qualifications, the majority of employees were graduates and above (50%), followed by intermediate and below (41.30%), and 8.70% of respondents were uneducated. When considering the type of enterprises, the data indicates that 46.09% of the businesses were categorised as small enterprises, while medium enterprises comprised 53.91%.

Factor Analysis

Table 2. KMO and Bartlett's Test.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.645
Bartlett's Test of Sphericity	Approx. Chi-Square	2563.241
	Df	230
	Sig.	0.000

Table 2 shows the results of the KMO (Kaiser-Meyer-Olkin) measure is 0.645, which indicates that the dataset is suitable for factor analysis and Bartlett's Test of Sphericity (0.000) suggests that the variables are sufficiently correlated; therefore, factor analysis is appropriate for this dataset.

Table 3. Total Variance Explained.

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.766	20.722	20.722	4.766	20.722	20.722	3.745	16.281	16.281
2	3.138	13.641	34.363	3.138	13.641	34.363	2.069	8.994	25.275
3	2.033	8.840	43.203	2.033	8.840	43.203	2.049	8.908	34.183
4	1.687	7.336	50.540	1.687	7.336	50.540	1.983	8.624	42.807
5	0.940	4.827	56.366	-	-	-	-	-	-
6	0.340	4.955	61.322	-	-	-	-	-	-
7	0.016	4.419	65.741	-	-	-	-	-	-
8	0.951	4.133	69.874	-	-	-	-	-	-
9	0.940	4.088	73.961	-	-	-	-	-	-
10	0.853	3.708	77.670	-	-	-	-	-	-
11	0.658	2.859	80.529	-	-	-	-	-	-
12	0.630	2.737	83.266	-	-	-	-	-	-
13	0.586	2.549	85.815	-	-	-	-	-	-
14	0.551	2.394	88.209	-	-	-	-	-	-
15	0.438	1.903	90.112	-	-	-	-	-	-
16	0.403	1.754	91.866	-	-	-	-	-	-
17	0.391	1.699	93.566	-	-	-	-	-	-
18	0.347	1.511	95.076	-	-	-	-	-	-
19	0.313	1.361	96.437	-	-	-	-	-	-
20	0.257	1.116	97.553	-	-	-	-	-	-
21	0.237	1.032	98.585	-	-	-	-	-	-
22	0.201	0.876	99.461	-	-	-	-	-	-
23	0.124	0.539	100.000	-	-	-	-	-	-

Extraction Method: Principal Component Analysis.

Table 3 shows that **Component 1**, which explains **20.722%** of the total variance, suggests that it is the most important factor in explaining HRM Practices based on their contribution towards Employee Engagement, accounting for a significant portion of the total variance followed by **Component 2**, explaining **13.641%** of the variance, **Component 3** explaining **8.840%** of the variance, **Component 4** explaining **7.336%** of the total variance. These components have been identified based on Eigenvalues, and the threshold limit for Eigenvalue has taken more than 1.

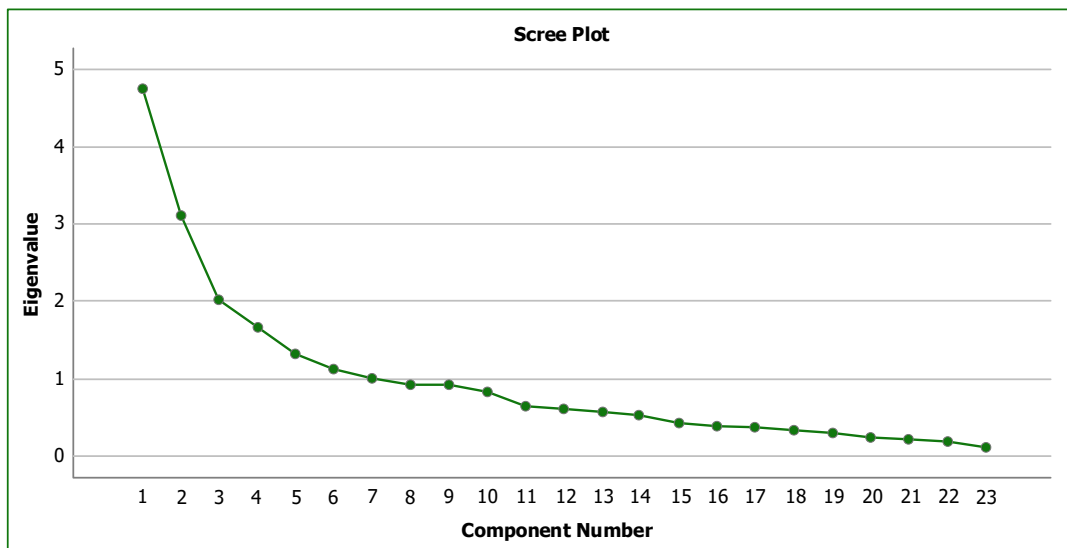


Figure 1. Scree Plot.

Figure 1 presents the Eigen values obtained from the total variance (mentioned in Table 3).

Table 4. Factors and Variables.			
S.No.	Statements	Factor Loading	Factor Reliability
Leadership			
1	Strong and effective leadership	0.865	0.915
2	Clear Communication	0.879	
3	Lead others by setting good examples	0.780	
4	Trust and transparency within the organisation	0.856	
5	Employee recognition programs	0.890	
6	Providing opportunities for career growth	0.789	
7	Employee involvement in decision-making	0.969	
8	Well-being and professional success.	0.983	
9	Motivating and supportive leadership	0.847	
10	Employee empowerment	0.856	
11	Guide the performance of others while holding them accountable	0.879	
Pay Practices			
12	Fair and competitive compensation	0.789	0.921
13	Compensation incentives, including bonuses or profit sharing, are an essential aspect of this organisation's compensation strategy	0.871	
14	Compensation practices contribute to our organisation's ability to attract and retain top performers	0.869	
15	Rewards for good performance	0.754	
16	The pay practices help our organisation to have employees who are satisfied with their engagement and their jobs	0.871	
17	This organisation's compensation system is oriented towards the future. It directs employees' attention towards long-term (4 or more years) goals	0.783	
Performance Appraisal & Training, and Development			
18	The performance appraisal and training is to improve employees' technical job abilities	0.901	0.896
19	The purpose of performance appraisal is to identify the potential of employees	0.820	
20	Regular employee performance appraisals and feedback.	0.789	
21	There are training programs at your place to develop skills within the organisation.	0.868	
22	Trained on new technologies and tools relevant to the roles	0.893	
23	Individualised development plans for employees	0.782	

Table 4 shows the factor analysis results, which identified the three key HRM practices: Leadership, Pay Practices, and Performance Appraisal Training and Development, each with high factor reliability, indicating strong internal consistency and relevance to organisational outcomes. Leadership, with a reliability score of 0.915, shows that variables such as "Employee involvement in decision-making" (0.969) and "Well-being and professional success" (0.983) are highly significant. These factors highlight that inclusive leadership and attention to employee welfare are essential for effective leadership within the organisation. Strong correlations across leadership variables, such as "Trust and transparency" (0.856) and "Clear communication" (0.879), reinforce the importance of open and supportive management practices. Pay Practices demonstrate a high reliability score of 0.921, reflecting the centrality of compensation in employee retention and satisfaction. Statements like "Compensation incentives" (0.871) and "Compensation practices contribute to attracting top performers" (0.869) underline the importance of competitive, performance-based pay systems. The strong factor loadings show that effective leadership is a critical driver of employee engagement. Performance Appraisal & Training and Development also shows strong reliability at 0.896, with key elements such as "Training on new technologies" (0.893) and "Performance appraisal improves technical abilities" (0.901) underscoring the importance of continuous learning and assessment in enhancing employee capabilities. The factor loading for "Individualised development plans" (0.782) further highlights the

significance of tailored development efforts in supporting employee growth. Therefore, the high factor loadings and reliability scores across these HRM practices affirm their pivotal role in fostering a productive and engaged workforce, aligning individual and organisational goals.

Table 5. Reliability Statistics.

Cronbach's Alpha	N of Items
0.910	23

Table 5 shows the reliability, which is 0.910 of all 23 items that include the variables related to human resource practices such as leadership, pay practices, performance appraisal and training and development.

Empirical Testing of Hypothesis:

After identifying the effective HRM practices by Factor Analysis, we will further analyse the relationship and impact between these HRM practices and employee engagement in the context of SMEs. This will be done through hypothesis testing using correlation analysis and regression analysis.

Correlations analysis: The relationship between employee engagement, leadership, pay practices, performance appraisal, and training and development in the case of SMEs.

- **H₀-1:** There is no significant correlation between Employee Engagement and Leadership in the case of SMEs.
- **H₀-2:** There is no significant correlation between Employee Engagement and Pay Practices in the case of SMEs.
- **H₀-3:** There is no significant correlation between Employee Engagement and Performance Appraisal and Training and Development in the case of SMEs.

Table 6. Correlations Matrix.

Correlations a					
		EE	L	PP	PA and TD
Pearson Correlation	EE	1.000	0.393	0.065	0.229
	L	0.393	1.000	0.092	0.219
	PP	0.065	0.092	1.000	0.428
	PA&TD	0.229	0.219	0.428	1.000
Sig. (1-tailed)	EE		0.000	0.128	0.000
	L	0.000		0.055	0.000
	PP	0.128	0.055		0.000
	PA&TD	0.000	0.000	0.000	

Table 6 indicates a positive (0.393) and significant (0.000) correlation between Leadership(L) and Employee Engagement (EE). Therefore, H₀ 1 is rejected, with a positive (0.065) and insignificant (0.128) correlation between Pay Practices (PP) and Employee Engagement. Therefore, H₀ 2 is accepted and has a positive (0.229) and significant (0.000) correlation between Performance Appraisal and Training and Development (PA&TD) and Employee Engagement. Therefore, H₀ 3 is rejected.

Regression Analysis: Impact of IVs- Leadership, Pay Practices and Performance Appraisal and Training and Development on Employee Engagement (DV) in the Case of SMEs.

- **H₀-1:** There is no significant impact of IV- Leadership on Employee Engagement (DV) in the case of SMEs.
- **H₀-2:** There is no significant impact of IV- Pay Practices on Employee Engagement (DV) in the case of SMEs.
- **H₀-3:** There is no significant impact of IV- Performance Appraisal and Training and Development on Employee Engagement (DV) in the case of SMEs.

Table 7. Regression: Model Summary. Note: a. Type of Enterprise = Small and Medium Enterprises; b. Predictors: (Constant), Performance Appraisal and Training and Development, Leadership, Pay Practices.

Model Summary a									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.421	0.177	0.169	1.001	0.177	21.643	3	302	0.000

In Table 7, the proportion of explained variance as measured by R-Square was (R²=0.177) which indicates that about 17.7% of the variance in Employee Engagement (DV) was explained by IVs- Performance Appraisal and Training and Development, Leadership, Pay Practices.

Table 8. ANOVA. Note: a. Type of Enterprise = Small and Medium Enterprises. b. Dependent Variable: Employee Engagement.

ANOVA a, b						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.088	3	21.696	21.643	.000c
	Residual	302.732	302	1.002		
	Total	367.820	305			

The p-value (0.000) associated with the F value is less than 0.05, which indicates that the IVs reliably predict the DV.

Table 9. Regression coefficient. Note: a. Type of Enterprise = Small and Medium Enterprises. b. Dependent Variable: Employee Engagement; c. Predictors: (Constant), Performance Appraisal and Training and Development, Leadership, Pay Practices

	Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.413	.271		8.890	.000
	L	.313	.047	.360	6.720	.000
	PP	-.037	.054	-.040	-.685	.494
	PA&TD	.157	.055	.167	2.838	.005

Table 9 shows that leadership has a positive and significant impact on Employee Engagement (Beta = 0.360, p-value = 0.000), leading to the rejection of the null hypothesis (H0-1). Pay Practices, however, show an insignificant effect (Beta = -0.040, p-value = 0.494), so the null hypothesis (H0-2) is accepted. Performance Appraisal and Training and Development have a positive and significant influence on Employee Engagement (Beta = 0.167, p-value = 0.005).

DISCUSSION

This study aimed to investigate the key HRM practices influencing employee engagement in SMEs. Employing a quantitative approach, the research included a thorough literature review and utilised a semi-structured instrument for survey-based quantitative analysis. The findings from factor analysis highlighted that leadership quality, pay practices, performance appraisal systems, and training and development opportunities significantly impact employee engagement. Correlation and regression analyses further validated these relationships, emphasising the pivotal role of these factors in fostering an engaged workforce.

Regarding the hypotheses:

- **H1:** Leadership positively influences employee engagement in SMEs. The confirmation of Hypothesis 1 underscores that effective and supportive leadership is a critical predictor of employee engagement. Leaders who communicate clearly, inspire their teams and prioritise employee well-being enhance engagement levels significantly. The positive and significant correlation ($r = 0.393, p < 0.001$) between Leadership and Employee Engagement further supports this finding.

- **H2:** Pay Practices influence employee engagement in SMEs. The non-validation of Hypothesis 2 indicates that Pay Practices, either positive or negative, have no significant effect on employee engagement levels. The positive but insignificant correlation ($r = 0.065$, $p = 0.128$) between Pay Practices and Employee Engagement reinforces this outcome.
- **H3:** Performance Appraisal and Training and Development influence employee engagement in SMEs. The affirmation of Hypothesis 3 reveals that transparent performance appraisals providing constructive feedback and opportunities for professional growth play essential roles in maintaining high employee engagement levels. Such systems clarify expectations and foster a sense of accomplishment among employees. The positive and significant correlation ($r = 0.229$, $p < 0.001$) between Performance Appraisal and Training and Development and Employee Engagement supports this conclusion.

The standardised coefficients analysis further supports these findings:

1. Leadership ($\beta = 0.360$, $p < 0.001$): Indicates a significant positive impact on employee engagement.
2. Pay Practices ($\beta = -0.040$, $p = 0.494$): Shows a non-significant impact on employee engagement.
3. Performance Appraisal and Training and Development ($\beta = 0.167$, $p = 0.005$): Demonstrates a significant positive impact on employee engagement.

These results contribute to understanding how specific HRM practices influence employee engagement in SMEs, offering insights to enhance organisational performance and employee satisfaction.

CONCLUSIONS

The study indicates that hypotheses H1 and H3 are accepted, revealing a strong relationship between the study's elements of leadership, performance appraisal, training and development, and employee engagement. Each component directly improves employee engagement in SMEs.

Hypothesis H2, on the other hand, is rejected since no significant relationship exists between pay practices and employee engagement in the case of SMEs.

In conclusion, leadership and performance appraisal, as well as training and development, have a significant impact on employee engagement in SMEs. Pay practices, whether favourable or not, showed no statistically significant link with employee engagement in SMEs.

This discovery is a new contribution to scholarly literature. It not only confirms the findings of previous studies but also emphasises the strength and consistency of the found correlations between the important components. The implications of this study give important insights into the practical uses and potential ramifications of the research results on various stakeholders and areas of engagement in the SMEs, which are provided under the two subsequent headings:

Theoretical Implications

This study provides useful insights into the mechanics of employee engagement in SMEs by looking at how leadership, performance assessment, training and development, and employee engagement are linked. Through empirical research, it fills a substantial sweep in the current literature, notably by putting light on how awareness of supportive initiatives improves engagement efforts. As a result, this study adds to our understanding of how SMEs alter their employee engagement. Furthermore, by confirming the theoretical constructs of leadership, pay practices, and performance appraisal, as well as training and development in the context of employee engagement, this study emphasises their importance in boosting engagement levels within SMEs, strengthening the conceptual foundation for future research in this area.

Practical Implications

This study has significant practical implications for policy development, decision-making, collaborative initiatives, risk reduction, and future research on employee engagement in the SME sector. Policymakers might use these findings to customise programs and efforts that bolster human resource management strategies, emphasising measures that improve employee engagement through existing support mechanisms.

Several key strategies are advised for SMEs aiming to enhance employee engagement. First, investing in leadership development programs can provide managers with the necessary skills for effective and empathetic leadership. Second, maintaining competitive and fair pay practices through regular reviews is essential. Third, implementing robust performance appraisal systems that offer consistent feedback and recognise employee contributions can boost engagement.

Lastly, fostering continuous learning opportunities and career development programs promotes professional growth among employees, creating a positive and motivated workforce. Collectively, these strategies aim to enhance organisational culture and productivity within SMEs.

Recommendations and Future Directions

The findings contribute helpful insights into the limited literature on employee engagement in SMEs, highlighting the impact of effective leadership styles across industries. Regular performance appraisals help identify areas for staff improvement, while proper training enhances performance and productivity and reduces work stress, leading to lower attrition rates. The research emphasised the importance of exploring additional factors influencing engagement, such as organisational culture, work-life balance, well-being, and employee autonomy. Future studies should consider longitudinal studies to understand the evolution of these factors across time and cross-cultural perspectives to examine cultural variations in employee engagement. Addressing these areas will provide a more complete picture of the factors influencing employee engagement in SMEs.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ПІДВИЩЕННЯ ЗАЛУЧЕНОСТІ ПРАЦІВНИКІВ НА МАЛИХ І СЕРЕДНІХ ПІДПРИЄМСТВАХ (МСП) ЧЕРЕЗ ЛІДЕРСТВО, КОМПЕНСАЦІЮ ТА ОЦІНЮВАННЯ

Малі й середні підприємства (МСП) відіграють ключову роль у фінансовому зростанні будь-якої країни, функціонуючи як трудові одиниці, успіх яких значною мірою залежить від продуктивності праці. Отже, залученість співробітників є критично важливим фактором успіху для МСП, де внесок кожного працівника є важливим. Це емпіричне дослідження спрямоване на підвищення залученості співробітників шляхом вивчення практик управління персоналом, таких як лідерство, практика оплати праці, оцінка продуктивності, а також навчання й розвиток в індійських МСП. Досліджуються взаємозв'язки та вплив цих практик управління персоналом на залученість працівників у МСП. Аналізуючи ці практики, дослідження прагне виявити основні елементи, які впливають на стратегічні рішення, пов'язані із залученням працівників. У роботі використано статистичний аналіз, включаючи факторний аналіз, кореляцію та регресію, а також використано метод розвідувального опитування. У дослідженні взяли участь 300 учасників із МСП, 230 із яких успішно пройшли опитування й офлайн, і онлайн. Слід відзначити, що дослідження дало обнадійливі результати завдяки виконанню критеріїв КМО й тесту Барлетта, коефіцієнтів кореляції та стандартизованих коефіцієнтів (Beta) серед інших показників. Результати показують, що лідерство, оцінка продуктивності, а також навчання та розвиток мають сприятливий вплив на залучення працівників у МСП, однак політика оплати праці не має значного впливу. Отримані результати дають цінну інформацію про ефективні стратегії для МСП із метою культивування мотивованої, відданої та високопродуктивної робочої сили, надаючи дієві рекомендації щодо підвищення організаційної ефективності та конкурентоспроможності.

Ключові слова: залученість працівників, лідерство, практика оплати праці, оцінка та навчання й розвиток, малі та середні підприємства (МСП), стійкість робочої сили

JEL Класифікація: O3, O16, O33, G2, G33