



## **Importance Of Hrm Practices For Indian Msmes-An Analysis**

**\*Mr. Manjappa.R**  
Associate Professor of Commerce,  
Sir.M.V Arts and Commerce College,  
Newtown, Bhadravathi 577301.

### **Abstract**

Due to their moderate labor concentration, micro, small, and medium-sized businesses offer greater options for overhauls per unit of capital. Effective labor force management is necessary in order to offer employment opportunities. Numerous benefits for both the company and human resources would be ensured by the skilled management of human resources under its purview, including steadily rising productivity, preventing accidents, developing sound earnings of guiding principles in effective training of growing morale and profession satisfaction, preventing labor turnover and absenteeism, managing labor indiscipline and effective accusation management, etc.

The study aims to investigate the management and effective use of human resources in Micro, Small, and Medium-Sized Enterprises (MSMEs) in India during the country's economic reforms. These reforms allowed for significant changes in the economy's structure, where MSMEs play a significant role. The research will demonstrate human resource management and the dynamics of its development as a crucial strategy in business development by presenting a viewpoint that many economists hold regarding a sense of competitiveness and globalization tendencies.

Micro, small, and medium-sized businesses now confront difficulties in their operations, such as the human resources management process, as a result of one such extensive reform. What a step. Nonetheless, it has established a solid foundation for the development of procedures for Macedonia's market economy, which is required for the effective management and use of human resources.

**Key Words:** MSMEs, Labour Turnover, Globalization

## 1. Introduction

Globally, Micro, Small, and Medium-Sized Enterprises (MSMEs) have been seen as a catalyst for economic expansion. They are essential to the advancement of equitable development. Globally, the MSME sector's contribution to exports and GDP is rising. The creation of jobs is a major benefit of the industry. The industry helps provide jobs, which is crucial for nations with large populations like India. The industry is undergoing mechanization and automation to boost output, lower costs, and improve the caliber of both goods and services. Table 1 makes clear that the MSME sector's performance is getting better every year. The MSME sector's overall GDP share is trending upward. The services sector makes a significant contribution.

### 1.2 Micro small medium enterprises management

The particular kind of development organization for micro, small, and medium-sized business initiatives is called the Small-Scale Project organization. These projects are distinguished by short timelines, low staffing levels, small teams, large budgets, and a balance between the amount of time spent on project execution and project management. Other than that, they are distinct; they have a deadline and demand the delivery of a final product that is fashioned similarly to large-scale projects.

## 2. Literature Review

**Andreas Rauch, Michael Frese (2005)** In their study "Effects of Human Resources Strategies on Success of Small Scale Business: A longitudinal Study," they covered the significance of SSI's for the nation's economic development as well as the part HRM practices play in increased employee and organizational productivity.

**Ana-Maria Grigore(2006)** In her article "The Impact of Human Resources Practices upon Small Companies Performances," the author discussed how HRM practices have a significant impact on small businesses' performance and emphasized the importance of having skilled workers and an improved training system in order to increase organizational effectiveness. Additionally, she advises small business management to focus more on HRM procedures in order to achieve organizational objectives.

**'Manjari Singh' And 'Neharika Vohra' (2007)** highlighted the formal and informal HRM approaches, as well as the significance of HRP, in their essay "Strategic Human Resource Management in Small Enterprises." Planning for human resources is helpful for achieving high performance and productivity. Some instances of small-scale industries that have achieved success by combining formal and informal HRM approaches are provided.

**Dr. P.C. Narware (2011)** In his research, "Human Resource Management in Small Scale Pharmaceutical Industry in Madhya Pradesh," he examined both value-added and non-value-added aspects of the HR strategy used by Madhya Pradesh's small-scale pharmaceutical sector. Additionally, they emphasize how

an organization's strategic personnel planning, training and development program, performance evaluation, welfare and incentive system, industrial relations, etc. interact with the hiring and selecting process.

**Patil Kumargouda (2019)**, The Gulbarga division's SMEs' use of strategic HRM practices Sales growth, client base expansion, differentiation strategy, and mixed approach all have a significant impact on Karnataka state. The strategic HRM practices that SMEs use depend on the size of the company. (Abdulkadir & Oladipo, 2011) In the state of Karnataka, strategic HRM is not yet widely used by SMEs. However, in the Indian state of Karnataka, strategic HRM has been found to be an effective strategy for raising the commitment, performance, and competitiveness of small and medium-sized businesses. Lastly, the report suggested that more research be done in Karnataka to look into the reasons why strategic HRM is not being adopted in Gulbarga division, Karnataka State, and India as a whole. When the causes of this are identified and addressed, India's small and medium-sized businesses may become more competitive in advancing the country's economic growth. Strategic HRM management ideas should be taught at Indian business schools and entrepreneurial centers. This will improve the performance and competitiveness of Indian businesses and foster sound managerial expertise.

**Neha Kumari(2023)**, Examining the factors that determine whether HRM is a problem was the goal of this course. This may be an alternative perspective on HRM in smaller businesses, as many studies begin with the assumption that it is a problem. This is debatable in addition to the fact that "small and medium sized enterprises have been treated as second class populace by authors in the human resource management literature for in addition long" because we are not familiar enough with HRM practices in smaller businesses.

It is well recognized that the application of HRM theory and practice, which is also frequently linked to powerful, well-resourced companies, is not always healthy. Furthermore, HRM in smaller businesses is typically examined in the context of enlargement, which may involve rapid development or organizational life cycles.

**Rucha Shingvekar (2024)**, Using both internal and external resources, human resource management is implemented in micro, small, and medium-sized businesses. HRM uses a number of processes to assist in hiring qualified and experienced workers. These days, HRM is crucial for all firms, not just Micro, Small, and Medium-Sized Enterprises (MSMEs). HRM's needs are evolving in line with technological trends.

### 3. Research Design

#### 3.1 Objectives of the Study

1. To study and analyze the impact of HRM on performance of MSMEs in India
2. To Study and examine the schemes offered by the government to develop the HRM practices in MSMEs.
3. To provide a conceptual model for the impact of HRM in MSMEs

### 3.2 Scope of the Study

The scope of the present study is covered HRM practices and its impact of those practices on overall performance of the MSMEs organizations. More over the study is confined to Various MSMEs sectors in India. And the schemes offered by the government to promote the HRM practices.

### 3.3 Methodology

The study is fully based on secondary data which is taken from the annual reports published by the 'Ministry of micro small and medium enterprises' and also various books and journals as well as internet source

## 4. Results and Discussion

### 4.1 Schemes offered by government to MSMEs

SSI has a significant impact on rural and economic development in India. Punjab is a prime example of this, as the state's growth has been attributed to the expansion of SSI units. In addition to supporting export activities, the governments of all Indian states provide a variety of programs aimed at fostering the growth of small-scale unit employees and entrepreneurs. The government is also offering financial support at the same time. Some of the government's initiatives for HRM in MSMEs are listed below.

### 4.2 Entrepreneurship and Skill Development Programme (ESDP)

A key initiative for HR development in the MSME sector, the ESDP seeks to close skill shortages, encourage self-employment, and support entrepreneurship. Better awareness campaigns, organized post-training support, and strong monitoring methods should increase the program's efficacy, despite its excellent inclusivity and skill-building potential. The development of a knowledgeable, enterprising staff is crucial for the expansion and long-term viability of MSMEs in India, and ESDP makes a substantial contribution to this process.

### 4.3 Analysis of Assistance to Training Institutions (ATI) Scheme

The Government of India's Ministry of Micro, Small, and Medium Enterprises (MSME) is in charge of the Assistance to Training Institutions (ATI) Scheme. It focuses on enhancing institutional capacity to provide managers, employees, and entrepreneurs in the MSME sector with high-quality training. ATI seeks to improve the training ecosystem in contrast to programs that train people directly, guaranteeing long-term and superior human resource development. By emphasizing institutional strengthening, the ATI Scheme strategically contributes to human resource development for the MSME sector. The program guarantees ongoing capacity growth, better training quality, and a professional, trained workforce, even though its effects are indirect. Better outreach, ongoing observation, and integration with field-level entrepreneurial and skill programs are necessary for optimal efficacy.

#### 4.4 National Institute for Micro, Small and Medium Enterprises (NI-MSME) & Apex Institution Training

A key component of human resource development (HRD) in the MSME sector is the National Institute for Micro, Small, and Medium Enterprises (NI-MSME), along with other elite training establishments like NIESBUD (National Institute for Entrepreneurship and Small Business Development) and IIE (Indian Institute of Entrepreneurship). These organizations improve India's MSME ecosystem by offering entrepreneurs, managers, and technical staff specialized training, research, and capacity building.

The program promotes both current MSMEs and prospective entrepreneurs by developing managerial, entrepreneurial, and technical competencies. The NI-MSME and Apex Institution Training programs, which emphasize the development of technical, management, and entrepreneurial skills, are essential for human resource development in India's MSME sector. Their strategic and extensive influence is considerably constrained by post-training follow-up techniques and accessibility concerns. The efficacy of these top institutions should be further increased by bolstering field-level outreach, mentoring, and interaction with other MSME programs.

#### 4.5 Tool Rooms & Technical Institutions (Capacity Building)

The Ministry of MSME, Government of India, oversees the Tool Rooms & Technical Institutions program, an HRD project. By offering practical technical training, vocational skill development, and operational expertise, it focuses on producing skilled labor for micro, small, and medium-sized businesses. In order to ensure that MSMEs have access to a skilled workforce, tool rooms and technical institutes are essential in bridging the knowledge gap between academia and industry demands. One important HRD program that helps MSMEs acquire technical and vocational skills is the Tool Rooms & Technical Institutions program. The program improves workforce competency, MSME productivity, and entrepreneurial potential through practical training, industry experience, and technical consulting.

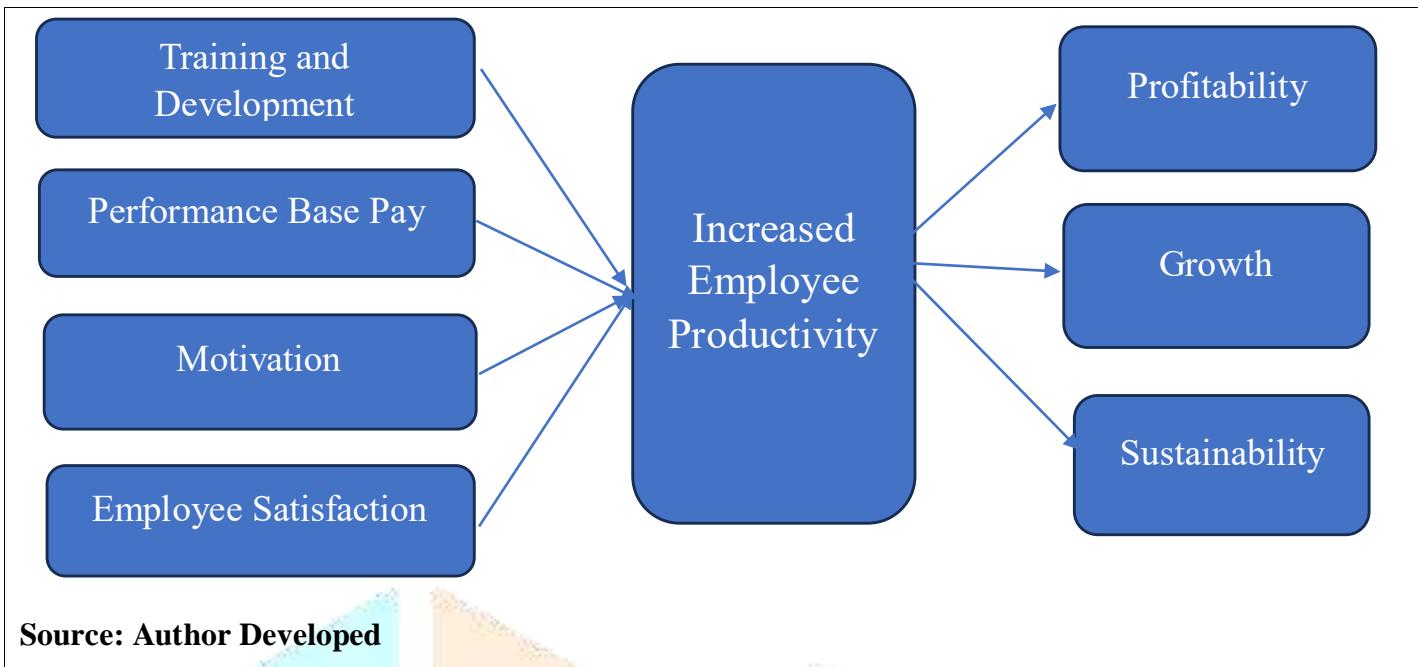
### 5. Role of HRM in MSMEs

The "people" aspect of management is the focus of HRM. Since people make up every organization, obtaining their services, honing their abilities, inspiring them to perform at high levels, and making sure they stay loyal to the company are all crucial to accomplishing organizational goals. Thus, in the modern world, human resource management has grown to be a crucial activity. This trend is implied for small-scale organizations as well as large-scale ones.

Unfortunately, a lot of small and medium-sized businesses are ignoring HRM practices for a variety of reasons, including lack of funding, lack of understanding, and MSMEs' operations. Thus, one of the main issues MSMEs confront is a shortage of skilled workers.

The significance of HRM practices in MSMEs is shown in the following chart.

**Figure 5.1: Impact of HRM practices on Overall growth of the Organization**



**5.1 Training and Development:** One of the key HRM practices that has a direct impact on an employee's productivity and performance within the company is training and development. Thus, in order to enhance employees' abilities and productivity, SSI units should focus on this aspect of HRM practice. However, in order to manage the finances, they must have a training budget that is appropriate for the organization's capabilities each year.

**5.2 Performance Based Pay:** Many large-scale and small-scale businesses in the current competitive business environment are employer-oriented; in small-scale businesses in particular, employers fail to set payments based on performance and do not place much emphasis on employees' career development. Because money is an incentive, particularly for employees, these kinds of businesses must focus on the question of why. If the SSIs put this plan into practice, it will serve as a motivational factor and encourage personnel to advance their skills and abilities.

**5.3 Motivation:** MSMEs should focus on the motivation of their staff. Bonus programs and other facilities, such as schools, colleges, and hospitals, must be implemented in order to inspire personnel. Some SSIs in Karnataka are using this tactic. Employees may get motivated as a result.

**5.4 Employee Satisfaction:** Employee happiness results from MSMEs using all of the HRM strategies.

**5.5 Increased Employee Productivity:** MSME units are focusing on training and development, and performance-based compensation and motivating techniques will increase employee happiness, which will have a direct impact on the organization's total productivity.

**5.6 Profitability, growth and sustainability:** Increased productivity and employee happiness contribute to the organization's overall growth, profitability, and sustainability. This will turn into a chance for the SSI to gain a competitive edge.

## 6. Other Discussions:

According to the literature, there are numerous MSMEs in India from different states that have achieved success as a result of upholding sound HRM practices. MSMEs typically follow the same HRM procedures as major corporations. However, because there aren't many employees in these companies, their organizational structure is straightforward. The owner can exercise personal control and serves as the manager. However, the owner or manager finds it challenging to successfully run even small businesses as they expand. Increasing the number of employees in the company is therefore required.

- Despite the fact that the industry is dealing with this kind of issue, several SSI industries, such as the pharmaceutical industry, adopt a variety of tactics, such as encouraging their staff and keeping friendly relationships with their owners.
- On a small scale The industry as a whole is a little indifferent to HR procedures. Such practices do not exist because of a lack of resources and, more significantly, a lack of will. Small business owners are frequently found to be unaware of them. In most of the units in this industry, the personnel policy is a neglected subject. Where such a policy existed, it was primarily concerned with meeting legal requirements set forth by the government.
- Policies pertaining to provident funds, gratuities, superannuation, grievance management, tour and travel policies, and most leave regulations are found to be in place and are mostly regulated by statutes. Few companies have policies for employee training and development, promotion, transfers, recruiting, and selection that are formulated and adhered to, but not strictly. Another area that gets overlooked is HRP.
- As the idea of contractual or agency workers has grown, HRP has become an even more abandoned endeavor. When essential staffing companies are engaged, they deliver the necessary workers right away and at a comparatively lower cost. Naturally, HRP is created with great sincerity in the case of technical workers. The lack of qualified, experienced, and skilled technical personnel is the cause. The units in the SSI sector would not be able to survive without such planning (Dr. P.C. Narware 2011).
- A number of initiatives and actions must be taken to identify the shortcomings in the management of small business businesses, which are mostly beset by challenges and issues related to human resource management, in order to overcome the issue of a shortage of skilled labor. Due to small and medium-sized businesses' inability to pay competitive rates and provide their staff with sufficient training facilities, there is a shortage of skilled and experienced workers.
- In addition, they struggle to locate and inspire qualified technical and managerial staff, who typically seek out better chances in large-scale enterprises. As a result, they are unable to attract or retain the greatest talent in the field and are forced to rely on family members who lack technical and diverse abilities (Neharika Vohra, 2007).

## 7. Conclusion:

In India, MSMEs are typically run by a family or an individual who lacks knowledge of management strategies. HRM is one of the key areas where SSI's fall short. And prior to these units, this became a significant difficulty. They are also dealing with additional issues, such as not having enough money to compensate qualified employees who handle HRM tasks in large firms; as a result, they are unable to effectively manage the organization's human resources. However, human resources is the lifeblood of any business, and it applies to both small and large enterprises.

The MSME institutions must implement fundamental HRM principles including motivation, performance-based compensation, and HRP with minimal resources, even if they suffer from a lack of funding and knowledge of management techniques. They can use some of the efforts to make use of the government's programs. Additionally, they can use recruitment strategies.

## Reference

1. Prof. P. Subba Rao, (2001), "Essentials of HRM and Industrial Relation", Himalaya Publishing House
2. Gary Dessler, "Human Resource Management", 11<sup>th</sup> edition, Prentice Hall of India Private Limited.
3. Ana-Maria Grigore (2006) in her article 'The Impact of Human Resources Practices upon Small Companies Performances, Științe Economice, VOL LX
4. Andreas Rauch, Michael Frese (2005), in their study 'Effects of Human Resources Strategies on Success of Small Scale Business: A longitudinal Study'
5. Dr. P.C. Narware (2011), 'Human Resource Management In Small Scale Pharmaceutical Industry in Madhya Pradesh' International Journal of Enterprise Computing and Business Systems, ISSN (Online): 2230-8849, Vol. 1 Issue 2
6. Manjari Singh' And 'Neharika Vohra' (2007) , 'Strategic Human Resource Management in Small Enterprises
7. Rajiv. B. Khaire (2010) 'Understanding the Awareness of Human Resource Practices in Nagpur SSIs: An Empirical Study', The IPU Journal of Management Research, VOL 9, No 4, pp 69-81
8. R. A., Hollenbeck, J.R., Gerhart, B., Wright (2007) P.M. - Fundamentals of Human Resource Management, 2<sup>nd</sup> edition, McGraw-Hill, 2007
9. Srimannarayana (2006), Human Resource Management in Small Business, The Indian Journal of Industrial Relation, VOL 41 No 3
10. Venkateshwara Balaji(2012). A, A comparative Study Human Resource management Practices & Advanced Technology Adoption of SMEs with and without ISO certificate, All Business.com
11. Patil Kumargouda (2019), HUMAN RESOURCE MANAGEMENT PRACTICES IN SMALL AND MEDIUM SIZED ENTERPRISES IN GULBARGA DIVISION: A STUDY, 2019 JETIR June 2019, Volume 6, Issue 6 www.jetir.org (ISSN-2349-5162)
12. Neha Kumari(2023), Impact of micro, small medium enterprises on human resource management, International Journal of Research in Human Resource Management 2023; 5(2): 130-132

13. Rucha Shingvekar (2024), Human Resource Management of Micro, Small and Medium Enterprises (MSME's), International Journal for Multidisciplinary Research (IJFMR) E-ISSN: 2582-2160, Website: [www.ijfmr.com](http://www.ijfmr.com), Email: [editor@ijfmr.com](mailto:editor@ijfmr.com)

