



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT AND MANAGEMENT

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HUMAN CAPITAL MANAGEMENT ISSUES AND POSSIBILITIES OF MSMEs - A STUDY ON SELECT UNITS IN BANGALORE

LAKSHMYPRIYA K.

ASST. PROFESSOR

THE OXFORD COLLEGE OF BUSINESS MANAGEMENT
BANGALORE - 560 102

SUPARNA DAS PURKAYASTHA

RESEARCH SCHOLAR

VISVESWARAYA TECHNOLOGICAL UNIVERSITY
BELGAUM, KARNATAKA – 590 014

ABSTRACT

The importance and contribution of the MSME sector to the economic growth and prosperity is well established. Their role in terms of employment creation, upholding the entrepreneurial spirit and innovation has been crucial in fostering competitiveness in the economy. Towards meeting the national developmental objective of a growth rate of over 9% on a sustained basis, it is imperative for the industrial sector to grow at a faster pace supported by a vibrant MSME sector. Towards this Government's policy initiatives like enactment of the new Micro, small and medium enterprises development act, 2006, pruning of reserved SSI list, advising foreign investment to increase their flow of credit to the SME sector, are all initiatives towards boosting entrepreneurship, investment and growth. Today Small and Medium entrepreneurs are receiving attention of planners, policy makers, social scientist, economist, industrialist, Govt and financial institutions. A small enterprise do not have the luxury of a workforce as an MNC. Many a times its very challenging to hire efficient work force and to retain them. Most SMEs lack an efficient system of people management. In this context the study intends to find out the people management issues of small scale sector and measures to overcome the same.

KEYWORDS

Developmental needs, Entrepreneur, HR issues, Training.

INTRODUCTION

Harnessing the entrepreneurial potential of our people is crucial for faster economic development. The potential contribution of Small enterprises both in developed and developing countries has been realized in today's world. A healthy small business sector is rightly considered to be the backbone of any developed economy. Entrepreneurship training in most countries of the world is being increasingly tried to promote local entrepreneurship and accelerate the pace of small enterprise development. Even in the case of tightly controlled economies in Eastern Europe, people are anticipating that small business and entrepreneurship will lead the way to new economic development. Developing economies like India, China, Pakistan, Srilanka, Malaysia and many other South Asian countries have always considered the small business sector as an important sector of the economy. But most of the developing countries suffer from non – availability of authentic economic data. The developing countries also suffer from lack of proper consideration of current models of entrepreneurship development. Plaschka and Welsch (1990), suggest that the development of entrepreneurship is the result of coordination of internal and external components facing entrepreneurs. Internal components include factors such as individual characteristics of the employees, financial resources and firm characteristics such as systems of production, organization and marketing, external components include factors such as: Government policies, laws of the country, location infrastructure, availability of skilled labour force, the presence of venture capital etc. The favorability and un-favorability of internal and external components can influence the entrepreneur's ability to create viable organizations.

Small and medium enterprises (SMEs) are primarily companies whose headcount or turnover falls below certain limits.

The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium-sized businesses or SMBs is predominantly used in the USA.

EU Member States traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium". Small medium organizations need to have between 20-500 employees. By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees. Both the US and the EU generally use the same threshold of fewer than 10 employees for small offices (SOHO). In most economies, smaller enterprises are much greater in number. In the EU, SMEs comprise approximately 99% of all firms and employ between them about 65 million people. In many sectors, SMEs are also responsible for driving innovation and competition. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP.

In India the definition for small-scale industrial undertakings has changed over time. Initially they were classified into two categories- those using power with less than 50 employees and those not using power with the employee strength being more than 50 but less than 100. However the capital resources invested on plant and machinery buildings have been the primary criteria to differentiate the small-scale industries from the large and medium scale industries. An industrial unit can be categorized as a small-scale unit if it fulfils the capital investment limit fixed by the Government of India for the small-scale sector.

As per the latest definition which is effective since December 21, 1999, for any industrial unit to be regarded as Small Scale Industrial unit the following condition is to be satisfied:

Investment in fixed assets like plants and equipments either held on ownership terms on lease or on hire purchase should not be more than Rs. 10 million. However the unit in no way can be owned or controlled or ancillary of any other industrial unit.

The traditional small-scale industries clearly differ from their modern counterparts in many respects. The traditional units are highly labour consuming with their age-old machineries and conventional techniques of production resulting in poor productivity rate whereas the modern small-scale units are much more productive with less manpower and more sophisticated equipments.

Khadi and handloom, sericulture, handicrafts, village industries, coir, Bell metal are some of the traditional small-scale industries in India. The modern small industries offer a wide range of products starting from simple items like hosiery products, garments, leather products, fishing hook etc to more sophisticated items like television sets, electronics control system, various engineering products especially as ancillaries to large industrial undertakings.

Nowadays Indian small-scale industries (SSIs) are mostly modern small-scale industries. Modernization has widened the list of products offered by this industry. The items manufactured in modern Small-scale service & Business enterprises in India now include rubber products, plastic products, chemical products, glass

and ceramics, mechanical engineering items, hardware, electrical items, transport equipment, electronic components and equipments, automobile parts, bicycle parts, instruments, sports goods, stationery items and clocks and watches.

Since independence the Government of India has nurtured this sector with special care with the following aims:

1. To develop this sector as a major source of employment.
2. To encourage decentralized industrial expansion.
3. To ensure equitable distribution of income.
4. To mobilize capital investment and entrepreneurship skills.

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that 100,000 rupees of investment in fixed assets in the small-scale sector generates employment for four persons.

GENERATION OF EMPLOYMENT - INDUSTRY GROUP-WISE

Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%).

In Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. In all other industries the contribution was less than 5%.

THE SME ADVANTAGE TO ECONOMIC GROWTH

PROBLEMS OF INCREASING UNEMPLOYMENT

Increasing unemployment is the most serious & chronic problem of the Indian economy. At the beginning of the seventh five- year plan, the backlog of unemployment was estimated to be around 44 million persons. Labour force during 1989 was estimated to be around 44 million persons.¹ Emphasis on modernization which usually results in automation, use of high technology, and technology up gradation initiated during 1980s and the structural changes introduced by the government during 1991 gave rise to capital intensive industries than labour intensive. In this context after globalization lot of opportunities have opened up for small scale units, thereby motivating people to opt for self-employment. Thus it will help in solving the problem of increasing unemployment.

HARNESSING LOCALLY AVAILABLE RESOURCES & ENTREPRENEURSHIP

India is considered to be very rich in natural resources. A few large scale industries started by entrepreneurs from outside the state in economically backward areas may help as models of pioneering efforts, but ultimately the real strength of industrialization in backward areas depends upon the involvement of local entrepreneurship in such activities. Increased activities of local entrepreneurs will also result in making use of abundantly available local resources.

BALANCED ECONOMIC GROWTH

Large scale industries can only be started with huge investment which is either available to well-established industrial houses or need to be drawn from public exchequer. Also, promotion of such industries does not help in reducing disparities of income & wealth. On the other hand, an important advantage of small scale enterprises is that they can be started with meager financial resources and little or no previous experience or entrepreneurial background.

REDUCING THE UNREST AND SOCIAL TENSION AMONGST YOUTH

Many problems associated with youth unrest and social tensions are rightly considered to be due to youth not being engaged in productive work. In the changing environment where we are faced with the problem of recession in wage employment, opportunities, alternative to wage career is the only viable option. The country is required to divert youth with latent entrepreneurial traits from wage career to self-employment career. These steps would help in defusing social tension and unrest amongst youth.

EMERGING HIGH GROWTH AND PRIORITY AREAS

India as a country has strengths in certain areas and these are emerging high growth areas in recent years. Some of the high growth and priority areas are discussed below:

ELECTRONICS AND INFORMATION TECHNOLOGY INDUSTRY

The field of electronics has opened up new vistas of enormous proportion in all facets of human activity. Electronics has entered into all activities of development. Such being the case, venture capital investment opportunities in electronics offers tremendous scope for exploitation. Due to fast changes taking place, professional entrepreneurs stand greater chances of success in this field. The design techniques and products in the field of electronics are highly volatile in nature and tend to change at an extremely rapid rate. Thus, any attempt at evolving a scenario for the type of opportunities which would emerge in the field of electronics can, at best be an intelligent and informed guess work.

Other sub-areas where innovative products could be developed are:

- Consumer electronics
- Electronic instruments
- Computer and peripherals
- Communication & broadcasting equipments

TOOLS & MEASURING INSTRUMENTS

There are many medium and small scale industries engaged in manufacture of cutting tools and measuring instruments. There is great scope for improvement of quality in this area. If Japanese's or Swiss manufactured tools are the benchmark how can our cutting tools & measuring instruments be upgraded to those levels or even surpass them? This will also add to the quality and productivity in other areas of manufacturing. A multiplier effect of development in this area will attract more venture capital investment in this area.

FOOD PROCESSING

The food processing industries is another area of high potential for growth it encompasses industries like fruit and vegetable processing, milk, fish and meat. The industry has a tremendous potential for increasing agricultural productivity, providing significant and widespread employment and contributing significantly to exports. India is the second largest producer of fruits in the world and vegetables after china. We have a long way to go and plenty of opportunities are available to small entrepreneurs in this field.

SERVICE SECTOR

It is a fast growing sector and offers many opportunities for entrepreneurs. Education, training, catering, fast food, hotels, transportation, entertainment, health club, documentation centres, fax, email, sales and marketing, banking and financial services, consultancy Etc. offer enormous opportunities to provide these services in new and unique ways, by efficient utilization of new technologies and resources, to the customers.

Structural changes presently taking place in the Indian economy is making the environment more conducive for growth of small scale entrepreneurs.

Our SSI sector has been rightly protected against competition from domestic large scale industry by the government. But after the privatization and globalization of Indian economy, a process set into order with effect from 1991, has the Government ensured that those items which were banned for production by large scale sector in India were also not imported? The worldwide industrial environment in today's global scenario is characterized with neck deep competition. It is primarily because of the fact that various outfalls of modern or current technological revolution have made it mandatory for every industry to acquire some level of proficiency in these various fields:

- Communication
- Large growth
- Numeric controlled process
- Brand names
- Rapid mass transport
- Costlier domestic infrastructure

COMMUNICATIONS

High tech development in communication technology has made information sharing both exact and penetrative. The market information on raw materials, in terms of their availability and quality, require exactness in information, internet and such facilities has facilitated this online exchange of data. Sometimes this large downloading of data tends to superficially saturate the information seeker with superlative stuff necessitating very costly data analysis system which confuses the SSI.

LARGE GROWTH

In order to cash on the advantages of lowering overheads as a result of large scale operations, that too in the core sector business of company, today's companies are becoming leaner and thinner but creamier organizations. They are tending to shed off business in unrelated areas and consolidate further by utilizing the generated resources through these undiversification activities to graduate their plants to world scales. This provides opportunities for small sector as today almost all activities are outsourced

NUMERIC CONTROLLED PROCESS

A large extent of automation also enables companies to perform and monitor process controls towards maximizing rates of production yields and accuracies. Superior work systems, as a result of computer assisted controls, enable easier and immediate acceptance of the produce, and thus ultimately allow further cost cutting. It has been experienced that partial implementation of modern techniques does not allow commensurate gains, as highlighted above, in relation to the investments. Full implementation of modern technology requires exorbitant investment, is a constraint for small scale entrepreneurs.

BRAND NAMES

The ultimate establishment and popularization of a brand name involves continued inputs in terms of a large scale presence of either the item or its image or both, in front of the consumer. This may require the kind of investments with no guarantee of returns. That is probably why the small scale manufacturers have not been able to establish brands.

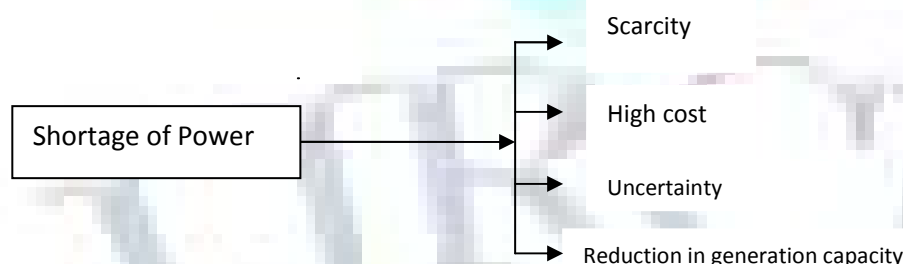
RAPID MASS TRANSPORT

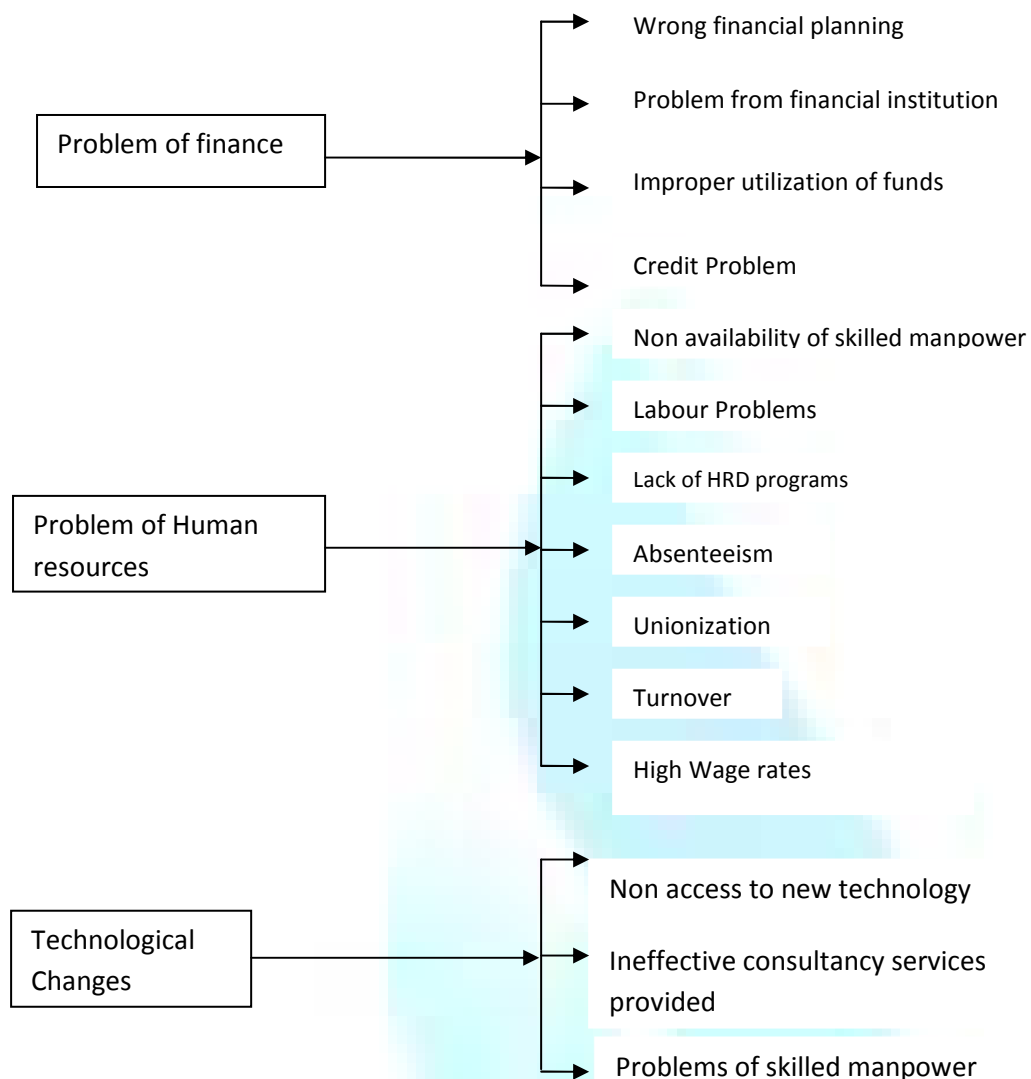
Though developments in efficient transportation like containers, cryogenic vans etc have opened up more opportunities for the Indian industry, the impediments in terms of quality, lack of infrastructure and price have weighed far greater towards losses for small scale sector compared to large scale.

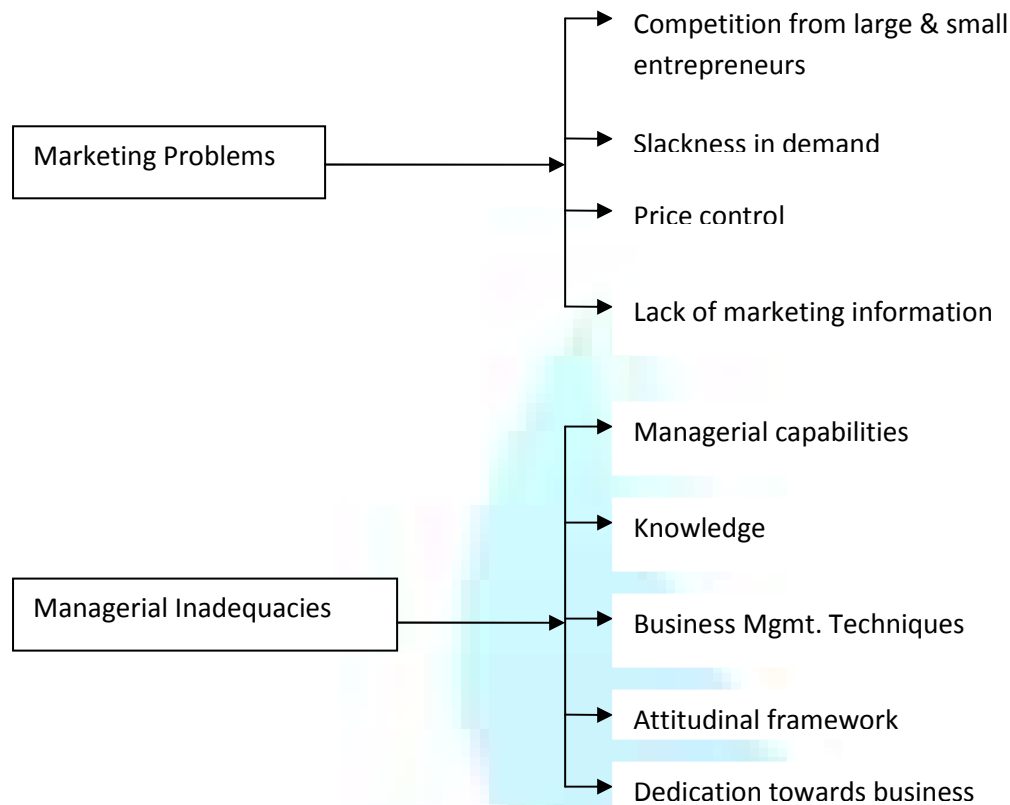
COSTLIER DOMESTIC INFRASTRUCTURE

India as a country is relatively indisposed towards cheaper production in spite of abundant availability of cheap labour. However, until the productivity per capita or per machine is improved, India has to implement better measures to support small scale entrepreneurs (not only in paper) to stand the competition from china, Taiwan and other Asian countries

PROBLEMS OF SMALL BUSINESS







Source: J.S.Saini, S.K.Dhameja, Entrepreneurship and small business, Rawat publications, 2003.pg.no.161

PEOPLE MANAGEMENT AND SMES

Human Resource Management refers to the practices and policies need to carry out the “people” or Human resource aspects of a management position including recruiting, screening, training, rewarding & appraising. Many years it was said that capital is the bottleneck for a developing industry but today workforce and the company’s ability to recruit and maintain a good work force. In short Human resource management is equally important as financial resources management for any organization. Intellectual and human resources include the knowledge, training and experience of the entrepreneur and his or her team of employees and managers. It includes the judgement, creativity, vision and intelligence of the individual members of the organization. It even includes the social skills of an entrepreneur. Entrepreneurs who believe in racial and cultural diversity and who can build a workforce around these values make out even better. A new study indicates that diversity interacts with strategy in three ways to improve performance: improved productivity, improved return on equity, and improved market performance.

Human capital includes relationship capital as a subset. Relationship capital refers not to what the organization’s members know but rather to who the organization’s members know and what information these people possess. Networking gives the entrepreneur access to resources without controlling them. This minimizes the potential risk of ownership and keeps overhead down.

There are few rules for successful human resource practices, because each company is different and human resource management is complex. Although standard practices and guide lines are easy to come by, these provide little insight into how to make the venture’s human resource management a source of sustainable competitive advantage.

Each business needs to identify its own managerial strengths and develop a system around them. These practices can be used by others as benchmarks, but real challenge is to customize them to the special context of the enterprise.

LITERATURE REVIEW

Devins D. and Johnson S. 2002¹. This paper draws on a telephone survey of 116 independent SMEs to explore the impact of a variety of training interventions on human resource (HR) practices and business performance in Great Britain. The paper investigates the extent to which targeting such interventions on the managers of SMEs affects the impact and the likelihood of changes in HR practices but finds no statistically significant relationship. The research findings suggest that whilst training interventions have positively contributed to the establishment of HR practices and are perceived by SME managers to have met the needs of the organisation, their impact on a range of business performance indicators is fairly modest. Furthermore the research identifies the propensity of SMEs who are currently engaged in training to become involved in these interventions whilst the majority of SMEs who are not engaged in external training activities remain untouched by the policy intervention.

Reid R.S. and Harris R.I.D. 2002². This study looks at SME spending on training in Northern Ireland. We include a range of human resource management functions, as well as workforce characteristics, the external environment, size, and the impact of changes in ownership status as important determinants of training expenditure in SMEs. Particular attention is also paid to the importance of whether the enterprise is family owned and/or managed. Generally, our results show that HR functions do generally matter; however, workforce characteristics (other than shift working), ownership characteristics and external factors, and even to some extent size, were much less important than expected. What our results do show is that whether the firm is family-owned/managed is a major factor in determining training budgets in SMEs in Northern Ireland.

1 Devins D.; Johnson S, Engaging SME managers and employees in training: lessons from an evaluation of the ESF Objective 4 Programme in Great Britain, Education+training, Volume 44, Numbers 8-9, 2002, page no.370-377

2 Reid R.S.; Harris R.I.D., The determinants of training in SMEs in Northern Ireland, Education+Training, Emerald Group Publishing Limited, Volume 44, Numbers 8-9, 2002, page no.443-450

Lloyd-Reason L., Muller K. and Wall S 2002³ After considering the various dimensions of innovation policy, this paper reviews the experiences of the Czech Republic (CR) in implementing such policies in the post-1990 transition period. Particular attention is paid to the contribution of small and medium-sized enterprises (SMEs) in innovation activities and to the various direct and indirect measures used by the CR in their support. The paper also focuses on the education and training issues and policy prescriptions deemed most appropriate to medium-term goal setting in the CR. It is noted that in order for such education and training policies to be effective, they must be informed by a number of well-established patterns and trends within globalised, knowledge-based economies as well as by the particular circumstances faced by the CR or other transition economies.

SCOPE OF THE STUDY

Jigani houses many small scale units engaged in various industries like garments, precision engineering, component manufacturing etc, The study covers the various small scale units in Jigani, Bangalore to study the HR related issues of the units, HR related areas has never been the main focus of study of small scale industries major studies have been made on finance and marketing aspects of small scale industries hence this study is highly relevant in the current context.

NEED AND IMPORTANCE OF THE STUDY

Small scale entrepreneurs contribute to percentage of the country's economy hence a study on the human resource aspects of SME's is important as this would throw light on the following areas:

- Solving problem of increasing unemployment
- Harnessing locally available resources & entrepreneurs
- Bringing economic growth
- Reducing unrest & social tension amongst youth
- Man power requirements & supply in small scale industries
- Retention helps to save and reduce recruitment cost.

OBJECTIVES OF THE STUDY

- a) To identify the availability of skilled manpower.
- b) To identify the issues & problems relating to Manpower aspects of SMEs.
- c) To provide motivational strategies to attract the employees by providing an exciting learning & growth prospectus.

METHODOLOGY

Primary data are obtained by applying the following methods:

- Direct personal interview
- Questionnaire method

Secondary data was collected from books, journals, newsletter of SME association and web resources.

In this study, the sampling technique is the Non-Probability sampling, the units in the population have unequal or negligible, almost no chances for being selected as a sample unit. Then in the second stage in order to select companies SNOW BALL SAMPLING METHOD is been adopted where sample is selected by references or lead, sample obtained by friends list, respondents, relatives, previous companies colleagues.

A sample size of 50 units were chosen for the study.

CONSTRUCTION OF TOOLS

The study was conducted in order to identify the various HR practices in small scale industries. A total of fifty small manufacturing units in Jigani was selected for survey and owners, managers, supervisors were contacted personally soliciting responses. In the survey questionnaire, the respondents were asked to comment on the various HR practices and HR related problems faced by them and also to rank them in terms of importance. Questions about their perception about the possible causes for attrition were also included in the questionnaire. This was followed by the personal interviews with the respondents.

ISSUES AND PROSPECTUS OF HIRING AND RETAINING

The study was conducted with a sample size of 50 units out of which 70% were proprietary in nature, in case of SMEs one interesting factor was that Proprietary form of organisation is preferred to avoid issues of partnership. 48% of the units were into subcontracting while a 24% into auto components and a 16 % were into precision engineering business. Only 2% of the sample constituted garment units. As it was easier to approach units engaged in subcontracting of machine parts and bearings than garment unit's data collection was more focussed on those units. Entry restrictions are more stringent in the garment units.

Majority of the units depend on local recruiting agents which is 44% because it is less costly and the manpower will get very easily. 28% said they employ people referred by existing employees because employee will know the nature of work and they can refer experienced hands in work. Advertisement on notice board and outside the gate of the unit is also used to get prospective employees; with this advertisement the employer will not be incurring any cost. Local recruiting agents and employee referrals are the main source of recruitment as they have databases of locals seeking jobs and are seen as a potential source to get the right skills in the production and maintenance levels.

Shortage of skilled labour and high level of labour turnover at skilled levels is a major blow to MSMEs.

TABLE 1: AVAILABILITY OF SKILLED WORKFORCE IN MSMEs

HYPOTHESIS TEST

H_0 = The organization have skilled labour.

H_1 = The organization does not have skilled labour.

Observed value	Expected value	(O-E) ²	(O-E) ² /E
3	2.04	0.9216	0.451765
2	2.04	0.0016	0.000784
1	1.92	0.8464	0.440833
12	12.92	0.8464	0.065511
13	12.92	0.0064	0.000495
13	12.16	0.7056	0.058026
2	2.04	0.0016	0.000784
2	2.04	0.0016	0.000784
2	1.92	0.0064	0.003333
$\Sigma(O-E)^2/E$			1.022317

Source: Primary data

Calculated value $\chi^2 = 1.022317$

³ Lloyd-Reason L.; Muller K.; Wall S., Innovation and education policy in SMEs: a Czech perspective ,Education & training, Emerald Group Publishing Limited, Volume 44, Numbers 8-9, 2002 , page no.378-387

(r-1) (c-1)

(3-1)(3-1)

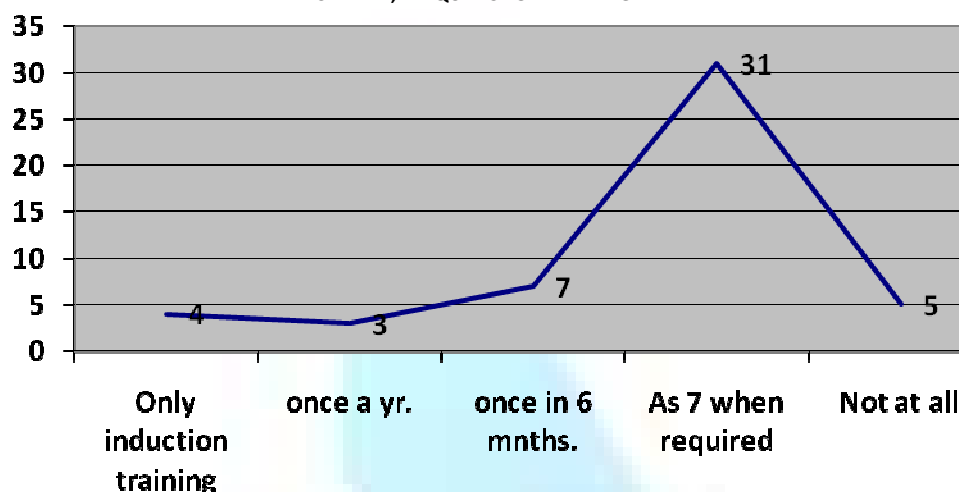
 $2 * 2 = 4$

Dof = 4

Table value at 5% significance = 9.48773

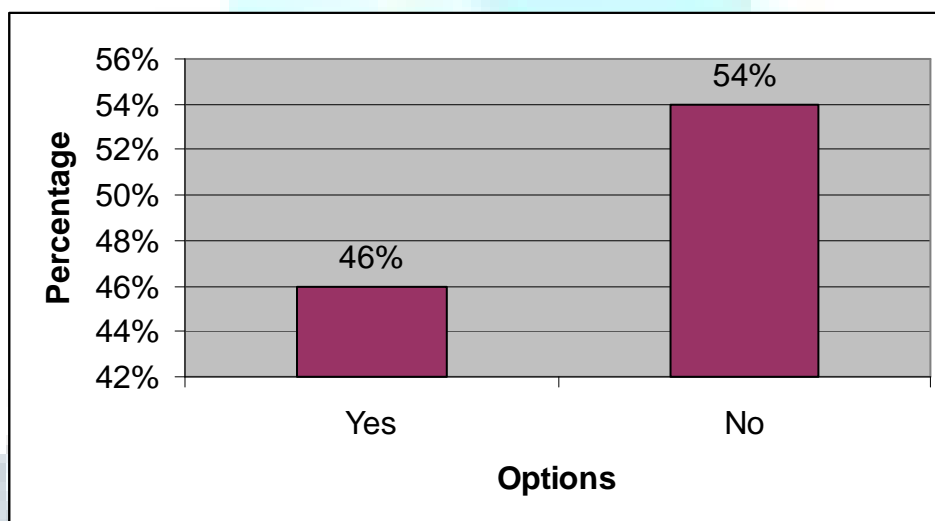
Since the calculated X^2 value is less than table value null hypothesis (H_0) is accepted and the calculated value is less than the table value rejects the alternative hypothesis (H_1). From the above data it is clear that SMEs are looking only for skilled labour, even though sometimes they get unskilled labour. Initially on the job training is provided. The analysis of training done by units as the table below represents states that employees are given training according to the organizational requirement as ongoing training sessions at regular intervals proves to be a costly affair for SMEs.

CHART 1; FREQUENCY OF TRAINING



4% of the units provide training to the employees at the time of induction and induction training is based on job description, whereas a 3% provide once in a year to update their employees to meet the client requirement. A 7% provide training once in 6 months. A majority of 31% provide training to the employees as and when required depending on the client needs. While a 5% do not provide training at all as funds are not available to provide training. Most of SMEs go for on the job training.

CHART 2: EXISTENCE OF PERFORMANCE APPRAISAL SYSTEM



Source: primary data

Performance appraisal system does not exist in majority of 54 % of the units. Hence seniority is the basis for salary hikes and promotion. This leads to high labour turnover especially among young workers. Appraisal system and its maintenance are costly and many a times all criteria's are not met all the time, hence evaluation on a system becomes difficult. At the same time its interesting to note that 46% of the respondents are using performance appraisal system. Majority of the units are willing to implement appraisal systems if consultancies are willing to provide it at minimal cost as managers feel it is essential to retain skilled employees in today's competitive environment.

Most of the MSMEs do not accept creative or innovative ideas put forth by their employees and in certain cases were it is accepted and implemented only 32% of the respondents said they reward their employees for the same. Most units are hesitant to change the current system as it would increase their cost overheads and bringing in change would be a herculean task given the constraints of time, funds and resources.

TABLE 2: EXTENT OF COMPLAINTS /ISSUES REPORTED IN MSMES

TESTING OF HYPOTHESIS

H_0 = Complaints and issues are received from employees in the organisation

H_1 = Complaints and issues are not received from employees in the organisation

Observed value	Expected value	(O-E) ²	(O-E) ² /E
1	0.34	0.4356	1.281176
0	0.34	0.1156	0.34
0	0.32	0.1024	0.32
6	4.08	3.6864	0.903529
4	4.08	0.0064	0.001569
2	3.84	3.3856	0.881667
10	12.58	6.6564	0.529126
13	12.58	0.1764	0.014022
14	11.84	4.6656	0.394054
Total			4.665143

Source: Primary data

Calculated value $X^2 = 4.665143$

(R-1) (C-1)

$2 * 2 = 4$

Dof = 4

Table value = 9.488

Since the calculated X^2 value is less than table value null hypothesis (H_0) is accepted.

CHART 3: AREAS WHERE COMPLAINTS /ISSUES ARE RECEIVED

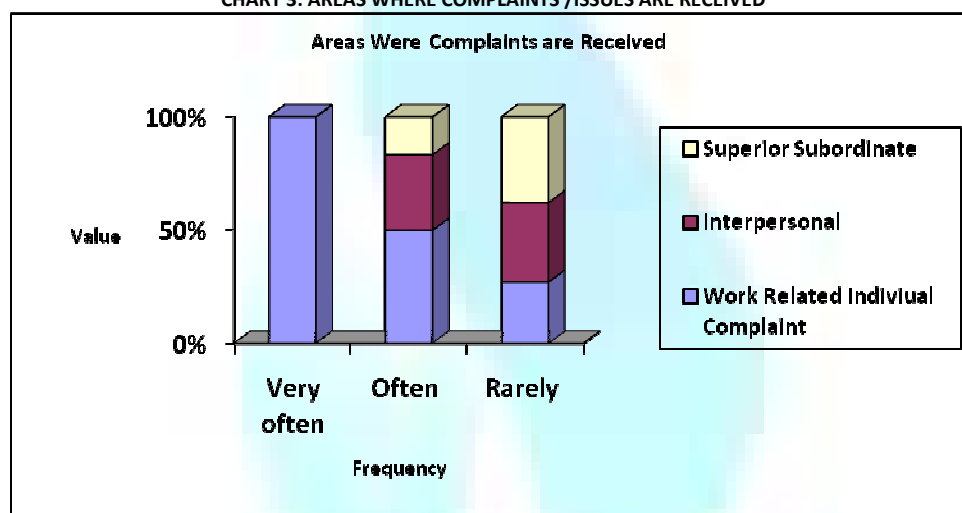


Chart shows that work related individual complaints are on a high compared to interpersonal and superior subordinate related. Hence its clear that interpersonal problems are not main issues at the units which states the rapport among employees.

TABLE 3: LABOUR PROBLEMS IN THE ORGANISATION

Labour Problems	3(High)	2	1(Low)	Total
Absenteeism	25	12	6	43
Negligence	25	14	5	44
Disobedience	26	30	3	59
Union activities	38	0	1	39
Total	114	56	15	185

Source: Primary data

TABLE 4: EXISTENCE OF LABOUR PROBLEMS IN MSMES

Observed value	Expected value	(O-E) ²	(O-E) ² /E
7	7.44	0.1936	0.026022
7	7.44	0.1936	0.026022
7	9.92	8.5264	0.859516
10	6.2	14.44	2.329032
3	3.6	0.36	0.1
4	3.6	0.16	0.044444
8	4.8	10.24	2.133333
0	3	9	3
2	0.96	1.0816	1.126667
1	0.96	0.0016	0.001667
1	1.28	0.0784	0.06125
0	0.8	0.64	0.8

Source: Primary data

TESTING HYPOTHESIS

H_0 = There is problem with labour

H_1 = There is no problem with labour

$$\chi^2 = 10.50795$$

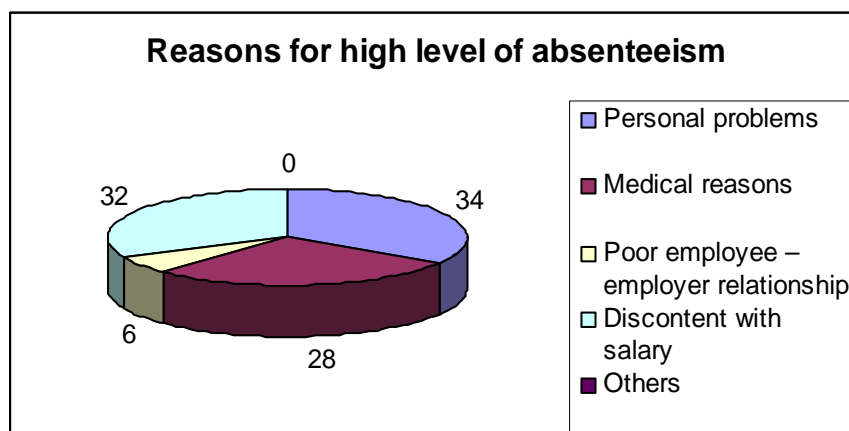
Dof = 6

Table value = 12.592

Since the calculated χ^2 value is less than table value null hypothesis (H_0) is accepted.

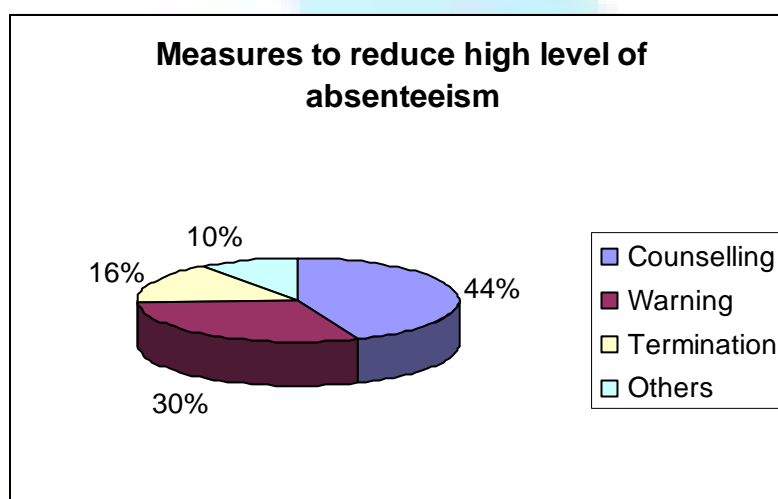
The problem with labour is associated at different levels but union activities related problems are almost nil in most of the organizations. Absenteeism, negligence of duty and disobedience though are comparatively low. Absenteeism still remains a major problem.

CHART 4: REASONS FOR HIGH LEVEL OF ABSENTEEISM



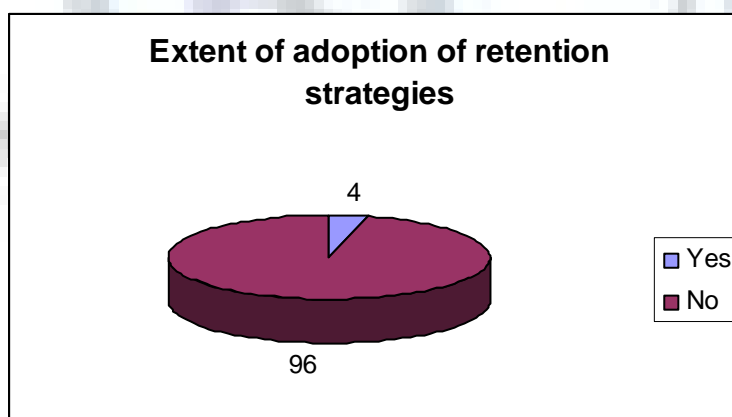
34% employee absenteeism is due to personal problems, many of the employees come from family backgrounds with problems and hence it results in absenteeism, while a 32 % had reasons of discontent with salary, since salary is a main issue in SMEs due to irregularities in fund inflows, a 28% had medical reason, only a 6% responded that poor employee employer relationship was the reason for absenteeism, in most cases employees leave without notice in case of a bad relationship with the employer.

CHART 5



44% counsel their employees for high levels of absenteeism as counselling is a positive way of handling the issue that is resorted as the first step. A 30% warn the employees after first round of counselling, 16% terminate their employees after repeated warnings and when work schedules are not adhered to. While a 10% resort to other measures like wage cuts and suspension. Counselling is a better way than other methods.

CHART 6



Majority of the units do not employ any retention strategies while a 4 % employ strategies like cash award for good work, or lunch on festivals. Implementation of employee retention strategies are difficult due to cost overheads and labour market conditions hence majority do not adopt any such strategies.

FINDINGS

- A majority of the SMEs are in proprietary ship mode and the majority of the employees surveyed belong to permanent category with a majority of male employees as the units surveyed mostly are auto components, IT, electronic components, biotech, precision engineering and others, infact garment industry have a majority of female employees compared to men.
- Most of the SMEs try to recruit skilled labour but have difficulty in getting the right skills because SMEs cannot afford high pay for skilled people, again training unskilled people would add to cost overheads hence SMEs mostly try to hire skilled people from ITI and conduct On-the-Job training for unskilled people.
- Training is also given importance though customer side training is very rarely given. Most of the units conduct in house training for their employees.
- Performance appraisal is not done by most of the units. This system hence is not the basis for promotion or wage hikes. This is based on years of service sometimes the discretion of the management is also the basis for wage hike. Most Units were positive about using consultancy services for implementing performance appraisal system.
- Most management of SMEs does not accept innovative ideas from employees as they consider various factors of cost and investment to implement it may not be feasible. Some management does implement the ideas and if successful reward their employees.
- Complaints are received though not in a frequent manner in most SMEs; most of the units are able to solve such issues through proper counseling and discussion without hindering the working and production. Though at times it takes a little long to settle issues, the management makes sure that it does not affect the work environment.
- Problem with labour is associated more with personal problems; salary is also a major issue for dissatisfaction among employees. Few units have sited medical reasons also as a reason for discontent. Counseling sessions are conducted on the first hand to reduce absenteeism, after one sessions of counseling; employee is warned and later terminated from service.
- SMEs do not have retention strategies as it requires investments in various employee motivation methods which are not affordable by SMEs.

SUGGESTIONS

1. Developing job analysis and writing job description would give more streamlined approach to recruitment.
2. Improving recruitment techniques utilising low-cost employment agencies
3. Job description should be updated according to the clientele
4. Job description should be the basis for training new employees, to bring in focused training.
5. Updation of training records should be done periodically to identify training gaps
6. Training program should include job description, abbreviated task analysis record form, job instruction schedules
7. Developing a pay plan that is internally and externally equitable is as important in a small firm as in a large one.

CONCLUSION

It is no accident that India today operates the largest programme for the development of small industry as in any developing country. The characteristics like decentralized nature of the sector, its small size, indigenous technology, Govt. initiatives, better entrepreneurial spirit has given impetus to the SSI sector accounting to around 95% of industrial units, 40% of the manufacturing sector's output, 36% exports and direct employment to around 18 million people. Being a labour intensive sector the sector has a wide range of opportunities and challenges, with better and progressive initiatives the HR problems can be solved and SMEs can become effective employers providing better opportunities for growth.

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