

## **ROLE OF HUMAN RESOUC E MANAGEMENT IN MICRO SMALL MEDIUM ENTERPRISES (MSME)**

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### ***Abstract***

Developing nations like India looks upto Minor, Small and Medium Enterprises (MSME) as the engines of growth which are largely owned and managed by family run businesses. But the MSME's in India are operating in times of a highly competitive and challenging external environment. This makes the role of Human Resource (HR) extremely crucial in taking and individual unit of an MSME forward and deliver profitability. The current study uses case study method to map and analyze the HR practices and issues in a typical MSME operating in an industrial area in western India and generating profits. The purpose of this study is to assess the HR design and functioning and the methods adopted by MSME's to cope up with the HR challenges. The results of the study conclude the most HR structures are extremely informal and ad-hoc. They lack professionalism and it could be the reason why several MSME units are not able to grow beyond a limit. Additionally, Government of India's schemes like MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) has only hindered in getting skilled and unskilled laborers and employ them in the manufacturing sector.

***Index Terms-*** HRM-Human Resource Management, MSME Micro Medium Small Enterprise, MNREGS Mahatma Gandhi National Rural Employment Guarantee Scheme, GDP-Gross Domestic Product.

reported in secondary data and primary data collected using semi-structured interviews to achieve the objectives of the

### **I INTRODUCTION**

Constant change occurs due to globalization, increased pace of competition, vibrant technological advancement, information flow and customers' awareness among others. The forces subject organizations to challenges as how to respond, handle and mitigate the negative impact of those changes. The resultant uncertainty and volatility lead to a situation where competition is souring and organizations that respond reactively narrows their competitiveness and erodes their market share and sustainability chances. Organizations' preparedness and pro-activeness are key success factors in terms of resources/capabilities and their use and how these envision and deal with the aforementioned uncertainties. Amid the aggressive external environment, one of the fundamental key agents for change management is the human resource. However, the key question here concerns the roles that HR can assume, and what contribution HR has to the change process and outcomes. This study aims to assess the role of HR in the ongoing process of change in organizations, the interrelation between change management and HR practitioners as catalysts of change and to propose a framework to expose the interrelation between the concept of change and the role of HR in the change process. This is intended to be done by identifying separately the change process then the functions and roles of HR in this process and how these interrelate. This research is exploratory using qualitative analysis based on the literature

current study. A convenient sample of HR experts and practicing professionals is selected based on their willingness to participate. The outcomes of this research help to identify the role of the Human Resource interrelation between change management and HR practitioners as catalysts of change and to propose a framework to expose the interrelation between the concept of change and the role of HR in the change process. This is intended to be done by identifying separately the change process then the functions and roles of HR in this process and how these interrelate. This research is exploratory using qualitative analysis based on the literature reported in secondary data and primary data collected using semi-structured interviews to achieve the objectives of the current study. A convenient sample of HR experts and practicing professionals is selected based on their willingness to participate. The outcomes of this research help to identify the role of the Human Resource.

### **II. PROBLEM DEFINITION**

Most organizations currently are struggling with dual pressures of promulgating long-term business growth while operating in the hypercompetitive markets along with the need to alleviate the negative footprints of their operations. Commitment to

sustainability is expected to require organizations to harness relationships with their key stakeholders, such as investors, employees, customers and immediate social community, for accomplishing their sustainability agenda. The concept of “commitment to sustainability” has gained a lot of attention over the last decade. The Role of employee relations and HRM we acknowledge the support and cooperation of the case firms studied and the individuals interviewed for their time and inputs. This concept, in connection to all key business processes, has been discussed from three dimensions, namely economic, social and environmental. The literature on organization sustainability in medium, small and micro enterprises (MSMEs) context is somewhat limited. As a result, there exists an unexplored dimension of the role of “employees” or “people orientation” in driving commitment to sustainability in MSMEs. In India the MSME is largest source of employment and constitutes the moral strand of almost each financial system on the continent

### III PROBLEM IDENTIFICATION

Every sector has its own short comings. MSME predominantly fails to show up because of a

- Poor Organizational Structure
- Lack of HRM Practices
- Workplace Guidelines and Support
- Lack of Technology Trends
- Employee Retention
- Economic Crisis
- Financial Downfall
- Rapid Globalization
- Current Trending Covid pandemic situation

### IV METHODOLOGY

The research contains two sections: The Primary research and the Secondary Research. The Primary ones included the SWOT Analysis. SWOT Analysis is to analyze the Strength, Weakness, Opportunities, Threats to the Organization. The Strengths include Local Resources, Local Labors, Flexibility of working High Employment rate .The Weakness includes Low Quality Unskilled Labor, Weak Management, Family Business, Lack of Infrastructure, Lack of quality control . The opportunities include Create export Oriented Units, Adaptation of Technology, Include a HRM ,Use of Govt Schemes. The threats include Entry of

MNC’s Corruption, Quality of products, Inadequate power supply, Increased Input costs.

Target	My organization is dedicated towards diversifications and exclusiveness.	
Measurement Level	Nominal	
Probability Distribution	Multinomial	
Link Function	Generalized logit	
Information Criterion	Akaike Corrected	19.880
	Bayesian	23.245

Information criteria are based on the -2 log likelihood (10.061) and are used to compare models. Models with smaller information criterion values fit better.

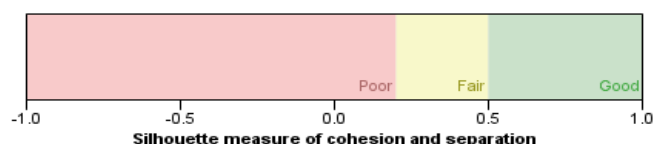
The secondary research was performed using the SPSS Software. The data's were collected from various MSME companies and survey reports are generated using various techniques like Cluster Analysis, Classification, Generalized Linear Mixed Models.

Cluster Analysis is the Cluster analysis is a class of techniques that are used to classify objects or cases into relative groups called clusters. Cluster analysis involves formulating a problem, selecting a distance measure, selecting a clustering procedure, deciding the number of clusters, interpreting the profile clusters and finally, assessing the validity of clustering.

#### Model Summary

Algorithm	TwoStep
Inputs	3
Clusters	1

#### Cluster Quality



Cluster quality cannot be computed for a single-cluster solution.

Generalized linear mixed models (GLMMs) are a natural

outgrowth of both linear mixed models and generalized linear models. GLMMs can be developed for non-normally distributed responses, will allow nonlinear links between the mean of the response and the predictors, and can model over dispersion and correlation by incorporating random effects.

#### Case Processing Summary

	N	Percent
Included	27	100.0%
Excluded	0	0.0%
Total	27	100.0

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Covariance is a measure of the joint variability of two random variables. If the greater values of one variable mainly correspond with the greater values of the other variable, and the same holds for the lesser values (that is, the variables tend to show similar behavior), the covariance is positive. In the opposite case, when the greater values of one variable mainly correspond to the lesser values of the other, (that is, the variables tend to show opposite behavior), the covariance is negative. The sign of the covariance therefore shows the tendency in the linear relationship between the variables. The magnitude of the covariance is not easy to interpret because it is not normalized and hence depends on the magnitudes of the variables. The normalized version of the covariance, the correlation coefficient, however, shows by its magnitude the strength of the linear relation.

Covariance Parameters	Residual Effect	1
	Random Effects	0
Design Matrix Columns	Fixed Effects	4
	Random Effects	0 <sup>a</sup>
Common Subjects		1

#### IV. FUTURE PROSPECTS OF MSME'S

The share of MSME sector has increased in Indian GDP during 2006-2007 to 2012-2013 but no steep increase has been seen in this period. Further, share of MSME in GVA is more as compared to GDP during 2011-2012 to 2016-2017. The share of MSME in GVA and GDP has declined over the period of time but marginal decline has been seen. Employment generation and number of working enterprises have shown rising trend during 2006-2007 to 2015-2016. The growth of green jobs generation has increased in MSME sector and its sub-sectors but at slow pace as CAGR in all the categories is. Until recent past, it was only the big firms investing in HRM but with time even the SMEs are considering HR functions seriously. The growth of MSME sector is higher than industrial sector in 2006-2007, 2007-2008, 2013-2014, 2014-2015 and 2015- 2016. The growth of MSME sector in 2008-2009 is 10.3% which declined to 4.4% in 2011-2012 due to the adverse impact of global economic crisis of 2008-2009. The need for organized HR practices is well recognized by most SMEs today and they are even ready to implement HRM into their organizations. But the problem they face relates to shortage of funds and expertise required to implement HRM. The solution can take any of the two forms: either outsource the HRM function for a short span till required expertise is gained, or to manage from the available resources for implementing HRM. If HRM is outsourced, though it requires investment in money, the entrepreneurs get enough time to concentrate on strategic issues rather looking after routine HR systems. But if the firm cannot adopt this option, the SMEs can do the following:

- Recognize the right talent for the organization; may not be the best but which suits the needs of the job and organization.
- Follow employee engagement practices so that employee retention improves.
- Re-employment of retired employees who are ready to join at low salary.
- Developing a culture of accepting challenges and offering career growth in the organization.
- Minimize the hierarchy so that employees feel a part of the organization.
- Design practices like flexible working hours and work from home to facilitate work-life balance.
- Conclusions Research has shown that the strategic use of human resource management (HRM) is likely to be one of the most important determinants of organizational performance.
- The success of SMEs largely depends upon the enthusiasm, competency, resources and commitment of a single person (owner) around whom the enterprise revolves.
- Since the owners often involve themselves in doing manual work and taking responsibility for employment matters including the determination of pay, people issues are often taken for granted and managed informally.

### V.CONCLUSION

MSME sector is considered to be the significant contributor to employment generation in rural areas of India (Vibhuti and Barki, 2016). The number of working enterprises has increased at higher rate than the jobs created in MSME sector of India. There is need to increase the growth rate of job creation in these industries as most of the MSMEs are in rural areas which provide non-farm employment throughout the year which in turn reduce the population pressure on agriculture sector of rural areas and minimize migration from rural to urban areas. Most of the MSMEs fall under informal sector of the economy and there is need to increase the number of these enterprises in formal sector of the economy. Entrepreneurs engaged in this sector should be encouraged to get their enterprise registered with the ministry of MSME which will improve their access to the various schemes offered by government, banking system and other agencies. Another issue which needs attention is to attract private investment in these enterprises which will increase efficiency and also solve the problem of limited access to capital.

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