

## MANAGING HUMAN RESOURCES IN MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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### **ABSTRACT**

*The Micro, Small and Medium Enterprises (MSMEs) have always been the backbone of Indian economy. They have played a great role in ensuring the socialistic goals like income equality, employment generation, poverty eradication and balanced regional development as envisaged by the planners. This sector has been recognized as the engine of growth all over the world. There is a need to understand in a comprehensive manner about how the human resources can be managed in a small context because it has been established that human resource development and management have an effect on the overall performance of organizations. Against this background, a modest attempt has been made to have an overlook of HR management in Micro, Small and Medium Enterprises in Indian Context.*

***Key Words:** Acquisition and Retention, Blue-Collar Worker, Grey-Collar Worker, Human Resource Management, MSME Sector.*

### **INTRODUCTION**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last seven decades. It contributes about 29-30 per cent of India's GDP, 45 per cent of the manufacturing output and 40 per cent of the exports. They are recognized as the engine of growth for the economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio economic development of the country.

The micro, small and medium enterprises have been defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, in terms of their investment in Plant and Machinery, as under:

**For the Manufacturing Sector**

<b>Enterprises</b>	<b>Investment in plant &amp; machinery</b>
Micro Enterprises	Does not exceed Rs. 25 lakh
Small Enterprises	More than Rs. 25 lakh but does not exceed Rs. 5 crore
Medium Enterprises	More than Rs. 5 crore but does not exceed Rs. 10 crore

**For the Service Sector**

<b>Enterprises</b>	<b>Investment in equipments</b>
Micro Enterprises	Does not exceed Rs, 10 lath
Small Enterprises	More than Rs. 10 lath but does not exceed Rs. 2 crore
Medium Enterprises	More than Rs. 2 crore but does not exceed Rs. 5 crore

The MSMEs occupy a strategic importance in terms of output, exports and employment created in Indian economy. Urban area with around 8 lakhs 57 thousand enterprises accounted for 54.77 per cent of the total working enterprises in registered MSME sector whereas around 7 lakhs and 7 thousand enterprises means 45.23 per cent of the working enterprises are located in rural India. As per NSS 73<sup>rd</sup> Round (2015-16), the sector comprises of 63.88 lakh units and it has created 11.10 crore jobs in the economy. This sector has created huge employment opportunities for many unemployed youth. And, there is no economy in the world that can provide jobs to so many fresh graduates every year. MSMEs are the boon for many of this fresh manpower.

**ROLE OF MSMES IN INDIA**

- The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement. According to the estimates of the Ministry of MSME, Government of India, the sector is able to generate around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.

- As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts for 45 per cent of the manufacturing output and 40 per cent total exports of the Country.
- The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than that in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for meeting the national objectives of growth with equity and inclusion.
- They are also important for promotion of industrial development in rural areas, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products.
- Besides the wide range of services provided by the sector, the sector is engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items.

### **HUMAN RESOURCE MANAGEMENT IN MSMES**

MSMEs are heterogeneous group of organizations although they are often treated as one entity (*Kotey and Slade, 2005*). In addition to being small, MSMEs have special features that affect their HR-practices and learning. There are inhibiting factors like lack of financial resources, HR expertise and time (*Hill & Stewart, 2000*) and enhancing factors like more direct communication, flexibility and the more clear impact of each employee's work on organizational performance (*Bacon et.al., 1996*). Based on these enhancing factors, small firms can be seen as an ideal field for studying the connection between HR-practices and performance. MSMEs may have a competitive advantage in their size and they should take advantage of being small flexible and sensitive (*Nguen & Bryant, 2004*).

The human resources required to run the enterprises form the major work-force constituting skilled labour and unskilled labour. Every enterprise requires trained manpower. This manpower includes staff for running the enterprise: the workers, foremen, supervisors, technicians, mechanics, managers etc. When work with a collaborative and cooperative spirit, then the desired results of enterprise can be achieved.

In other way, manpower may also be categorized as blue-collar worker and grey-collar worker. A blue-collar worker is a working class person who performs manual labour in U.S. usage (equivalent to Group D in Indian usage). Blue-collar work may involve skilled or unskilled manufacturing, mining, oil field, construction, mechanical, maintenance, technical installation and many other types of physical work. Often something is physically being built or maintained. Blue-collar work is often paid hourly wage-labour, although some professionals may be paid by the project or salaried. There is a wide range of pay scales for such work depending

upon field of specialty and experience. A higher level academic education is often not required for many blue-collar jobs. However, certain fields may require specialized training, licensing or certification. Grey-collar worker (equivalent to Group C in Indian usage) is a skilled working class person, typically someone who is both white and blue collar.

Enabling mode of leadership warrants evolving experts in their own field rather than simply developing sincere workers. The work-force in the enterprise needs to be handled effectively for harnessing their full potential. They are motivated for attaining greater efficiency and effectiveness on the shop floor. So, enough importance has to be given to recognition, freedom and autonomy at work place and adequate remuneration to suit their capabilities and technical competencies. If these three are lacking, employee attrition may happen resulting in loss to the enterprise in terms of human resources.

So, the entrepreneurs need not only search and select the best talent in the field but also make determined efforts to nurture them well. Adequate opportunities have to be created to develop them further so that they become an asset to the enterprise. In addition, special efforts need to be taken to groom such workers in the enterprise who are

- down-to-earth,
- innovative, and
- those who have a questioning attitude, with an outlook of improving the performance levels of the production in the enterprise.

Similarly, efforts have also to be made so as not to promote sycophancy or 'Yes Men' in the enterprise lest it may result in sickness of the enterprise and lead to sinking of the firm or factory. Instead, a place has to be given to a 'No Person' so that he is well heard and protected. Giving an ear to a sycophant may lead disaster in the enterprise, which can be easily avoided. Incompetent person may not be favoured at all costs.

Adequate care has to be taken to listen to the staff members who are competent, more capable and objective in their decisions and also be rewarded. Effective management also involves not giving into any attempt to nepotism. So, the entrepreneur has to provide a leadership that nurtures efficiency and competency.

Managers have also to be recruited suiting their abilities and temperament. A good manager diagnoses the problem objectively and does not get carried away by emotions and tempers. Similarly, the supervisors and foremen on the shop floor make a great difference in production performance and quality control.

The study by *Agarwal and Pandey (2000)* suggested a step by step approach of developing HRM strategy for a SME. *Doraiswamy (2008)* in an article attempted to define and clarify the central ideas of servant leadership theory and its pros and cons, with respect to its application in MSMEs. The style of the leader has a direct impact on the performance climate and engagement levels of the employees. Leadership issues in MSMEs usually revolve around a lack of an explicit, shared vision and direction; delegation; and time or inclination for development of a team, as the enterprise is owned and managed by the same person or group of persons.

*Bhattacharjee (2009)* describes on the idea that Small and Medium Enterprises lack the resources required to practice all the HR practices as done in large firms. SMEs are often in the stage of frequent firefighting and shortage of manpower. This makes it very difficult for them to allocate time to carry out implementation. The escalating attention on human resource management (HRM) in SMEs is a comparatively recent phenomenon. The scaling down of HR practices, practiced in large firms in context to SME is the general prevalent idea for this study. In practice, the HR practices are different as compared to larger firms due to different work systems. SMEs are highly heterogeneous and generalization regarding HR practices is not lucid. This study tries to find out the pattern of HR practices adopted by various firms and its relevance in modern context.

*Gorantiwar (2010)* reviewed the present situation of SMEs in India, examined the global scenario of SMEs, and finally suggested ways to improve the quality and productivity in SMEs to impart them an edge to competitiveness in global market.

*Rustagi (2012)* has observed that it has always been a problem in the unorganized sector to match the skills of blue-collar workers with available jobs. Huge population from rural India is constantly on the move in search of jobs. Few blue-collar workers speak and read English and most aren't educated enough to write their own resume. Most blue-collar workers are not literate enough to fill forms or even give their location pin codes.

*Roy (2012)* reported that recruiting temporary workers is the new trend. With the permanence of job roles and stability called to question repeatedly in the last few years since the start of the ongoing recession, Indian firms are starting to mirror Western employers, moving increasingly towards temporary staffing. A recent study conducted on the recruitment industry by Ernst & Young and Executive Recruiters Association (ERA) estimated

the temporary staffing market in India close to Rs. 17,200 crore. The report states that while temporary staffing is not as big in India as it is in the western countries, it is likely to account for 2.5-3 per cent of the country's total workforce in the near future. Temporary staffing happens right from white to blue collar workers to people with high-skill levels.

*Mukherjee (2013)* concludes that in some places at least the line between the blue-collar and the white-collar is getting blurred. Bharat Forge, for example, has successfully replaced blue-collar workers with people who are engineering graduates or have had higher levels of education. Common wisdom is that the manufacturing sector could provide employment to the neo-literate, low-skilled and skilled labour. Manufacturing in China and Germany absorbs 28 per cent of their respective working population, in Japan it is 19 per cent, and in Russia and Brazil it is 17-18 per cent. In India it is only 12 per cent, which both supports as well as nixes the common wisdom. In a developing economy the ratio between blue-collar and white-collar jobs is 3:1. This captures the volume of blue-collar jobs needed and there will be Skill gaps everywhere. As per National Skill Development Council data only 5 per cent of India's 485 million strong labour force have received any formal training. In Germany the proportion is 70 per cent and in South Korea it is 95 per cent. Retention of talent is a must. Setting up a culture where people want to stay will help narrow the skills gap by reducing turnover of those key people.

## **THE WAY FORWARD**

At the outset, it can be seen that human resources indeed play a crucial role in stimulating the process of entrepreneurial development which is a pre condition for development of MSMEs. While general people/human resource management problems have been identified by many, a few studies have focused on specific issues of acquisition and retention of grey and blue collar workers in unregistered MSMEs.

The practitioners, the managers and/or owners of the unregistered MSMEs, have on their side often ignored human resource issues. The issue of acquisition and retention is very important. How to cope with this problem is major area of concern for them. People are the greatest asset for the concern. Identifying and acquiring talent is one of the most important processes in human resource management. It is a key element in being competitive on a knowledge driven, talent constrained economy. It is often the first contact that potential employees have with the organization, so it can be the basis for the entire employment relationship.

It is generally thought that small organizations do not apply HRD practices because of the lack of resources but it is not unreasonable to think that small firms have HRD practices because they do survive in the competition. This

assumption is probably due to the fact that small organizations do not have formal models and definitions for HRD but they apply informal practices that have the same outcomes and effects. *Hill (2004)* provides an alternative conceptualization for HRD in SMEs and it is based on the assumption that learning is the focus of HRD. The managers in small companies are more familiar with training and development than HRD and they favour informal training and learning because of the resource limits. Therefore, it is suggested that learning and HRD occur not just on the job, but through the job, whereby work becomes a process of learning. This will help to manage HR in MSMEs in a better way.

Managers in MSMEs are more able to engage with employees in an informal way and at personal level. They are in closer contact with them which means that it is easier for the employees to express their feelings and they are also understood better. This openness helps also in creating a positive environment for learning and development. This will ultimately be helpful for the MSMEs.

## CONCLUSION

Human resource plays an important role in the growth and development of an economy. Present business environment in the Indian context, after the economic reforms in 1991, stresses on the strategic role of Human Resource Function. Since liberalization of the economic policies, the increased level of competition by the multinational corporations has put a lot of pressure on the Human Resource Function in the domestic firms to prepare and develop their employees so that they could compete with the global firms in skills, efficiency and effectiveness. To survive with such issues and compete with large and global enterprises, MSMEs need to adopt innovative approaches in their operations. For this positioning HR arena needs special focus. Above all, non-human resources can only get exploited with the help of manpower.

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