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EXPLORING THE IMPACT OF SELECTED HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES ON SMALL AND MEDIUM ENTERPRISES (SMES) PERFORMANCE IN KATSINA STATE

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ABSTRACT
*This paper investigates how Human Resource Management (HRM) practices affect the performance of Small and Medium-sized Enterprises (SMEs). It focuses on recruitment and selection, training and development, and reward and compensation strategies in Katsina State. The paper aimed to explore the influence of Human Resource Management (HRM) practices on the performance of Small and Medium-sized Enterprises (SMEs) in Katsina State. Specifically, it evaluates the impact of recruitment and selection, training and development, and reward and compensation strategies. Using G*Power 3.1.9.7, a sample of 271 SMEs was selected from a total population of 1,355. The study used a descriptive survey design. Data was collected using a structured questionnaire, and the results were analysed using the Structural Equation Model (SEM). The findings indicate that training and development practices have significant positive relationship with SMEs business performance. Training and development practices have significant positive effect on business performance, while reward and compensation systems also have significant positive influence on business performance of SMEs. The study concludes and recommends that, rather than relying on generic or borrowed HR models, SMEs should develop scalable and context-responsive HRM frameworks tailored to local socio-economic realities in Katsina State. These should integrate informal practices common in SME settings with formal HRM principles to enhance relevance and adoption.*
Keywords: Human Resources Management, Recruitment and Selection, Training and Development, Reward, Compensation, SMEs, Business Performance.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are pivotal to economic development, acting as catalysts for innovation, employment generation, and poverty reduction. In Nigeria, and specifically in Katsina State, SMEs significantly contribute to local economies and community advancement. However, these enterprises often encounter challenges such as resource constraints, competitive pressures, and dynamic market conditions that can impede their performance and sustainability. A critical determinant of SME success lies in the implementation of effective Human Resource Management (HRM) practices.

HRM practices including recruitment and selection, training and development, and reward and compensation are essential for attracting, retaining, and motivating a competent workforce. These practices enhance employee satisfaction and productivity and ensure that workforce capabilities are aligned with organisational objectives. There is a gap in understanding how tailored HRM strategies can drive business success in Katsina State, despite the importance of HRM practices. Effective Human Resource Management (HRM) is essential for organisational success. Although numerous scholars have defined HRM in varying terms, its fundamental essence lies in managing people, employees, or human resources within an organization. When aligned with strategic planning and organisational culture, human resources can serve as a significant competitive advantage (Delbridge & Lowe, 1997; Khatri, 2000). Consequently, HRM is recognised as a crucial factor for the success of small and medium-sized enterprises (SMEs) in today's highly competitive landscape.

Although small businesses dominate the industrial sector, most HRM research has focused on large corporations with formal HR structures. Through policies on recruitment and selection, performance-based compensation, incentive programs, and training initiatives, HR departments aim to boost employee productivity, competence, and commitment. In contrast, SMEs often operate informally, especially in recruitment and selection, relying on unstructured

methods like referrals. This creates a **practical gap**, as ineffective recruitment can hinder SME growth. Additionally, a **literature gap** exists due to limited studies on how specific HRM practices impact SME performance in under-researched areas like Katsina State. This study aims to fill both gaps by examining the effects of recruitment, training, and compensation on SME performance in the region. As highlighted by Nusheva, (2020), effective HRM practices are crucial for ensuring the smooth and efficient operation of any organisation.

Small and Medium Enterprises (SMEs) are pivotal to economic development, particularly in state like Katsina State, Nigeria. Despite their significance, many SMEs in this area face challenges in achieving optimal business performance. A critical factor influencing this performance is the implementation of effective Human Resource Management (HRM) practices, including recruitment and selection, training and development, and reward and compensation systems. However, there is still a lack of in-depth analysis on the specific effects of individual HRM practices, such as recruitment, training, and compensation, on the business performance of SMEs in Katsina State. This gap in understanding makes it difficult for SME owners to adopt targeted and effective HRM strategies, which may limit their growth potential and reduce their overall contribution to the local economy.

This study aims to build upon these by investigating the relationship between selected HRM practices and SME business performance in Katsina State. By analysing how recruitment and selection, training and development, and reward and compensation practices are implemented and their correlation with business outcomes, this study seeks to provide actionable insights for optimising HRM strategies. The goal is to offer practical recommendations for SMEs, policymakers, and HR professionals to better align HRM practices with business objectives, thereby fostering sustainable development in the region.

Through a comprehensive exploration of these HRM practices, this study underscores their significance as drivers of competitive advantage in the SME sector, particularly within the unique socio-economic landscape of Katsina State. The overall objective of this research is to investigate the impact of selected Human Resources Management Practices on SME Business Performance in Katsina State. Specifically, this study is to explore the impact of recruitment and selection practices on SMEs business performance in Katsina State. It will also investigate the effect of training and development on SMEs business performance in Katsina State. Lastly, the study will assess the influence of the reward and compensation system on the business performance of SMEs in Katsina State.

2. LITERATURE REVIEW

Small and Medium-sized Enterprises (SMEs) are pivotal to Nigeria's economic development, contributing significantly to employment generation and GDP. Human Resource Management (HRM) practices, particularly recruitment and selection, training and development, and reward and compensation, are critical in enhancing SME performance.

2.1 Conceptual Review and Framework

This section of the study reviewed the main concepts related to this study and their connectivity, such as Human Resources Management Practices, Recruitment and Selection, Training and Development, Reward and Compensation, Contextual Factors in Katsina State, and Small and Medium Enterprises overview in Nigeria.

i. Small and Medium Enterprises (SMEs)

The definition of Small and Medium Enterprises (SMEs) varies across regions and countries, influenced by factors such as the country's economic scale, resource availability, and cultural context (Lukacs, 2005). Singh et al., (2018) highlight that many firms operate with an informal structure and culture, leading to a significant number of enterprises being classified as SMEs, even if their size, revenue, and workforce do not fully align with formal SME criteria. This highlights the diversity and informality often associated with SMEs globally.

Nigeria, like many developing economies, has implemented a national policy to define Micro, Small, and Medium-sized Enterprises (MSMEs). This classification is based on two key criteria: the number of employees and the value of assets (excluding land and buildings). According to SMEDAN and NBS (2013), SMEs in Nigeria are defined as businesses with 10 to 199 employees and assets valued between 5 million and 500 million Naira. This standardised definition provides a framework for categorising enterprises within the Nigerian context.

Table 1 SMEs Classification in Nigeria

S/No	SIZE CATEGORY	EMPLOYMENT	ASSETS (₦ million) (Excluding Land and Building)
01	Micro Enterprises	Less than 10	Less than 5
02	Small Enterprises	10 to 49	5 to Less than 50
03	Medium Enterprise	50 to 199	50 to Less than 500

Source: Smedan and National Bureau of Statistics Collaborative Survey: Selected Findings (2013)

ii. SMEs Performance

Small and Medium-sized Enterprises (SMEs) performance is the ability of SMEs to effectively and efficiently achieve their long-term and short-term business objectives. It comprises various dimensions like financial growth, market share, operational efficiency, customer satisfaction, and worker productivity.

The performance of SMEs is typically measured by both quantitative (such as profit margins, return on investment, sales growth, and staff) and qualitative dimensions (such as customer allegiance, innovation, staff allegiance, and responsiveness to industry trends). Unlike large businesses, the performance of SMEs is likely to be influenced greatly by internal factors such as the leadership style, unofficial management practices, and decision-making ability of the owner.

In research and policy, SME performance is a critical indicator of poverty alleviation, economic growth, and the generation of employment, especially in developing economies like that of Nigeria. It is also used to assess the effectiveness of interventions such as HRM practices, training interventions, and access to finance.

iii. Human Resource Management Practices

Human Resource Management (HRM) refers to the strategic and managerial activities involved in developing and maintaining a competent workforce to drive organisational effectiveness (Manzoor et al., 2019). It recognises employees as essential assets and focuses on building a skilled and committed workforce to meet organisational objectives (Senyucel, 2009). HRM practices, such as recruitment, training, and compensation, are typically overseen at the management level and directly influence employee motivation, performance, and overall business outcomes (Abdi & Azizpour, 2013; SMEDAN & NBS, 2013).

Recruitment and Selection

Recruitment and selection are fundamental HRM practices that determine the quality of personnel within an organisation. A study in Kaduna State found that structured recruitment and selection accounted for 92.1% of the variation in SME growth, highlighting its importance in profitability and employee retention (Joseph et al., 2024). However, contrasting findings from Osun State showed that recruitment had no significant effect on performance, likely due to informal and unstructured hiring methods prevalent among SMEs (Ojokuku et al., 2014).

Training and Development

Training and development are essential for equipping employees with the skills and knowledge required to adapt and innovate. While findings from Osun State reported an inverse relationship between training and business performance, attributed to informal and ad hoc training practices (Ojokuku et al., 2014), research in South-South Nigeria indicated that structured and continuous training significantly improved organisational outcomes (Edewhor & Okuwa, 2024). These contrasting results suggest that the effectiveness of training depends heavily on its design and implementation.

Reward and Compensation

Reward and compensation systems are key drivers of employee motivation and organisational commitment. Evidence from Osun State showed a strong positive impact of compensation on SME performance (Ojokuku et al., 2014), a finding supported by research in Lagos State where remuneration and motivation were linked to business success (Odunayo et al., 2021). Furthermore, aligning compensation with strategic HRM practices enhances employee engagement and contributes to better performance outcomes (Sunday, 2025).

iv. Contextual Factors in Katsina State

While specific studies focusing on Katsina State are limited, the regional context shares similarities with

other Nigerian states, suggesting that the aforementioned HRM practices likely influence SME performance in comparable ways. However, local factors such as cultural norms, educational levels, and economic conditions may moderate these effects, necessitating context-specific research to tailor HRM strategies effectively.

v. Hypotheses

This study tests the following hypotheses:

H1: Recruitment and Selection practices positively influence SMEs business performance.

H2: Training and development practices have significant positive effect on SMEs business performance.

H3: Reward and Compensation practices have significant positive influence on business performance of SMEs.

vi. Conceptual Framework

Figure 1.0 below shows theresearch framework and the proposed relationships among the variables. The researchers identified the independent variables, which are key Human Resource Management (HRM) practices, namely, recruitment and selection, training and development, and reward and compensation, based on an extensive review of the literature. Business performance of Small and Medium Enterprises (SMEs) in Katsina State is designated as the dependent variable of the study.

This conceptual model reflects the assumption that effective HRM practices positively influence the performance of SMEs, supporting the need for strategic human resource investments to improve organisational outcomes.

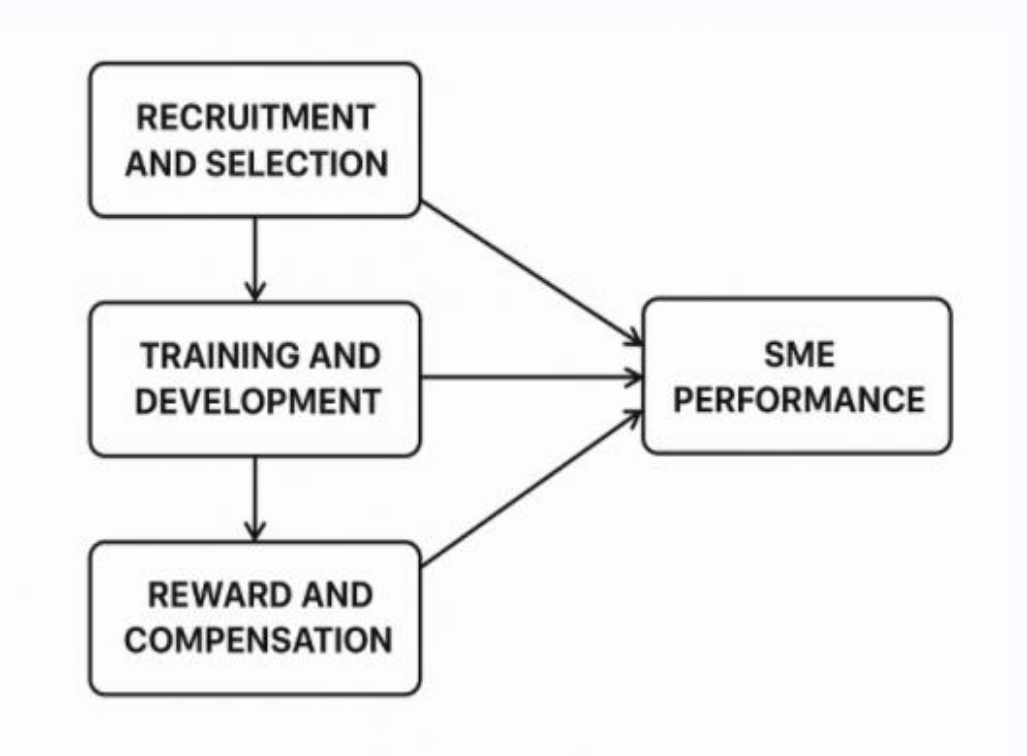

Figure 1.0: Research Framework

2.2 Theoretical framework

This study draws on two complementary theories,the Resource-Based View (RBV) and Human Capital Theory, to explain how human resource management (HRM) practices influence organisational performance, particularly within SMEs. The RBV (Barney, 1991) suggests that firms gain sustainable competitive advantage through internal resources that are valuable, rare, inimitable, and non-substitutable. HRM practices such as recruitment and selection, training and development, and reward systems fall within this category, as they enhance employee competencies, motivation, and retention, key drivers of improved business outcomes. For SMEs in resource-constrained settings like Katsina State, maximising internal human capabilities is especially critical for growth and competitiveness.

Human Capital Theory (Teixeira, 2014) complements this view by emphasising the value of investing in

employees. It posits that training and development increase workers' productivity, thereby boosting overall organisational performance. In the context of SMEs in developing regions, where external resources are often limited, building and retaining a skilled workforce through effective HRM is essential for adapting to changing market demands and achieving long-term goals. While HRM is diverse and lacks a single unified approach (Boxall & Purcell, 2000), the integration of RBV and Human Capital Theory offers a strong theoretical foundation for understanding how strategic HR practices impact SME performance. This combined perspective, though less common in performance literature, aligns with prior research (Garengo & Bititci, 2007) and provides a relevant lens for assessing business outcomes in the SME sector.

2.3 Empirical Review

While existing literature consistently affirms the positive impact of HRM practices on organisational performance, most studies focus on large firms in urban centres, offering limited insights into SMEs in less-developed regions like Katsina State. Moreover, few studies assess the combined effect of multiple HRM practices or consider how regional factors,such as culture, infrastructure, and informal management styles, influence outcomes.

Pam and Mashi (2023) investigated the impact of HRM practices on employee performance in private secondary schools within Katsina Metropolis. Using a quantitative survey with 180 staff members from ten schools, the study found that training, development, and compensation significantly improved employee performance. However, its narrow educational scope and focus on urban settings limit generalisability to SMEs or other sectors.

Mohammed and Ahmad (2024) examined the relationship between HRM practices and SME performance in Katsina State, considering staff commitment and competence as mediating variables. Based on responses from 300 SME owners and HR managers and analysed using Structural Equation Modelling, the study found that recruitment, training, and reward systems positively influenced business performance through improved staff engagement. However, the study relied on self-reported data and lacked longitudinal insights.

Adagbabiri and Okolie (2020) explored strategic HRM practices in Nigeria's oil and gas industry using data from 220 HR professionals. The study found that HRM strategies, like performance management and reward systems, significantly enhanced productivity and profitability. Yet, its industry-specific focus limits its relevance to SMEs and other sectors.

Egbuta et al. (2022) studied lean HR practices in SMEs across sectors such as manufacturing, ICT, and retail. Surveying 250 employees, they found that simplified recruitment, low-bureaucracy processes, and cost-effective training improved performance. Still, the lack of qualitative data limited understanding of employee experiences and perceptions.

Sajuyigbe (2015) assessed the effect of HRM practices on small businesses in Osun State. Using survey data from 150 SME owners and employees, the study found a positive impact of recruitment, training, and rewards on business performance. However, its geographical scope limits the applicability of findings to other regions like Katsina.

In summary, most prior studies either focus on large firms or narrow sectors, with limited attention to SMEs in semi-urban Northern Nigeria. While some, like Mohammed and Ahmad (2024), have begun to address this gap, comprehensive evidence on how HRM practices affect SME performance in Katsina State remains scarce. Additionally, little research accounts for the region's specific socio-economic and cultural context.

This study seeks to address these gaps by examining the combined impact of recruitment and selection, training and development, and reward and compensation practices on SME performance in Katsina State. It aims to generate contextualised insights relevant for policy, strategic HR development, and sustainable business growth in semi-urban Northern Nigeria.

3. METHODOLOGY

The study employed a descriptive survey design, which facilitates the selection of a sample whose findings can be generalized to represent the broader study population. This design is appropriate for capturing relative incidences and uncovering factual insights about the entire population using a smaller subset. The target population consisted of 1,355 small and medium-sized enterprises (SMEs) in Katsina State, Nigeria, with 1,256 categorized as small enterprises (92.69%) and 99 as medium-sized enterprises (7.31%) (SMEDAN et al., 2013). The sampling framework was based on data from the Katsina State Enterprise Development Agency (KASEDA, 2024), SMEDAN, and the National Bureau of Statistics (NBS, 2013), which provided a reliable classification of SMEs. Inclusion criteria, derived from SMEDAN & NBS (2013) and Ahmad (2007), required that businesses be classified as SMEs with 10 to fewer

than 200 employees, and respondents had to be owner-managers, corporate partners, senior managers, or HRM-involved personnel.

The sample size, calculated using G*Power 3.1.9.7 (Faul et al., 2009), was determined to be 131 SMEs based on a linear regression model with an effect size of 0.15, significance level of 0.05, power of 0.80, and 13 predictors; however, to account for possible non-responses, questionnaires were distributed to 271 SMEs. Data were collected through structured, closed-ended questionnaires on a 5-point Likert scale, aligning with the research objectives. Items for recruitment and selection were adapted from Burhan (2018), Lemma & Gebreyes (2019), and Li (2016); training and development variables from Burhan (2018), Daud (2006), Li (2016), and Murashkin & Tyrväinen (2019); reward and compensation from Burhan (2018), Cunningham (2007), Ilias (2009), and Murashkin & Tyrväinen (2019); while business performance components, taken from Burhan (2018), were retained unchanged due to their contextual suitability. The collected data were analyzed using Structural Equation Modeling (SEM), which combines multiple regression and factor analysis to evaluate complex variable relationships, making it ideal for hypothesis testing and causal modeling in multivariable studies (Hair et al., 2017; Reisinger & Mavondo, 2007).

4. RESULTS AND DISCUSSION

4.1 Results- Measurement Model

The measurement model evaluates the suitability of the formulated items (observed variables) for each construct (either a leading or an unobserved variable). This is done by assessing their reliability and validity to gauge the quality of the observed variables. To test reliability, Cronbach's alpha, Composite Reliability (rho_a), and Composite Reliability (rho_c) are used, while Average Variance Extracted (AVE), the Heterotrait-Monotrait (HTMT) ratio, and the Fornell-Larcker criterion are used to assess validity. The results of these reliability and validity tests are presented in the tables below.

Table 3: Construct Reliability and Validity – Independent Variables

Constructs	Items loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Recruitment and Selection (R&S)		0.88	0.889	0.903	0.462
R&S1	0.828				
R&S10	0.620				
R&S13	0.770				
R&S14	0.565				
R&S2	0.526				
R&S3	0.691				
R&S4	0.808				
R&S5	0.572				
R&S6	0.627				
R&S8	0.698				
R&S9	0.699				
Training and Development (T&D)		0.869	0.899	0.894	0.403
T&D1	0.764				
T&D11	0.778				
T&D12	0.780				
T&D13	0.737				
T&D2	0.781				
T&D3	0.530				
T&D4	0.759				
T&D5	0.756				
T&D8	0.638				

T&D9	0.690				
Reward and Compensation (R&C)		0.82	0.846	0.858	0.547
R&C1	0.536				
R&C10	0.702				
R&C11	0.745				
R&C2	0.741				
R&C3	0.622				
R&C6	0.585				
R&C8	0.692				

Source: Author computation using PLS 4

Table 3 presents the factor loadings, reliability, and validity assessments for the independent variables, recruitment and selection, training and development, and reward and compensation. In contrast, Table 4 displays the same analyses for the dependent variable, business performance. The majority of the item loadings exceed 0.50, aligning with findings from both early and recent research (Bagozzi & Yi, 1988; Ringle & Sarstedt, 2016). Items with loadings at or below 0.40 were excluded from the analysis, in accordance with established research practices.

According to the commonly accepted guideline, the reliability of the measurement model is confirmed when the coefficients for Cronbach's alpha, composite reliability (rho_a), and composite reliability (rho_c) exceed 0.70 (Bagozzi & Yi, 1988). As shown in Tables 3 and 4, all reliability values surpass the 0.70 threshold, indicating that the items used to measure the constructs are reliable.

Table 4: Construct Reliability and Validity – Dependent Variables

Constructs	Items loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Business Performance (BP)		0.775	0.78	0.829	0.553
BP1	0.661				
BP2	0.661				
BP3	0.676				
BP4	0.606				
BP5	0.587				
BP6	0.535				
BP7	0.612				
BP8	0.503				

Source: Author computation using PLS 4

In addition, discriminant validity of the constructs is assessed using the Heterotrait-Monotrait (HTMT) ratio, the Fornell-Larcker criterion, and cross-loadings. Table 5 displays the HTMT ratios for evaluating discriminant validity. The results indicate that the model demonstrates strong discriminant validity, as the HTMT values for most key constructs fall below the recommended threshold of 0.85 (Henseler, 2017a).

Table 5: Discriminant Validity – Heterotrait – Monotrait (HTMT) Ratio

	BP	R&C	R&S	T&D
BP				
R&C	0.649			
R&S	0.478	0.611		
T&D	0.627	0.828	0.923	

Source: Author computation using PLS 4

Similarly, Table 6 presents the Fornell-Larcker criterion, in line with both earlier and more recent studies (Fornell & Larcker, 1981; Henseler, 2017b). This method evaluates discriminant validity by comparing the square roots of the Average Variance Extracted (AVEs) with the correlations between the constructs. Discriminant validity is confirmed when the square root of each construct's AVE exceeds its correlations with other constructs (Fornell & Larcker, 1981). As shown in Table 6, this condition has been met, indicating that the model demonstrates acceptable discriminant validity.

Table 6: **Discriminant Validity - Fornell-Larcker criterion**

	BP	R&C	R&S	T&D
BP	0.594			
R&C	0.524	0.589		
R&S	0.417	0.542	0.680	
T&D	0.523	0.694	0.835	0.635

Source: Author computation using PLS 4

4.2 Discussion of findings

Table 7 presents the direct path effects illustrating the relationship between the dependent variable, business performance (BP), and the independent variable, human resource management (HRM) practices, which are captured through three constructs: recruitment and selection (R&S), reward and compensation (R&C), and training and development (T&D).

The findings indicate that the independent variables, recruitment and selection (R&S), reward and compensation (R&C), and training and development (T&D), significantly impact the dependent variable, business performance (BP). This implies a positive and statistically significant relationship between the independent and dependent variables. The strength of these associations is confirmed by t-statistics exceeding 1.96 and p-values below 0.05 across all tested paths. Specifically, recruitment and selection (R&S) demonstrated a positive effect on business performance, with a beta coefficient of 0.148 and a t-statistic of 2.494. This suggests that recruitment and selection (R&S), as a component of HRM practices, contributes 14.8% to the business performance of SMEs. Likewise, the findings reveal that reward and compensation (R&C) positively affect business performance, with a beta value of 0.178 and a t-statistic of 4.111, indicating it accounts for 17.8% of SME performance. Additionally, training and development (T&D) also shows a positive impact on business performance, with a coefficient of 0.259 and a t-statistic of 4.160, implying that T&D contributes 25.9% to SME business performance.

Table 7: Direct Effect (path)

	Beta (β)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Results
R&S -> BP	0.148	0.059	2.494	0.013	Supported
R&C -> BP	0.178	0.043	4.111	0.000	Supported
T&D -> BP	0.259	0.062	4.160	0.000	Supported

Source: Author computation using PLS 4

The hypothesis test results are as follows:

Table 8. Hypotheses Test Results

Hypothesis	Relationship	Result
H1: Recruitment and Selection practices have significant positive relationship with SMEs business performance.	R&S → BP	Supported
H2: Training and development practices have significant positive effect on SMEs business	T&D → BP	Supported

performance.		
H3: Reward and Compensation practices have significant positive influence on business performance of SMEs.	R&C → BP	Supported

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study confirms that key human resource management (HRM) practices, such as recruitment and selection, training and development, and reward systems, positively impact the business performance of SMEs in Katsina State. However, a significant implementation gap persists, as many SMEs lack the capacity, institutional frameworks, and strategic foresight to fully integrate these practices. Contextual factors like informal business culture, limited HR expertise, resource constraints, and inadequate infrastructure further influence the effectiveness and sustainability of HRM initiatives.

The findings emphasize the need for context-specific, strategic HRM systems tailored to the realities of SMEs in semi-urban Katsina. Grounded in resource-based and human capital theories, the study highlights how self-developed human resources can drive sustained competitive advantage and performance. Ultimately, strengthening HRM in SMEs is vital not just for managerial efficiency but for broader productivity, long-term growth, and regional economic development. The insights provide a useful foundation for policymakers, SME owners, and development agencies to craft targeted strategies that support SME sustainability in Northern Nigeria.

5.2 **Recommendations**

Based on the study's findings and the identified HRM challenges faced by SMEs in Katsina State, several strategic recommendations are proposed to strengthen HRM practices. Firstly, SMEs should institutionalize adaptive HRM frameworks that are scalable and contextually responsive to local socio-economic conditions. These frameworks should blend informal HR practices common among SMEs with formal HRM principles to ensure better relevance, acceptance, and implementation.

Secondly, sector-specific HR capacity-building hubs should be established in partnership with local business associations and government agencies. These hubs would provide tailored training modules for high-growth sectors such as agribusiness, manufacturing, and ICT. They could also offer subsidized HR advisory services, mentorship, and continuous skill development programs aligned with changing market needs.

Thirdly, SMEs should be encouraged to leverage affordable digital tools to improve HRM efficiency. Solutions such as mobile apps for performance tracking, e-learning platforms, and cloud-based payroll systems can streamline recruitment, training, and compensation processes without significantly raising operational costs.

Another important strategy involves linking rewards to innovation and employee retention. Instead of relying solely on traditional performance incentives, SMEs should adopt innovation-based rewards for staff who contribute to product improvements, cost-saving initiatives, or process innovations. Long-term retention strategies such as profit-sharing and clear career progression pathways can also help reduce employee turnover.

Moreover, the creation of feedback-driven HRM systems is essential. Encouraging employee participation in shaping HR policies, especially those concerning training, motivation, and well-being, can lead to more aligned and effective practices, while fostering greater engagement and commitment from staff.

Finally, SMEs should be supported in policy advocacy efforts. SME networks must engage with government stakeholders to push for HR-friendly policies, tax incentives for HR training investments, and inclusion in publicly funded HR development programs. This institutional support is critical for sustainable HRM improvements in the SME sector.

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