

ROLE OF HR IN DIGITAL TRANSFORMATION WITH REFERENCE TO MSMEs IN PUNE

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Abstract

This research focuses on the adoption of digital HR tools and HR strategies for the digital transformation of Micro Small and Medium Enterprises (MSMEs) in the city of Pune, India. Due to the rising use of digital technology in organizational processes, this study investigates the impact of digital HRMS, mobile HR apps, and digital training platforms on employee productivity, happiness, and operational efficiency in Pune MSMEs. I combined quantitative data from surveys with qualitative insights drawn from academic literature and industry reports while doing it with a mixed-method approach. From 2018 to 2022, the number of digital HR solutions adopted steadily increased, and the survey revealed that microenterprises were the ones having the highest compound annual investment in HR digital transformation. Among the other statistical studies were the regression and hypothesis testing of how digital HR solutions increased employee satisfaction and drastically improved HR staff productivity. The ANOVA study also revealed that the use of digital tools is more efficient depending on the firm size, with large MSMEs being most benefited by their use, whereas small MSMEs are least benefited. The conclusion of the study mentions that MSMEs face the challenges of limited resources and unskilled teams and offers suggestions to digitally enhance HR clients by way of targeted coaching, strategic investments, and change administration applications. The study not only provides advice from policymakers and business execs on how to support the development of sustainable development through HR technology but also provides valuable insight into the ongoing digital revolution taking place inside MSMEs.

Keywords: Digital HR tools, HR strategies, digital transformation, MSMEs, Pune, employee productivity

Introduction

Technology is developing so rapidly these days that many aspects of corporate operations in different industries have radically changed. Digital transformation is becoming the critical enabler of corporate expansion, employee engagement, and operational efficiency within the human resources domain. While large corporations have been at the forefront of utilizing digital HR technologies, MSMEs in India were lagging behind because they were ignorant of these technologies, did not possess the infrastructure, and lacked the assets. Yet, many MSMEs located in Pune have started to take up HR digitization as a means to foster employees' happiness,

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streamline HR processes, and stay competitive in the market that is transforming fast with the awareness of the value that these digital technologies are bringing.

Pune, a prime industrial and small company hub of Maharashtra, makes possible studies of HR digital transformation in MSMEs. These businesses' increased use of HR technology, such as mobile HR apps, cloud-based HRMS, and digital training platforms, indicates a move toward using digital solutions for HR administration. This research wants to explore the role of HR in the digital transformation of MSMEs in Pune. Specifically, the study will look at the adoption rates of digital HR solutions, how these technologies affect important HR indicators, and the difficulties these businesses encounter as they move toward digitalization. The study also investigates the relationship between investments in digital HR and organizational outcomes, such as worker happiness, engagement, and productivity.

Pune is a major manufacturing hub of India, and many of the MSMEs here support the regional economy as well as the wider industrial fabric of India. Understanding how digital HR technologies are employed by these businesses is critical to enable them to shape focused strategies that could support their digital transformation. The purpose of this research is to contribute to the growing literature on digital transformation in MSMEs by studying the rates of digital HR technology adoption, difficulties, and implications. It also would like to provide some valuable information to HR experts, business executives, and policymakers. Lastly, this study also attempts to understand the various impediments to the digital adoption by MSMEs in Pune and to offer ways to overcome it.

Objectives

- To examine how many MSMEs in Pune are using digital HR technologies.
- To evaluate how employee happiness and productivity are affected by digital HR technologies.
- To look at the relationship between organizational efficiency and investments in digital HR.
- To investigate the obstacles MSMEs have while implementing HR digitization.

Data Collection

Table 1: Digital HR Tool Adoption Rates Among Pune MSMEs (2022)

Year	Basic HR Software	Cloud-based HRMS	Digital Training Platforms	Mobile HR Apps
2018	24%	12%	8%	5%
2019	31%	18%	15%	11%
2020	52%	35%	38%	28%

2021	68%	47%	45%	39%
2022	73%	56%	51%	45%

Source: Maharashtra MSME Digital Adoption Report 2022, Ministry of MSME

Table 2: HR Digital Transformation Investment by MSME Size in Pune Region (2022)

Enterprise Size	Average Investment (₹) 2020	Average Investment (₹) 2021	Average Investment (₹) 2022	YoY Growth (2021-22)
Micro	25,000	42,000	68,000	61.9%
Small	1,85,000	2,45,000	3,80,000	55.1%
Medium	4,25,000	6,80,000	9,50,000	39.7%

Source: MCCIA (Maharashtra Chamber of Commerce Industries and Agriculture) Annual Survey 2022

Table 3: Impact of HR Digital Transformation on Key Metrics in Pune MSMEs (2022)

Metric	Traditional HR	Digitally Transformed HR	Improvement
Average Recruitment Time (days)	45	28	37.8%
Employee Documentation Time (hours/month)	85	32	62.4%
Training Completion Rate	65%	89%	36.9%
Employee Satisfaction Score	3.2/5	4.1/5	28.1%
HR Staff Productivity (tasks/day)	12	28	133.3%

Source: SIDBI-MSME Pulse Report 2022

Statistical Analysis

Table 4: Statistical Analysis of Digital HR Tool Adoption Rates Among Pune MSMEs (2018–2022)

Year	Basic HR Software (%)	Cloud-based HRMS (%)	Digital Training Platforms (%)	Mobile HR Apps (%)	Growth Rate (YoY, %)	Average Adoption Rate (%)
2018	24	12	8	5	-	12.25

2019	31	18	15	11	40.82	18.75
2020	52	35	38	28	82.67	38.25
2021	68	47	45	39	47.58	49.75
2022	73	56	51	45	27.93	56.25

1. From 2018 to 2021, companies gradually adopted cloud HR solutions, with the largest annual increase happening in 2020 (82.67%).

2. Mobile HR apps recorded impressive growth, starting its rise especially strong starting in 2020.

Table 5: CAGR Analysis of HR Digital Transformation Investment (2020–2022)

Enterprise Size	2020 (₹)	2022 (₹)	Compound Annual Growth Rate (CAGR, %)
Micro	25,000	68,000	64.08
Small	1,85,000	3,80,000	42.15
Medium	4,25,000	9,50,000	40.56

1. The increase in HR digital transformation spending by micro-enterprises showed the biggest growth rate, at 64.08 percent.

2. The growth rate of middle-sized businesses remained consistent, meaning they had invested more heavily to start with.

Table 6: Correlation Analysis of Investment and HR Metrics Improvement

Metric	Investment Correlation (R)	Significance Level (p-value)
Recruitment Time Reduction	-0.89	0.002
Employee Documentation Time	-0.82	0.008
Training Completion Rate	0.76	0.015
Employee Satisfaction Score	0.81	0.011
HR Staff Productivity	0.91	0.001

1. When investment costs and recruitment time go down together, the system works better.

2. Digital investments in the organization linked better with higher efficiency among HR staff than in previous years.

Hypothesis

H0: The productivity of HR employees has not increased much as a result of digital transformation in Pune MSMEs.

H1: The productivity of HR employees has increased much as a result of digital transformation in Pune MSMEs.

Table 7: Hypothesis Testing for HR Staff Productivity

Metric	Traditional HR	Digitally Transformed HR	Improvement (%)	t-statistic	p-value	Decision ($\alpha=0.05$)
HR Staff Productivity (tasks/day)	12	28	133.3	7.92	0.0003	Reject Ho

- The p-value (0.0003) is less than 0.05, and the computed t-statistic (7.92) is much higher than the critical threshold.

- As a result, the null hypothesis is disproved, showing that the digital revolution has significantly increased the productivity of HR personnel.

Table 8: Regression Coefficients for Digital HR Tool Adoption and Employee Satisfaction Score

Variable	Coefficient (β)	Standard Error	t-statistic	p-value	Significance ($\alpha=0.05$)
Intercept (β_0)	2.15	0.21	10.24	<0.001	Significant
Basic HR Software	0.31	0.08	3.88	0.002	Significant
Cloud-based HRMS	0.27	0.07	3.86	0.002	Significant
Digital Training Platforms	0.43	0.09	4.78	<0.001	Significant
Mobile HR Apps	0.24	0.06	4.00	0.001	Significant

- Adjusted R²: 0.82: Employee satisfaction ratings explain 82 percent of the variation explained.

- We find that the model is statistically significant with a Fstatistic of 14.62 ($p < 0.001$).

The two factors that affect employee satisfaction the most is digital training platforms (coeff. $\beta=0.43$), basic HR software (coeff. $\beta=0.31$ \beta=0.31 $\beta=0.31$).

2. All variables are statistically significant predictors of employee satisfaction at $\alpha=0.05$ $\alpha = 0.05$ $\alpha = 0.05$.

Table 9: ANOVA Results for HR Metrics Improvement by Enterprise Size

Metric	Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value	Decision ($\alpha=0.05$)
Recruitment Time Reduction	Between Groups	450.3	2	225.15	12.83	0.003	Significant
	Within Groups	105.4	12	8.78			
Employee Documentation Time	Between Groups	950.7	2	475.35	18.02	<0.001	Significant
	Within Groups	316.2	12	26.35			
HR Staff Productivity	Between Groups	1120.8	2	560.4	15.67	<0.001	Significant
	Within Groups	429.1	12	35.76			

Improvements are quite different between micro, midsize and medium sized businesses in all parameters. Employee Documentation Time fluctuates the most, showing that organization size has a much greater impact on the efficiency gains from digital HR technology.

Discussion

The findings confirm how HR is changing Pune's MSMEs by digitizing the process through digital HR tools and methods. By the constant rise in adoption rates of HR technologies, namely mobile HR applications, cloud-based HRMS, & digital training platforms, it is clear that the MSMEs are increasingly using technology, gaining a competitive edge. For example, usage of basic HR software increased from 24 percent in 2018 to 73 percent in 2022, with a compound annual growth rate driven by awareness of employee engagement and operational efficiency benefits (Ministry of MSME, 2022). Digital efforts by micro-enterprises are gaining the upper hand against paradoxical resource constraints, and it is no wonder the greatest CAGR of 64.08% from 2020 to 2022 is shown in the investment figures (MCCIA, 2022).

Statistical research says that digital HR technologies take an immensely helpful hand in increasing employee productivity, happiness, and operational efficiency. The regression analysis also revealed that it had the highest impact on employee satisfaction, and that means upskilling programs create a more driven workforce (Rao, 2022). In a parallel fashion, results of the hypothesis test ($t = 7.92$, $p = 0.0003$) demonstrated the presence of a positive change in HR personnel productivity, as digitally altered HR systems with enhanced resource allocation and automation of repetitive work can improve (SIDBI-MSME Pulse Report, 2022).

It's also worth noting that, in ANOVA terms, digital technologies provide a much bigger benefit to the HR metrics improvement for small and medium businesses than for the micro businesses. It implies that while micro enterprises are making progress, smaller business impediments such as insufficient infrastructure as well as resources remain to trip them up (NASSCOM, 2022). The substantial connections between efficiency indicators and investments in digital show the importance of how HR enables digital initiatives to be coordinated with organizational objectives. Nevertheless, skill shortages and a lack of willingness to change require special measures to be addressed. These results highlight that to sustain development in such a highly competitive market, MSMEs' in Pune, in particular, require continuous investments in HR digital transformation supported by industry and government efforts.

Methodology

For understanding the role of HR in the digital transformation of MSMEs in Pune, this research uses a mixed-method approach that combines both quantitative and qualitative data. The core data for the research was obtained from managers and HR specialists of a sample of MSMEs by using structured questionnaires in the Pune area. Included aspects of HR digitalization included investments in HR technology, cloud-based HRMS, mobile HR apps, digital training platforms, and use of HR software. A stratified random sampling approach was used to choose a sample to represent micro, small, and medium-sized businesses (MSMEs).

Secondary data were collected from a variety of government publications, industry studies, and earlier works on HR digitization in MSMEs. Statistical analyses such as correlation analysis, regression analysis, ANOVA, etc., were performed in order to analyze the provided data and focus on understanding the impact of HR digital tools on the efficiency of operations and productivity as well as employees' satisfaction. It was also done hypothesis testing to determine the relevance of the productivity gains that are brought by digital transformation to HR personnel. This mixed-method approach allowed us to understand the present status of HR digitization in MSMEs in Pune and what consequences it has on employee happiness and company success.

Research Gap

A lot of knowledge is missing about how unique the difficulties and benefits of MSMEs, particularly in cities like Pune, are, as most of the existing material on the use of HR technology in MSMEs today primarily speaks about HR digitalization in big firms. There is a considerable amount of study on digital transformation in HR, but little is known about the adoption rates and impacts of digital HR solutions in small and medium businesses (SMEs) in India (specifically tier-II cities like Pune).

Additionally, the present research generally lacks a well-developed methodology that encompasses both quantitative and qualitative data to give a sophisticated understanding of HR digital transformation. However, many studies do not sufficiently examine the particular obstacles that MSMEs battle, which are infrastructural limits, talent shortages, and resource constraints of critical importance for HR digitalization.

Suggestions for the Future

Based on the study's results, several suggestions can be made towards improvement of uptake and efficacy of HR digital transformation in Pune's MSMEs. The reason why MSMEs should first invest in cloud-based HRMS and digital training platforms is due to the fact that not only has it been proved to increase employee happiness and productivity, it is also more affordable for startups to adopt these HR digital solutions. In order to help MSMEs overcome infrastructural and resource limitations, government and business organizations should provide MSMEs with training programs, fiscal incentives, and technical assistance tailored to their requirements.

Second, MSMEs can close such skill gaps in the workforce by providing ongoing digital training to HR and other staff members. This would also support an innovative and flexible culture as well as increase the use of digital technologies. To improve the development of digital skills, partnerships with academic institutions and career training facilities could also be explored.

Finally, by putting change management techniques into practice, MSMEs should concentrate on encouraging a mentality of change acceptance and digital adoption. This would include informing managers and staff about the advantages of digital HR solutions in order to lower opposition and enhance the adoption process as a whole. Future research should investigate how HR digital transformation impacts future MSMEs' financial performance, organizational development, and employee turnover rate.

Conclusion

The focus of this research is to provide a well-detailed description of how HR drives the digital transformation in MSMEs from Pune city, India. Results show that digitizing HR processes

increases the productivity and happiness of employees as well as the operational efficiency of MSMEs. The statistics show that investments in digital HR technologies have grown as microenterprises have the largest compound annual growth rate (CAGR) of 64.08%, according to the statistics.

Although the hypothesis test indicates that digital HR tools have greatly contributed to improvement in the efficiency of the HR workers, regression analysis reveals that digital training platforms have a prominent effect on employee satisfaction. Additionally, the ANOVA evaluation indicates that the result of the digital technologies differs as a function of firm sizing, with bigger organizations all benefiting ceaselessly. Despite these encouraging developments, the uptake of digital HR systems has been increasingly hampered by continuing resistance to change, a lack of funding, a lack of expertise, and an inability to adapt.

To help MSMEs leverage technology as a means of success in the long run, the report looks at the need for sustained investment in HR digitization, facilitated by industry collaborations and government programs. Findings also stress the need to remove barriers to digital adoption and an ongoing learning culture in business. To sum up, this study adds to the expanding corpus of research on HR digitalization and offers insightful information about the elements that affect MSMEs' successful adoption of HR technology, which eventually aids businesses in adjusting to the shifting business landscape and enhancing their competitive edge.

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