

Factors influencing Employee Engagement of Small and Medium Enterprises in Madurai District: An Empirical approach

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Abstract

The present study examines the factors influencing employee engagement among small and medium enterprises (SMEs) in Madurai District, Tamil Nadu. The study focuses on five determinants: work environment, compensation, workplace well-being, co-worker support, and organisational policies. A descriptive research design was adopted, and primary data were collected from 135 employees using a structured questionnaire. The collected data were analysed using percentage analysis, Pearson correlation, and multiple regression analysis. The correlation results revealed significant positive relationships between all five determinants and employee engagement. However, regression analysis identified co-worker support ($\beta = 0.385$), workplace well-being ($\beta = 0.259$), and compensation ($\beta = 0.223$) as significant predictors of employee engagement. Work environment and organisational policies did not demonstrate statistically significant effects in the regression model. The study concludes that supportive interpersonal relationships, employee well-being, and fair compensation play important roles in strengthening employee engagement among SMEs. The findings provide practical insights for SME management to develop effective employee engagement strategies.

Keywords: Employee Engagement, Small and Medium Enterprises, Co-worker Support, Workplace Well-being, Compensation, Madurai District.

1. Introduction

Employee engagement has emerged as an important area of human resource management, as organisations increasingly recognise the contribution of employees towards achieving organisational effectiveness, productivity and sustainable growth. In a competitive business environment, organisations need employees who are not only committed to their responsibilities but also emotionally connected to their work and willing to contribute towards organisational objectives. Employee engagement refers to the extent to which individuals involve themselves physically, cognitively and emotionally in performing their organisational roles. It reflects employees' enthusiasm, dedication and willingness to contribute beyond their formal job responsibilities. Saks (2006) highlighted that employee engagement is closely associated with perceived organisational support, job characteristics and organisational justice,

which influence employees' attitudes and behaviours. Similarly, Shuck et al. (2011) emphasised that employee engagement is influenced by job fit, affective commitment and psychological climate, while contributing to discretionary effort and reduced turnover intentions.

The importance of employee engagement is particularly relevant to small and medium enterprises (SMEs), where employees play a significant role in maintaining operational efficiency, productivity and organisational competitiveness. Unlike larger organisations, SMEs may operate with limited financial resources, relatively informal human resource management practices and closely connected employer–employee relationships. Consequently, the working environment, leadership practices, interpersonal relationships and organisational support may have considerable implications for employees' engagement levels. Anitha (2014), in an empirical investigation involving employees from small-scale organisations, identified several determinants of employee engagement and established that the working environment and team and co-worker relationships were among its strongest predictors. The study also demonstrated a significant relationship between employee engagement and employee performance. These findings underline the importance of creating supportive workplace conditions and strengthening interpersonal relationships to enhance employee engagement in smaller organisations.

Existing research has identified several organisational and individual factors that contribute to employee engagement. Bedarkar and Pandita (2014) emphasised the significance of communication, work–life balance and leadership as important drivers of employee engagement, highlighting their implications for employee performance and workplace well-being. Similarly, Chen and Peng (2019) demonstrated that servant leadership and psychological capital contribute to frontline employees' work engagement and service performance. Iddagoda and Opatha (2020) further examined the influence of high-performance work practices, leadership, personal characteristics and work–life balance on employee engagement and job performance. These studies suggest that engagement is influenced by a combination of organisational practices, workplace experiences and individual psychological characteristics. Therefore, understanding the relative contribution of these factors is essential for developing effective employee engagement strategies.

The Job Demands–Resources (JD-R) framework provides an important theoretical perspective for understanding the determinants of employee engagement. According to this framework, job resources and personal resources help employees manage workplace demands while strengthening their motivation and engagement. Mazzetti et al. (2021), through a meta-analysis, established positive associations between work engagement and different categories of resources, including developmental, personal, social and job resources. Similarly, Thisera and Wijesundara (2020) found that job resources, such as job autonomy, supervisor support, rewards and recognition, and personal resources, including self-efficacy and optimism, positively influenced employee engagement. Rastogi and Saikia (2019) also demonstrated the positive influence of supervisor support and family–work enrichment on work engagement. These findings indicate that organisational support, employee autonomy, recognition and

supportive interpersonal relationships are relevant factors in understanding employee engagement across different occupational contexts.

In the context of SMEs, employee engagement assumes considerable importance because organisational success often depends on employees' adaptability, cooperation and commitment towards achieving business objectives. Madurai District, Tamil Nadu, provides a relevant setting for examining employee engagement within small and medium enterprises operating across different business activities. Employees in these enterprises may experience varied working conditions, supervisory practices, opportunities for professional development and workplace relationships. Such differences create a need to understand how organisational and individual factors are associated with employee engagement in the local business environment. Although previous studies have investigated the determinants of employee engagement across small-scale organisations, service industries, healthcare institutions and larger corporate settings, their findings cannot automatically be generalised to SMEs in Madurai District. This contextual limitation highlights the importance of conducting empirical research to identify the factors that influence employee engagement among employees working in these enterprises.

Against this background, the present study, titled "Factors Influencing Employee Engagement of Small and Medium Enterprises in Madurai District: An Empirical Approach," aims to examine the factors associated with employee engagement among SME employees in the study area. Drawing upon existing theoretical and empirical research, the study seeks to assess the contribution of relevant organisational, job-related and individual factors towards employee engagement. By identifying the factors that have a significant influence on employee engagement, the study intends to provide empirical insights into employee engagement practices within SMEs. The findings are expected to offer practical implications for SME owners, managers and human resource practitioners in developing supportive work environments, strengthening employee relationships and improving employee involvement, thereby contributing to organisational effectiveness and sustainable business performance.

2 Review of Literature

Employee engagement is an important consideration in organizational management, particularly among small and medium enterprises (SMEs), where employee commitment, motivation, and involvement contribute to organizational performance. Previous studies have identified several organizational and interpersonal factors influencing employee engagement. The present study focuses on five determinants, namely work environment, compensation, workplace well-being, co-worker support, and organizational policies, to examine their influence on employee engagement among SMEs in Madurai District.

2.1. Work Environment and Employee Engagement

Kahn (1990) examined the psychological conditions associated with personal engagement and disengagement at work and identified meaningfulness, psychological safety, and psychological availability as essential conditions for employee engagement. The study emphasized that a supportive and secure working environment enables employees to involve themselves physically, cognitively, and emotionally in their work responsibilities. Schaufeli and Bakker

(2004) investigated the relationship between job demands, job resources, and work engagement and found that the availability of organizational resources plays a significant role in promoting engagement. Similarly, Bakker and Demerouti (2007) explained that favourable working conditions, adequate resources, and supportive organizational practices strengthen employee motivation and engagement. These findings suggest that a positive work environment may enhance employee engagement among SMEs by creating favourable conditions for employee participation, commitment, and job involvement. Therefore, it is hypothesised that

H1: Work Environment have a significant positive influence on employee engagement.

2.2. Compensation and Employee Engagement

Saks (2006) examined the antecedents and consequences of employee engagement using social exchange theory and identified rewards and recognition among the organizational factors relevant to employee engagement. The study provided a theoretical explanation of how favourable treatment by an organization can encourage employees to reciprocate through greater involvement in their work. Brown and Reilly (2013) examined the relationship between reward management and employee engagement and emphasized the importance of adopting a total rewards approach that accommodates diverse employee needs. Their study suggested that compensation and engagement should be understood within the specific organizational context rather than through a universally applicable reward model. Furthermore, Ghosh et al. (2014) identified distributive justice as an important determinant of job and organizational engagement among employees of public sector banks in India. These studies indicate that fair compensation, appropriate rewards, and equitable recognition may contribute to employee engagement, particularly in SMEs where financial and non-financial incentives influence employees' perceptions of organizational support. Hence, it is posited that

H2: Compensation has a significant positive influence on employee engagement.

2.3. Workplace Well-Being and Employee Engagement

Schaufeli and Bakker (2004) examined burnout and employee engagement across different occupational groups and found that job resources were important predictors of engagement, while excessive job demands contributed primarily to burnout. Their findings highlighted the importance of distinguishing the organizational conditions that promote engagement from those associated with employee strain. Truss et al. (2013) reviewed the relationship between employee engagement, organizational performance, and individual well-being and emphasized the need to consider employee welfare when developing engagement strategies. Similarly, Kahn (1990) identified psychological availability as an important condition for engagement, indicating that employees require sufficient physical, emotional, and psychological resources to invest themselves in their work. These findings provide a basis for examining workplace well-being as a determinant of employee engagement, particularly in SMEs where workload, occupational stress, and available organizational support may influence employees' ability to remain engaged. From the above discussions we argue that

H3: Workplace Well-Being has a significant positive influence on employee engagement.

2.4. Co-worker Support and Employee Engagement

Bakker et al. (2004) examined the Job Demands–Resources model and identified social support as an important job resource associated with employee functioning and performance. Their findings suggest that supportive workplace relationships can help employees manage occupational demands and maintain positive work-related attitudes. Sloan (2012) investigated the role of co-worker support in employee well-being and demonstrated that supportive relationships among colleagues can benefit employees, although their capacity to protect employees from negative workplace experiences depends on the nature of the stressor. Furthermore, Bakker and Demerouti (2007) emphasized the motivational importance of job resources, including social support, within the Job Demands–Resources framework. These findings suggest that co-worker support, characterized by cooperation, interpersonal trust, knowledge sharing, and mutual assistance, may contribute positively to employee engagement. Such support may be especially relevant in SMEs, where employees frequently work in closely connected teams and depend on interpersonal cooperation to accomplish organizational tasks.

H4: Co-worker Support has a significant positive influence on employee engagement.

2.5. Organizational Policies and Employee Engagement

Saks (2006) explained employee engagement through social exchange theory, highlighting the importance of organizational support and fair treatment in shaping employees' engagement-related attitudes and behaviours. Rhoades and Eisenberger (2002), in their review of perceived organizational support, found that fairness, organizational rewards, favourable working conditions, and supervisor support were associated with employees' perceptions that their organization valued their contributions and cared about their well-being. Alfes et al. (2013) examined the relationship between perceived human resource management practices, employee engagement, and employee behaviour, demonstrating the importance of employees' perceptions of organizational practices. Similarly, Ghosh et al. (2014) found that perceptions of organizational justice were associated with job and organizational engagement among Indian banking employees. These studies suggest that transparent organizational policies, equitable treatment, effective grievance-handling procedures, and consistent human resource practices may contribute to employee engagement. In the SME context, clearly communicated organizational policies may help strengthen employee confidence, trust, and organizational commitment.

H5: Organizational Policies has a significant positive influence on employee engagement.

Existing literature provides substantial evidence concerning the relevance of job resources, organizational support, compensation practices, employee well-being, interpersonal relationships, and human resource management practices to employee engagement. However, the reviewed studies cover different organizational contexts, and their findings cannot automatically be generalized to SMEs operating in Madurai District. Moreover, the simultaneous influence of work environment, compensation, workplace well-being, co-worker support, and organizational policies requires empirical examination within the selected geographical and organizational context. Therefore, the present study seeks to investigate the individual and collective influence of these five independent variables on employee engagement among employees of small and medium enterprises in Madurai District.

3 Research Methodology

The present study, titled “Factors Influencing Employee Engagement of Small and Medium Enterprises in Madurai District: An Empirical Approach,” aims to examine the factors influencing employee engagement among employees working in small and medium enterprises (SMEs) in Madurai District, Tamil Nadu. The study adopts a descriptive, cross-sectional research design to investigate the relationship between selected organisational factors and employee engagement. The major independent variables considered in the study are work environment, compensation, workplace well-being, co-worker support, and organisational policies, while employee engagement is treated as the dependent variable.

Research Design

The study employs a descriptive research design to examine the perceptions of employees regarding the organisational factors influencing their engagement. A cross-sectional approach was adopted, wherein data were collected from respondents at a single point in time. This design facilitates the examination of relationships between the selected independent variables and employee engagement.

Population and Sampling

The target population of the study comprises employees working in small and medium enterprises located in Madurai District. The study is restricted exclusively to employees of small and medium enterprises, excluding micro and large enterprises. A simple random sampling technique was adopted for selecting respondents. A total of 135 valid responses were considered for the final analysis.

Sources of Data

The study is primarily based on primary data collected directly from employees of selected small and medium enterprises in Madurai District. Secondary information from research articles, journals, books, and relevant publications was used to develop the conceptual background and identify the determinants of employee engagement.

Data Collection Instrument

Primary data were collected using a structured questionnaire designed to assess employees' perceptions of the factors influencing employee engagement. The questionnaire covered demographic characteristics and statements relating to work environment, compensation, workplace well-being, co-worker support, organisational policies, and employee engagement. The instrument was designed to obtain standardised responses and facilitate quantitative analysis.

4 Analysis

The collected data were subjected to quantitative statistical analysis. Frequency and percentage analysis were used to describe the demographic characteristics of respondents. Descriptive statistics were employed to summarise the study variables. Correlation analysis was used to examine the relationships between the independent variables and employee engagement, while

multiple regression analysis was employed to assess the relative influence of work environment, compensation, workplace well-being, co-worker support, and organisational policies on employee engagement. The statistical significance of the relationships was evaluated at the 5 per cent level, where applicable.

4.1 Percentage Analysis

The demographic profile indicates that the majority of respondents belong to small enterprises (59.26%), while 40.74% represent medium enterprises. Regarding age, the largest proportion of respondents (31.11%) falls within the 41–50 years category. Higher secondary education accounts for the largest identified educational group (37.04%), followed by diploma/polytechnic qualifications (20.00%). Male respondents constitute 56.30% of the sample, while female respondents account for 43.70%. In terms of monthly salary, a substantial majority (86.67%) fall within the income category of up to ₹15,000. The distribution suggests a sample predominantly comprising small-enterprise employees with relatively low monthly earnings.

4.2 Correlation among study variables

The Pearson correlation analysis reveals a positive and statistically significant relationship between employee engagement and all five organisational factors among the 135 respondents. Co-worker support exhibits the strongest positive correlation with employee engagement ($r = 0.647$), followed by organisational policies ($r = 0.541$), compensation ($r = 0.515$), work environment ($r = 0.469$), and workplace well-being ($r = 0.328$). All relationships are statistically significant at the 1% level ($p < 0.01$). The findings suggest that supportive relationships among co-workers, favourable organisational policies, adequate compensation, a positive work environment, and workplace well-being are associated with higher levels of employee engagement. Overall, co-worker support emerges as the factor most strongly associated with employee engagement among employees of small and medium enterprises in Madurai District.

Table 1 Correlation Analysis

		Employee Engagement	work environment,	compensation	workplace well-being	co-worker support	organisational policies
Employee Engagement	Pearson Correlation	1	.469**	.515**	.328**	.647*	.541**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	135	135	135	135	135	135
work environment	Pearson Correlation	.469**	1	.449**	.035	.545*	.441**

	Sig. (2-tailed)	.000		.000	.691	.000	.000
	N	135	135	135	135	135	135
compensation	Pearson Correlation	.515**	.449**	1	.010	.495*	.372**
	Sig. (2-tailed)	.000	.000		.904	.000	.000
	N	135	135	135	135	135	135
workplace well-being	Pearson Correlation	.328**	.035	.010	1	.074	.182*
	Sig. (2-tailed)	.000	.691	.904		.396	.035
	N	135	135	135	135	135	135
co-worker support	Pearson Correlation	.647**	.545**	.495**	.074	1	.643**
	Sig. (2-tailed)	.000	.000	.000	.396		.000
	N	135	135	135	135	135	135
organisational policies	Pearson Correlation	.541**	.441**	.372**	.182*	.643*	1
	Sig. (2-tailed)	.000	.000	.000	.035	.000	
	N	135	135	135	135	135	135
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

4.3 Influence of Determinants on Engagement

The multiple regression analysis indicates that co-worker support ($\beta = 0.385$, $p < 0.001$) has the strongest positive and statistically significant association with employee engagement, followed by workplace well-being ($\beta = 0.259$, $p < 0.001$) and compensation ($\beta = 0.223$, $p = 0.003$). These findings suggest that supportive relationships among colleagues, employee well-being, and adequate compensation are important factors associated with employee engagement in small and medium enterprises in Madurai District. However, work environment ($\beta = 0.078$, $p = 0.302$) and organisational policies ($\beta = 0.109$, $p = 0.165$) do not exhibit statistically significant relationships with employee engagement after controlling for the other variables

Table 1 Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.088	.251		4.336	.000
	Work environment	.051	.049	.078	1.036	.302
	Compensation	.144	.047	.223	3.063	.003

	Workplace well-being	.172	.043	.259	4.032	.000
	Co-worker support	.277	.061	.385	4.527	.000
	Organisational policies	.080	.058	.109	1.395	.165
		.035	.059	.046	.592	.555
a. Dependent Variable: Employee engagement						

5 Conclusion

The study concludes that employee engagement in small and medium enterprises in Madurai District is significantly associated with organisational and interpersonal factors. Although all five determinants showed positive correlations with employee engagement, the multiple regression analysis established that co-worker support, workplace well-being, and compensation were the significant predictors. Among these factors, co-worker support emerged as the strongest predictor, highlighting the importance of teamwork, cooperation, and positive interpersonal relationships in enhancing employee engagement. Workplace well-being and compensation also contributed significantly, indicating the importance of employee welfare and appropriate remuneration. However, work environment and organisational policies did not exhibit statistically significant effects after accounting for the other variables. The findings suggest that SME owners and managers should prioritise supportive workplace relationships, employee well-being initiatives, and equitable compensation practices to strengthen employee engagement. Overall, the study contributes to understanding the key determinants of employee engagement in SMEs and offers practical implications for improving employee commitment, involvement, and organisational effectiveness.

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