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HRM Practices in MSMEs-Remained Unprofessional

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Abstract: ***The growing potential of small and medium size Enterprises (SMEs)as nurseries for entrepreneurship, employment and innovation is well recognized. Efficiently managed human resource practices significantly contribute to organizational performance. With the huge contribution of MSMEs to the economic development of the country, the government has been introduced many schemes to motivate and develop the MSMEs. But when it comes to the managerial practices, many studies have proved that the MSMEs have adopted informal practices. Therefore present study is an attempt to study the HRM practices adopted by the MSMEs in the study area and the factors affecting the HRM practices.***
Keywords: MSMEs, HRM,

I. INTRODUCTION

MSMEs are gaining a tremendous growth in recent years. SMMEs are providing more and more employment opportunities to the rural people, with the peak of globalization and technological development the SMMEs are gaining prominence in recent past. Therefore, it is in the interest of governments to encourage their survival and growth. Further to ensure the viability of help the government is introducing many schemes. the government meanwhile promoting the financial institutions to provide financial support to the MSMEs to boost the development. The MSMEs are also contributing to the employment and socio-economic development of the society too. The management practices like HR practices, Marketing and productions & operations are also practice in the SMMEs but the practices are depended on different factors. Like all the other management functions HRM is also an important function that is going to affect all other functions of the organization.In recent days the HumanResource Management (HRM) functions, practices and procedures are increasingly becoming important, considering the growth of the knowledge-based economy. The strength of the SMMEs are depended on the strong implementation of HRM functions.

II. HRM IN SMMES

The need for organized HR practices is well realized 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:

1) Recognize the right talent for the organization; may not be the best but which suits the needs of the job and organization.
2) Follow employee engagement practices so that employee retention improves.
3) Re-employment of retired employees who are ready to join at low salary.
4) Developing a culture of accepting challenges and offering career growth in the organization.
5) Minimize the hierarchy so that employees feel a part of the organization.
6) Design practices like flexible working hours and work from home to facilitate work-life balance.

III. REVIEW OF LITERATURE

KUMARA M R (2021), in his study on Human Resources Management Practices in SMMEs During Pandemic In India, discussed that during the COVID-19 pandemic the organizations are utilized technology in a maximum level to manage their human resources and to run their business too. The study also discussed that it is difficult to the small processing and manufacturing organizations and sole trading concerns to adopt the digitalization.

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Upasna A Agarwal &Sumi Jha(2015), in her study pointed out that The growing potential of Small and Medium size Enterprises (SMEs)as nurseries for entrepreneurship, employment and innovation is well recognized. Efficiently managed human resource practices significantly contribute to organizational performance.

Finally, the study concluded that SMEs are very informally managed and the employer's and employee's obligations to each other are implicit and based on trust. This informality in the SMEs and close personal relations between employees and employer raises interesting questions about the psychological contract between the SME owners and the employees making it a unique context to study the employment relationship.

K Vijaya Sekhar Reddy (2017), in his study on Impact of The Best Human Resource Management on Small Scale Industries Towards Motivation Of Employees, discussed that The Small and medium industries be moderately labour concentrated and thus create more overhaul opportunities per unit of capital working. In this probable to create the employment opportunity condition necessitates effective management of labour strength. The trained management of human resource under its fold would ensure scores of benefit both for the enterprise and human resource, namely ever-increasing productivity, anticipation of accidents, evolving sound earnings of guiding principle in effective training of growing morale and profession satisfaction, checking labour turnover and absenteeism, managing labour indiscipline and effectual accusation management etc

Astha Singh(2019) in his study on Impact of HRM Practices in Engineering Small Scale Industry discussed that HRM practices play an important role in achieving organizational goals through attracting, developing, motivating and retaining the employees. In the current scenario of globalization and innovation organization with effective HRM practices can gain the competitive advantage in the market emphasizes that, human resource management practice comprises of the formal policies and procedures that are designed to attract, develop, motivate and retain employees who ensure the effective functioning and survival of the organization

IV. OBJECTIVES OF THE STUDY

1) To study the HRM practices adopted by the MSMEs in the study area
2) To evaluate the factors affecting the HRM practices in the MSMEs

V. SCOPE OF THE STUDY

The scope of the present study is covered the employees of selected MSMEs in industrial area, Machenahalli, Shivamogga. And the conceptual scope of the study is covered the HRM practices adopted by the organization.

VI. METHODS OF DATA COLLECTION

In order to reach above stated objectives, the primary data is collected through questionnaire method and interaction with the respondents. Secondary data is collected through published sources like Journals, Books and e-sources.

VII. SAMPLING TECHNIQUE ADOPTED

For this study simple random sampling was used and respondent groups had employees who are working in the selected MSMEs in the study area.

VIII. STATISTICAL TOOLS USED FOR DATA ANALYSIS

For the analysis of the collected data simple percentages are used and for the inferential analysis factor analysis and chi-square test is used. Further the analysis is done by using SPSS software.

IX. FINDINGS AND DISCUSSIONS

Nature of the Organization

Sl. No	Nature of the Organization	No of Respondents	Percentage (%)
01	Manufacturing	58	58.00
02	Processing	39	39.00
03	Service	3	3.00
	Total	100	100

Source: Survey Data

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Analysis and Interpretation: above table depicts the nature of organization. Out of 58.00% of the respondents are working in the manufacturing organization, 39.00% respondents belongto processing organization, only 3% respondents belong to service sector organization. Hence it is clear that most of the SMMEs are under manufacturing and processing units.

1) Annual Turnover Of The Business

Sl. No	Annual Turnover of the Respondents	No of Respondents	Percentage (%)
01	01 to 05 Lakhs	25	25.00
02	06 to 10 Lakhs	24	24.00
03	11 to 20 Lakhs	19	19.00
04	21 to 50 Lakhs	12	12.00
05	Above 50 Lakhs	15	15.00
	Total	100	100

Source: Survey Data

Analysis and Interpretation: Above table clearlyexhibits the annual turnover of the organization.25% of the respondent's annual turnover is 1 lakh to 5 lakh. 24% of the respondent's annual turnover is 06 to 10 lakh. 19% of the respondent's annual turnover is 11 to 20 lakh. 15% of the respondent's annual turnover is above 50 lakhs, 12% respondent's annual turnover is 21 to 50 lakhs. It shows that majority of the organization's turnover is below 10 and above 1 lakhs.

2) Type of Ownership of the Organization

Sl. No	Type of ownership	No of Respondents	Percentage (%)
01	Sole Trading	36	36.00
02	Partnership firm	20	20.00
03	Private Ltd	19	19.00
04	Co-operative Concern	15	15.00
05	HUF	10	10.00
	Total	100	100

Source: Survey Data

Analysis and Interpretation:

Factor Analysis: The factor analysis is a statistical technique which is used to reduce the large number of attributes in to similar groups based on the responses received from the respondents. To check out the data reliability for factor analysis cronbach's Alpha test has been used as shown below.

Table 4.52 Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.989	30

Source: SPSS Output

Table: 4.53 Rotated Component Matrix

Sl.No	Rotated Component Matrixa						
		Component					
		1	2	3	4	5	6
1	Recruitment is done based on requirement	0.874					
2	Employee referrals are considered while recruiting	0.939					
3	Required tests are conducted while recruiting the candidates	0.901					
4	Selection is based on the skill sets and experience	0.532					
5	Training is provided at the time of recruitment		0.679				
6	Training is provided to develop the skill sets		0.918				
7	Training is provided to do the required job		0.707				
8	Training is provided by experts		0.832				
9	Training is provided frequently		0.864				
10	Promotions are provided based on performance			0.833			
11	Targets are fixed to check out the performance			0.834			
12	Hikes in the salary/wages are based on the performance			0.901			
13	Performance evaluation is considered for training			0.926			
14	Awards and rewards are provided based on the performance			0.585			
15	salary and benefits are performance oriented			0.847			

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16	Promptness is maintained in measuring the performance			0.869			
17	Target achievements and behaviour in the organization is considered while measuring the performance			0.869			
18	ESI and PF are provided				0.879		
19	Insurance is taken for all the employees				0.829		
20	Sick leaves are provided				0.768		
21	Relationship with the higher authority is good				0.816		
22	Relationship with the co-worker is good					0.774	
23	Autonomy is provided to take decisions					0.672	
24	Grievances are solved immediately					0.736	
25	Salaries and benefits are provided in time					0.501	
26	Satisfied with the recruitment initiatives						0.508
27	Satisfied with the training initiatives						0.916
28	Satisfied with the performance appraisal methods						0.808
29	Satisfied with the motivation and benefits						0.811
30	Satisfied with the industrial relation activities						0.822

Source: SPSS output

Interpretation: In the above table based on the corelation matrix the variables are grouped in to six factors. Further the factors are named as (Factor-1 Recruitment and selection)(Factor-2Training and Development)(Factor-3Motivation and benefits)(Factor-4Employee Welfare Activities)(Factor-5 Interpersonal Relationships)(Factor-6 Employee Satisfaction) and used for the testing of hypothesis.

Hypothesis-1

H_o: There is no significant impact of Nature of the Organization and HRM Practices

H_1 : There is a significant impact of Nature of the Organization and HRM Practices

In order to prove the Hypothesis-1 chi-square test has been used and presented in the below table

Table: Chi-square test for Nature of the Organization and HRM Practices

Factors	HRM Practices	Degrees of Freedom	Chi-Square Value	Status of null Hypothesis
Factor-1	Recruitment and selection	12	264.3	Rejected
Factor-2	Training and Development	16	315.2	Rejected
Factor-3	Motivation and benefits	32	334.2	Rejected
Factor-4	Employee Welfare Activities	12	316.4	Rejected
Factor-5	Interpersonal Relationships	12	286.3	Rejected
Factor-6	Employee Satisfaction	16	254.1	Rejected

Analysis and Interpretation: Above table is an attempt toprove the relationship between identified factors and nature of ownership. For all the factors the null hypothesis is rejected and alternative hypothesis is accepted. Hence it is proved that there is a relationship between nature of the organization and HRM Practices like Recruitment and selection, training and development, Motivation and benefits, Employee Welfare activities, interpersonal relationships and employee satisfaction. This is because the organizations in the study area have these practices based on their nature of the business-like processing, manufacturing and service.

Hypothesis-2
H_o: There is no significant impact of turnover of the Organization and HRM Practices
H_1 : There is a significant impact of turnover of the Organization and HRM Practices

In order to prove the second hypothesis chi-square test has been used and the same is presented in the below table

Table: Chi-square test for Turnover of the Organization and HRM Practices

Factors	Name	Degrees of Freedom	Chi-Square Value	Status of null Hypothesis
Factor-1	Recruitment and selection	12	199.3	Rejected
Factor-2	Training and Development	16	223.4	Rejected
Factor-3	Motivation and benefits	32	229.3	Rejected
Factor-4	Employee Welfare Activities	12	167.2	Rejected
Factor-5	Interpersonal Relationships	12	178.6	Rejected
Factor-6	Employee Satisfaction	16	195.3	Rejected

Analysis and Interpretation: from the above table it is clear that for all the factors the chi-square value is more than the table value, hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is said that there is a significant impact of turnover of the organization and HRM practices of the organization because the organization need to care of the cost too, as they are operating in a small and medium scale it is very difficult to bear the cost. Hence they are doing it based on their requirement and need.

Hypothesis-3
H_o: There is no significant impact of Nature of Ownership and HRM Practices
H_1 : There is a significant impact of Nature of Ownership and HRM Practices

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In order to prove the second hypothesis chi-square test has been used and the same is presented in the below table

Table: Chi-square test for Nature of the Ownership and HRM Practices of the Organization

Factors	HRM Practices	Degrees of Freedom	Chi-Square Value	Status of null Hypothesis
Factor-1	Recruitment and selection	12	287.6	Rejected
Factor-2	Training and Development	16	225.3	Rejected
Factor-3	Motivation and benefits	32	356.1	Rejected
Factor-4	Employee Welfare Activities	12	344.2	Rejected
Factor-5	Interpersonal Relationships	12	289.1	Rejected
Factor-6	Employee Satisfaction	16	299.6	Rejected

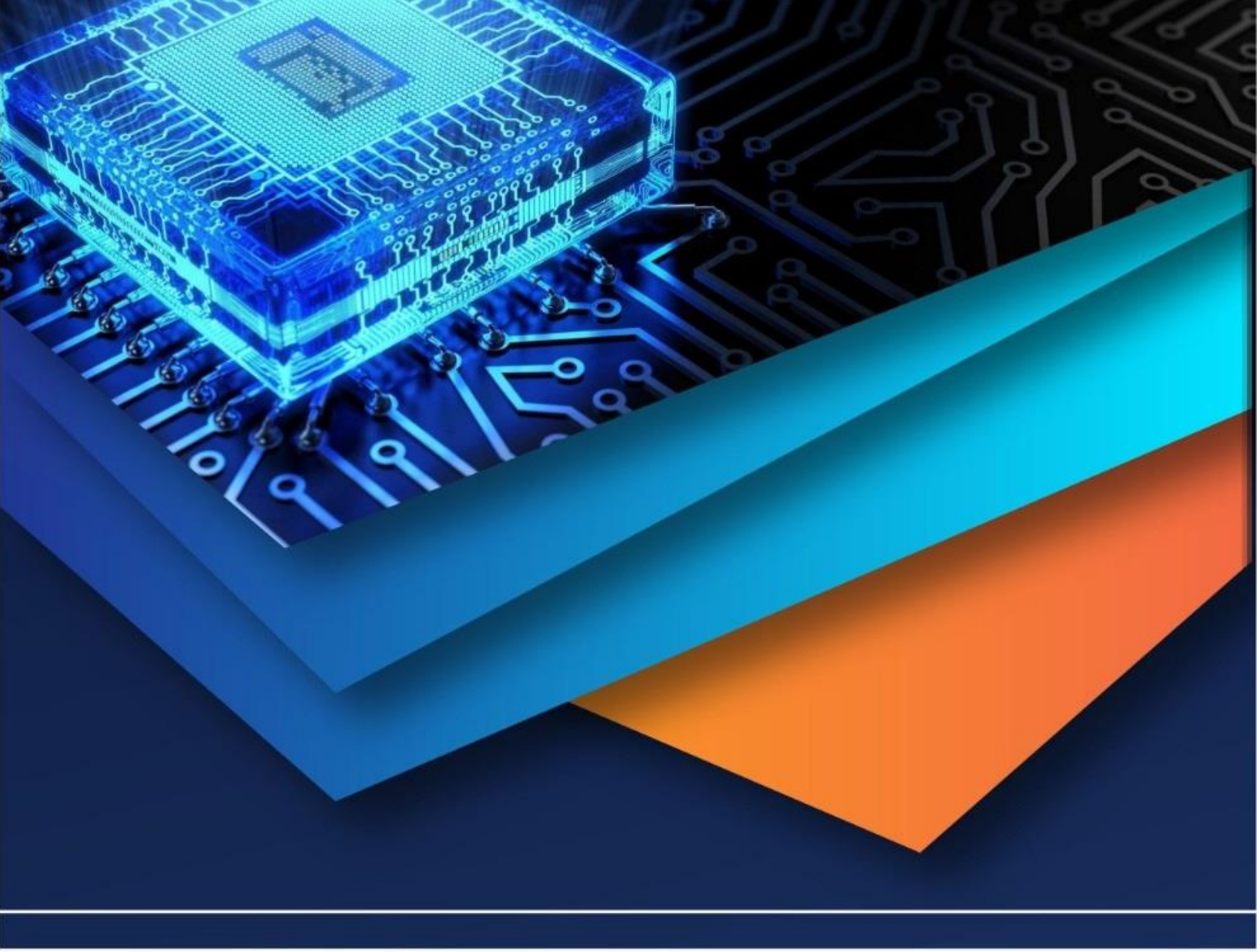
Analysis and Interpretation: Above table clearly depicts that the chi-square values for all the identified factors is more than the table value, hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is clear that there is an impact of nature of the ownership on HRM Practices in the study area. This is because ownership like sole trading concerns, partnership firms and also private limited companies and HUF. In different type of the organizations the management will take different decisions based on their requirement and capacity.

X. CONCLUSION

From the last few decades there has been a tremendous growth in SMEs. More and more of such enterprises are now struggling to survive due to the pressure of globalization and entry of multinational organizations. As the MSMEs are contributing to the economic development of the country the development of SMMEs is also equally important to the nations across the country. Therefore, the government has provided some schemes to the SMMEs and also motivating through many financial institutions. MSMEs should also work to utilize these benefits, internally and externally. In this study it is proved that the management practices of MSMEs are informal and unprofessional that is based on their needs and requirement. Hence it is suggested that the MSMEs must adopt some professional HRM practices so that, the same could be benefited to develop the productivity and get competitive advantage.

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