

Relationship among Human Resource Practice, Intellectual Capital, Firmography, and Performance in Indian Microfinance Institutions

Abstract

Microfinance industry in India is highly competitive, dynamic and is subjected to huge crises. Broadness in organizational demographic profile has a deeper impact on various organizational functions. Dual mission of Microfinance Institutions (MFIs) for financial profitability and social sustainability has led to obscure human resource practices (HRPs). This study examines the influence of HRPs on performance (financial and social) in Indian MFIs. Further it tries to find the role of intellectual capital (IC) dimensions and firmography in this relationship. Data were taken from 252 MFIs irrespective of their legal status and size. Structural equation modelling was used to analyze the causal relationship. In the proposed model, there was a positive relationship of HRPs with human, structural and relational capital. All the dimensions of IC were positively associated with financial and social performance. All components of IC fully mediated the HRPs and financial performance relationship but partially mediated the HRPs and social performance relationship. The indirect relationship between HRPs and financial performance via IC components was stronger than the indirect relationship between HRPs and social performance via IC components. Results indicate that HRPs can better explain performance of MFIs through human, relational, and structural capital accumulation. HRPs contributed to accumulation of human, structural and relational capital and all these three types of capital significantly explained organizational performance. Also, results revealed the moderated mediation role of firmography in the HRPs-IC dimensions-performance relationship. In the HRPs and financial performance relationship, first stage moderated mediation was observed for all IC dimensions. In the HRP and social performance relationship, total moderated mediation was observed for human capital and first stage and direct moderated mediation was observed for structural and relational capital. The present study gives empirical evidence that IC consists of human, structural and relational capital and the importance of these three capitals for fulfilling the dual mission of MFIs. Finally, the HR practices-IC components-performance relationship was observed to be different across different firmographic context. Results were congruent with the resource based view of HRM, contingency theory, human capital theory, social exchange theory, and capability maturity model.

Key Words: Intellectual capital, Human resource practice, Human capital, Structural capital, Relational capital, Social performance, Financial performance, Firmography, Microfinance.