



Human Resource Management Issues in Micro, Small and Medium Enterprises in Tamil Nadu

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ABSTRACT

Industrial sector concentrated more when compared to other sectors of the economy. Micro, Small and Medium Enterprises (MSMEs) are said to be the lifeblood of any vibrant economy and they are known to be the silent drivers of a nation's economy (Monika, S., et. al., 2010). MSMEs sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and provide employment (Vettriselvan.R., & Balakrishnan. A. 2014). Human resource management (HRM) practices are very important because most of the people spend a majority of their life at working place. Number of studies has found that there in no such proper practices of HRM in SMEs (Nguyen. V., & Bryant. E., 2004; Srimannarayana. M., 2006; Narware. P.C., 2011). Present study concentrates four district of Tamil Nadu in particular and India in general. It chose by random simple sampling method and employs 460 samples from bottom level workers with an attempt to explore HRM practices. It finds that there is no such formal HRM practice in recruitment, selection, training, performance appraisal and industrial relation in the study area. It suggests to frame suitable HRM model to enhance the working condition of the employees working in the MSMEs. It concludes that there is informality and high flexibility in the practice of HRM and formalization of practices is essential. Further it open up the new avenues for researchers to conduct research in the area of MSMEs to enhance the status and productivity of employees engaged in the major contributor of the Indian economy.

Key Words: MSMEs, HRM, Informality, HRM Model, Working Condition.

INTRODUCTION

Over the last few decades there has been a tremendous growth in MSMEs (Puja. B & Reddy C.S, 2011). Studies revealed that entrepreneurs seek to derive several advantages by undertaking operations at a smaller level in terms of flexibility, informality, sustainability and structural adaptability (Pfeffer, J., 1994; Storey, 1994; Gibbs, A.A., 1997; Hendrickson, L.U., & Psarouthakis, J., 1998; Vettriselvan.R., et.al, 2012). In most developing countries, Micro, small and medium enterprises (MSMEs) constitute the bulk of the industrial base and contribute significantly to their exports as well as to their GDP or GNP (Kharbanda V. P., 2001). HRM is concerned with the management of people at work. People at work are the essential ingredient in every organization. The way in which people are recruited, developed and utilized by the management largely determined whether the organization will achieve its main objectives and goals of an organization. According to Dale Yoder "The management of human resource is viewed as a system in which participants seek to attain both individual and group goals". Without human efforts, organizations cannot accomplish their objectives. HRM is a process of procuring, developing and maintaining competent employees to achieve the organization goals by effective and efficient manner. Consequently, organizing human effort and motivating employees is of utmost importance everywhere in the MSME units. HRM practices are very important because



majority of the people are spend their major portion of life at their working place especially in MSMEs. Number of works in Human Resource Management (HRM) practices in small and Medium Enterprises (SMEs) found that informal practices have followed in the selection process and industrial relations (Nguyen, V. & Bryant, E. 2004; Srimannarayana, M. 2006; Narware, P.C. 2011). Hence the present study is aimed to understand the issues of HRM practices followed by the MSMEs in Tamil Nadu.

MSMEs in Tamil Nadu

Definitions of MSMEs vary from country to country, depending on one or more of thresholds lay down in respect of investment, employment, turnover etc. All the same, MSMEs have been engines of industrial growth the world over. Broadly speaking almost 90 percent of manufacturing units in the world are fall in this sector and support over 80 percent of industrial employment (Vettriselvan.R., & Balakrishnan. A. 2014). The Act defines ‘Enterprises’ instead of “Industry” to give due recognition to the service Sector.

Manufacturing Enterprises have been defined in terms of investment in plant and machinery (excluding land & buildings) and further classified into:-

- Micro Manufacturing Enterprises– Investment up to Rs. 25 lakhs
- Small Manufacturing Enterprises–Investment above Rs. 25 lakhs and upto Rs. 5 Crores
- Medium Manufacturing Enterprises–Investment above Rs. 5 Crores and upto Rs. 10 Crores.

Service Enterprises have been defined in terms of their investment in equipment (excluding land & buildings) and further classified into:-

- Micro Service Enterprises – Investment upto Rs. 10 lakhs.
- Small Service Enterprises - Investment above Rs. 10 lakhs and upto Rs. 2 Crores.
- Medium Service Enterprises – Investment above Rs. 2 Crores and upto Rs. 5 Crores.

Tamil Nadu State has been among the most industrialized in the country with much industrial diversified base. It is ranked top three states in the country in industrial output, value addition, number of factories, and total workforce in the factories. The State has a substantial share in the production of cement, sugar, textiles, leather, chemical and fertilizer, auto, light engineering and others segments in the country. The process of building industrial capacity that is available today in the State, the 5 role of (i).transport, (ii).communication and other forms of industry support infrastructure like (iii).industrial estates, (iv).banking and financial services, (v).human resources has been significant. In the process of the above growth and maturity of industrialization in Tamil Nadu, MSMEs has supported and have been largely supported by large scale industries. The MSME sector is a vibrant and vital sector of the State economy in terms of employment generation and share of production (Vettriselvan.R., & Balakrishnan. A. 2014).

Human Resource in Tamil Nadu

Indian labourers do not remain in the same job for considerable amount of time. There is high labour turnover, absenteeism, indiscipline etc. This may be because the workers were originally from the rural areas where comparatively free; or it may be because of their lake of education and love of leisure. Time off, benefits, gender composition, training, executive bonds and participation are the variables to study the relationship between local practices to parental practices to shown the specific tendencies according to the industrial sector. Tamil Nadu is economically growing state in India. MSMEs are plays a key role in economic development of Tamil Nadu. Successive five year plans gave impetus to the growth of the MSMEs in Tamil Nadu recognizing the significant role played by them in smoothing the transfer from traditional to modern industrial society. These labour markets are inter-meadires to traditional handicraft and agricultural labour markets. Use of proper human resource management practices are the primary tools for enhancing the competence of the people and in the process of acquiring, developing and retaining competent people within the organization is essential (Ulrich, D. Lake. 1990).



Human Resource Management in MSMEs

HRM practice is a very important component for employee development and industrial relations and that has resulted in industrial estates in MSMEs (Rao, M.G. 1993). HRM is considered as a backbone on each and every economic enterprise. Since independence industrial sectors are encouraged as a matter of policy in India. As economies modernize and develop, MSMEs are become the principal form of large scale industries. The matter of growth in MSME sector the employment opportunities has opened and new job market has been created. With emergence of new job market lot of new HRM practices were raised and practiced in India (Vettriselvan.R., & Balakrishnan. A. 2011). The evidence shows that the effective HRM practices are the key role for smaller format of industries (Marlow & Patton 1993). The well-motivated and highly skilled work force is a determinant of the small firm's ability to retain the competitive in the contemporary business environment (Hodgetts & Kuratko 2001). Ng and

Narayanan. E. (1992) have found that smaller firms are rated low in retaining and obtaining, and they identifying HRM functions as more important while large industries have rated identifying and developing their employees as most important activity of the industry. MSMEs accounts more than 95 percent of all industrial units, about 40 percent of the output in manufacturing sector and 35 percent of exports in India. As employment generation of the MSMEs are next only to the agricultural and allied sectors, it is a powerful engine for realizing the twin objectives of 'accelerated industrial growth' and 'creation of additional productive employment potential' in rural and backward areas (Vettriselvan, R., & Balakrishnan, A. 2013). There is also in Tamil Nadu, behind the scenes, a substantial unregistered sector of over 6 lakhs units which serve as a nursery for entrepreneurial talent. MSMEs are the dominant contributors to providing employment opportunities in Tamil Nadu. And the MSMEs annual report 2011-12 shows that 44.77 million enterprises has engaged 101.26 million labourers for their production activities and this represents Tamil Nadu achieved number one position in workers population state and a growth of job market compared with other states. HRM practices in smaller firms are changed in recent periods (Srimannarayana, M. 2006; Narware, P.C. 2011).

Statement of the Problem

Industrial relations and trade unions are the important characteristics during public enterprises reforms and employees/unions are treated more as liabilities than any other assets and the teamwork of labour management cooperation is need for training and development programme and the two-way genuine and trusting relationship is important for labour management (Jashwini. N., 2010). Human resource management policies and practices had a positive contribute high organizational performance, and thus organizations can take initiatives to introduce innovative better HRM practices to enhancing overall performance of the organization (Singh, S., Singh, K.N., & Bhattacharya, A., 2008). Small business units do not have formal HRM policies in place, but they follow some of the practices like recruitment, selection, training and performance appraisal (Srimannarayana, M., 2006). The problems like inadequate wage and salary, lack of incentives, bonus, social security and welfare measures, absence of trade unions, labour market victimization are matter of concern both to management and workers affecting smooth running of the organization and working life, have been identified as major issues in SMEs (Srimannarayana, M. 2006; Narware, P.C. 2011; Vettriselvan.R., & Balakrishnan. A. 2011). There is no specific study to explore the status of HRM practices in MSMEs in Tamil Nadu. Hence the present study is focused on the issues of HRM practices in MSMEs of Tamil Nadu to explore the present situation.

METHODOLOGY

Objectives of the Study

- To study the current HRM practices followed in MSEs in the study area.
- To analyze the welfare measures practiced in MSMEs in the study area.
- To suggest suitable measures to improve the HRM practices of MSMEs in the study area.

Methodology of the Study



The present study is a descriptive cum analytical in nature. This will focus on the current status HRM practices of MSMEs in Tamil Nadu. For the study purpose snow ball sampling technique was employed to select five each for Micro, Small and Medium totally 60 enterprises from four districts namely Madurai, Ramanathapuram, Erode and Sivagangai and purposive sampling technique was used to choose 5 from micro, 8 from small, 10 from medium totally 460 employees were interviewed to understand the current HRM practices among the MSMEs in study area. Pre-tested interview schedule was used to collect the data. Focus group discussion also conducted in order to pertain the other issues missed in the interview schedule.

ISSUES OF HRM PRACTICES IN MSMEs

This part discuss about the analysis and discussion of data collected from the field. The following Table 1 discuss about the proportion of sample selected from the study area and their income level in terms of wage.

Table 1
Sampling/Type of Enterprises and wage

Wage Type of firm	Upto Rs.150/-	Rs.151/- to Rs.250/-	Rs.251/- and above	Total
Micro	70	20	10	100(21.7)
Small	44	64	52	160(34.8)
Medium	32	48	120	200(43.5)
Total	146(31.7)	132(28.7)	182(39.6)	460(100.0)

Source: Computed from field data

Depends on the availability of workers in the enterprises the sample proportion has given and chosen workers more than two fifth (43.5 percent) are working in medium enterprises, more than one third (34.8 percent) are working in small enterprises and remaining (21.7 percent) are working in micro enterprises. Nearly two fifth (39.6 percent) of the workers in MSMEs earn Rs.251/- and above, more than one fourth (28.7 percent) are earn between Rs.151 to Rs.250/- and remaining (31.7 percent) are earn below Rs.150/- among them majority (47.9 percent) are from micro enterprises. It result of the Table 1 shows that firm size is one of the determinants for wage patterns in the study area.

Table 2
Intension to Switch over

Decision Type of firm	Yes	No	Total
Micro	85(85.0)	15(15.0)	100(21.7)
Small	135(84.4)	25((15.6)	160(34.8)
Medium	144(72.0)	56(28.0)	200(43.5)
Total	364(79.1)	96(20.9)	460(100.0)

Source: Computed from field data

Table 2 discuss about the employees intension to switch over from the parent organization. It finds that more than one third (79.1 percent) are have an intension to switch over and remaining (20.9 percent) plan to stay. 85 percent micro, 84.4 percent small and 72 percent medium enterprises employees are planning to switch over to other organizations. It shows that high turnover rate in MSMEs clears that less satisfaction of the employees towards their job and working environment.



Table 3
HRM Issues in MSMEs

Type of firm Reasons	Micro	Small	Medium	Total
Inadequate pay	90(90.0)	112(70.0)	142(71.0)	344(74.8)
Poor working environment	100(100.0)	127(79.4)	126(63.0)	353(76.7)
Absence of welfare measures	100(100.0)	145(90.6)	107(53.5)	352(76.5)
Poor industrial relations	69(69.0)	96(60.0)	87(43.5)	252(54.8)
Absence of medical facilities	100(100.0)	154(96.3)	167(83.5)	421(91.5)

Source: Computed from field data

Table 3 discusses the HRM issues in MSMEs of study area. It reveals that 91.5 percent suffer absence of medical facilities, 76.7 percent engaged in poor working environment, 76.5 percent not get any welfare measures, 74.8 percent receive inadequate pay and 54.8 percent affected by poor industrial relations in the MSMEs. This clearly shows that most of HRM practices are absent in the selected MSMEs.

Suggestions

- There is no provisions are available to discuss about the issues of workers engaged in the MSMEs so, it is government authorities duty to formulate some separate policies and provisions solve the issues.
- Employee job satisfaction is very low in MSMEs and it increases more employee turnover so, employer should concentrate more to build high morale and productive workers.
- Working environment, health condition and adequate salary are the major determinants of the employee productivity so employers should provide good working environment, medical facilities and adequate pay to increase the loyal workers and productivity.

Conclusion

MSMEs are the major pillars of the growing economies in order to substitute the large scale industries, generate more employment, inter-mediate agriculture and industrial sector, contribute industrial production and improved export earnings. Amount of sick MSMEs are increasing year by year due to ancient production process, poor customer satisfaction and loyalty and less employee morale (Pandey, A.P. 2007). This study finds that switch over intension is high among the employees in the MSMEs due to absence of medical facilities, poor working environment, lack of welfare measures, inadequate pay and poor industrial relations. It concludes that without human effort management can not achieve their goals and objectives in profitable way so, concentrate more on the valuable assets of the enterprises to formulate and practice the suitable and affordable HRM practices to enhance the productivity in sustainable manner. This study is limit to few variables, four districts, 60 enterprises and 460 employees of Tamil Nadu to concentrate the issues of HRM practices. Lot of issues and factors were influence the success and productivity of the MSMEs so, future studies would highlight the different issues with different population in the nation wide to enrich the productivity of the MSMEs in profitable way to contribute the nation sustainable development as whole.

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