

An Empirical Study on the Effectiveness of HRM Practices for Success in MSME Sector

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Abstract - The success of every organization is closely linked to its workforce and the level of engagement among its employees. Small and medium-sized organizations may face significant challenges in locating the appropriate human resource staff. The success of small and medium-sized firms is greatly impacted by human resources. Small and medium-sized enterprises play a vital role in the country's economic progress and provide many employment opportunities. Small and medium-sized enterprises use human resources for a range of purposes, such as hiring, assessing performance, and managing remuneration. The effectiveness of human resource management in a business is significantly enhanced by the implementation of a human resource-based system, which has major importance for any organization. While there may be similarities in HR practices, large organizations' HR departments prioritize addressing key business issues and have effectively used information technology to a greater degree for routine HR tasks like as file management. In contrast, human resources (H.R.) informants at mid-sized enterprises are focused on day-to-day operations. They seem to be satisfied with the skills and knowledge of their relatively smaller H.R. teams, and they rate their H.R. organizations better in terms of performance across several measures.

Keywords: Human Resource Management, Small and Medium Enterprises, Compensation Management, H.R. Informants, Mid-Sized Firms.

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I. INTRODUCTION

MSMEs, which include micro, small, and medium-sized enterprises, play a crucial role in generating job opportunities and making substantial contributions to a country's Gross Domestic Product (GDP). Despite the several drawbacks that small firms have compared to larger ones, research suggests that their human resources are a key source of competitive advantage. Competitive advantage immediately and favorably affects the financial gain.

The idea of strategic initiative refers to the capacity of an organization or strategic business unit to assert dominance over strategic behavior within the industries it operates in. Rival companies will be compelled to react if any organization can seize the opportunity in such a circumstance. Assuming that the organization can gain a strategic advantage by implementing a proactive approach. Under such circumstances, it has the ability to choose its own fate, sustain a competitive advantage over adversaries for a significant duration, and establish a

specialized position. A company's competitive edge is determined by the unique attributes of its products or services, as well as the way they are marketed and delivered. These "advantages" are contingent upon various human resource capabilities to varying degrees. In order to develop and retain market dominance, the corporation should aim to achieve comparative superiority in certain areas (Aisyah et al., 2017). While management may be actively pursuing clear goals and logical strategies, there is a potential danger of being outperformed by a competitor that prioritizes the utilization of its workforce to gain a competitive advantage. Human resource management (H.R.M.) may be best understood as a set of rules that have strategic significance for any organization. They are achieving broader corporate goals, such as developing organizational values, improving efficiency, and refining delivery methods, while also increasing employee dedication, adaptability, and overall work-life quality. In the present day, irrespective of the scale of a firm, technology and cash have become readily available in the market, leaving just one factor that distinguishes them.

One crucial aspect of firms is their capacity to effectively manage their human resources. This article seeks to analyze the management and utilization of human resources in small and medium enterprises (S.M.E.s) in India during the time of economic reforms. These reforms brought about substantial changes in the structure of the economy, with S.M.E.s playing a crucial role (Belas et al., 2020). This research will demonstrate the significance of human resource management and its role in driving corporate growth. It will highlight the viewpoint taken by economists on the importance of competitiveness and globalization trends. Implementing human resource management in small and medium-sized enterprises (SMEs) has posed significant challenges. The main duties of the Human Resources department include acting as a strategic advisor to corporate leaders and advocates, overseeing the management of growth or lack thereof with limited resources, and finding a middle ground between the increasing demands of workers and the resources available to the organization. Nevertheless, when the organization expands, the

task of preserving such a connection becomes more arduous (Bilan et al., 2020). Every organization, regardless of its size, may get advantages by doing research on its people resources. The careful management of human resources creates sufficient chances to ensure efficiency in the production of commodities and services that contribute to an acceptable level of living.

II. LITERATURE OF REVIEW

Brazer & Daryanto (2019) said that the study's objectives effectively tackled the problem via the examination of the study's ten conclusive results and the citations from the literature section mentioned earlier. The bulk of data from the main research suggests a strong correlation between human resources management techniques and the achievement of essential goals in small firms, across various application scenarios. MSMEs may get a competitive edge by adopting an advanced S.D.M. training strategy, since enterprises are actively competing for clients in the digital age, characterized by many innovations and innovative strategies.

In their study, Chang & Huang (2005) discovered that human resources play a vital role as a growth indicator for organizations. One crucial aspect of human resource management in small and medium firms is the cultivation of motivation and ensuring job security. Small and medium-sized organizations use human resources for several functions such as recruiting, selection, performance assessment, and pay administration. Multiple organizations placed significant emphasis on the education and training of their human resources, closely monitoring the development of their potential and skill sets. Implementing cutting-edge and efficient human resource strategies and processes is crucial for fostering corporate development; organizations can only achieve their objectives with its implementation.

In her research, Hermawati (2020) aimed to empirically examine the impact of HRMPs on the operational performance of micro, small, and medium enterprises (MSMEs) in the HDSL sector. Eight human resource management approaches that were consistent with previous research were

identified. MSMEs in the HDSL sector have discovered that using professional resources for recruitment, establishing clear termination criteria, and implementing an H.R. strategy for the organization are the most often used human resources methods. The findings indicate that MSMEs in HDSL have implemented eight unique Human Resource Management strategies with varied levels of formality and informality.

According to Manullang (2021), the results suggest that HR professionals in medium-sized companies are more likely to focus on strategic matters rather than operational ones if there is a high level of integration between HR and IT, as well as an increase in HR outsourcing within the organization. Larger organizations have achieved more HR outsourcing than mid-sized enterprises, particularly in the domains of training and employee benefits. Due to the utilization of information technology in providing human resources services, bigger corporations are more inclined to have enhanced human resources protocols and decreased human resources transaction expenses.

Oduro & Nyarku (2018) discovered that the management of small and medium-sized enterprises (SMEs) is characterized by a high degree of informality, where the responsibilities and expectations between employers and employees are implicit and based on trust. The casual nature of small and medium-sized enterprises (SMEs) and the close personal connections between employers and workers raise interesting questions about the psychological agreement between SME owners and employees, making it a unique environment for examining employment relationships. Subsequent investigations might examine the nature and substance of psychological agreements inside small and medium-sized enterprises (S.M.E.s).

Sitompul et al. (2021) said that the existing research on HRMP mostly focuses on bigger enterprises, despite its abundance. The study's results address this gap by emphasizing the importance of HRMP adherence in MSMEs and its correlation with commitment. The benefits of the five HRMPs being studied might be used to have an immediate impact on the human resources choices of resource-limited

micro, small, and medium enterprises (MSMEs). This study has the potential to initiate projects in many impoverished countries throughout the globe. If the underlying problems of HRMP are not addressed, turnover rates will rise, service quality will decline, customer satisfaction will significantly decrease, and enterprises will be forced to exit the market.

In their study, Katyal & Xaviour (2015) discovered that Micro, Small, and Medium firms (MSMEs) play a crucial role in the growth of emerging economies. These firms have the ability to substitute for large-scale businesses, provide more employment opportunities, act as intermediaries between the industrial and agricultural sectors, contribute to industrial output, and boost export earnings. Based on this research, workers at Micro, Small, and Medium Enterprises (MSMEs) are more inclined to contemplate resigning from their positions owing to insufficient healthcare provisions, unfavorable working conditions, absence of welfare initiatives, inadequate compensation, and unsatisfactory labor relations. In order to achieve its goals and objectives in a profitable manner, management relies heavily on human effort. Therefore, it is crucial to prioritize the valuable assets of the company when designing and implementing human resource management strategies that will enhance productivity in a sustainable manner over the long term.

Satpathy et al. (2017) examined how the report provides backing for human resources practices at small and medium enterprises (SMEs) in Delhi-NCR and identifies potential avenues for more standardization. Given that the performance of small and medium-sized enterprises (S.M.E.) may be anticipated based on their human resource (H.R.) practices, it is important to adhere to appropriate processes in order to enhance employee effectiveness. Small and medium-sized enterprises (SMEs) play a vital role in the development of the country. Formal human resources practices would enhance innovation and creativity. While it may need a significant amount of time, small and medium-sized enterprises (S.M.E.'s) have the potential to adopt a hybrid approach by using both formalized human resources (H.R.) procedures and indigenous methods.

According to Sheehan (2014), H.R.M. processes have a substantial influence on organizational performance. Efficiency in H.R.M. processes will enhance the organization's performance. Both large enterprises and small firms are required to adhere to this regulation. However, management literature has observed that there is some ambiguity about the correlation between H.R.M. practices and organizational success. There exists a significant void or unresolved enigma in this association. Therefore, researchers must take into account mediating variables. Given the theoretical connection between human capital, H.R.M. methods, and organizational success, it is plausible for human capital to operate as a mediator in these interactions.

III. OBJECTIVE

In order to determine the HRM practices that lead to success in the MSME sector

IV. METHODOLOGY

This research included surveying 235 respondents to

identify the HRM practices that contribute to the success of the MSME sector. The investigation was done using a well-designed questionnaire. Furthermore, the researcher used a straightforward sampling technique to get the main data. The data was analyzed and assessed using the mean and t-test methods, after the end of the fieldwork.

V. FINDINGS

The table below presents the basic data of the respondents, indicating that out of a total of 235 respondents, men account for 52.3% and females account for 47.7%. 27.2% of individuals are within the age range of 25 to 30 years, while another 29.8% are between the ages of 30 and 34. Additionally, 23.5% belong to the age category of 35 to 40 years, and the remaining 19.5% are above the age of 40. 23.4% of the participants have a graduate degree, 56.1% have a postgraduate degree, and the remaining 20.5% have obtained a PhD. Regarding their job titles, 27.7% held the position of Senior Managers, 46.0% were Managers, and the remaining 26.3% were Chief Executive Officers (CEOs).

Table 1: General Details

| Variables | Respondents | Percentage |
|-------------|-------------|------------|
| Gender | | |
| Male | 148 | 62.9 |
| Female | 87 | 47.1 |
| Total | 235 | 100 |
| Age (years) | | |
| 25 – 30 | 64 | 27.2 |
| 30 – 34 | 70 | 29.8 |
| 35 – 40 | 55 | 23.5 |
| Above 40 | 46 | 19.5 |
| Total | 235 | 100 |
| Education | | |
| Graduate | 55 | 23.4 |

| | | |
|---------------|-----|------|
| Post Graduate | 132 | 56.1 |
| Doctorate | 48 | 20.5 |
| Total | 235 | 100 |
| Designation | | |
| Sr. Manager | 65 | 27.7 |
| Manager | 108 | 46.0 |
| CEO | 62 | 26.3 |
| Total | 235 | 100 |

Table 2: Effective HRM Practices for MSME Sector Success

| SN | Statements | Mean Value | t value | Sig. |
|----|--|------------|---------|-------|
| 1. | Recognizing the appropriate resource for company, who may be not the best, but who suits the requirement of the assignment | 4.18 | 15.188 | 0.000 |
| 2. | It follows employee efforts in the organization so as to decrease the employee resignation | 3.96 | 12.435 | 0.000 |
| 3. | Makes it easy for retired employees to re-join the organization at a lower salary | 3.25 | 3.290 | 0.001 |
| 4. | Offers career rise in the company and builds an environment of accepting different types of tasks | 4.06 | 13.667 | 0.000 |
| 5. | Helps employees feel a member of the company by minimizing the hierarchy | 3.87 | 11.402 | 0.000 |
| 6. | Facilitates work-life balance by designing practices like flexible working hours and work from home | 3.81 | 10.437 | 0.000 |
| 7. | Improves the productivity of employees in long run | 3.76 | 9.885 | 0.000 |
| 8. | Helps SMEs business in innovation and creativity | 3.12 | 1.568 | 0.059 |

The table above displays the HRM practices that contribute to the success of the MSME sector. The respondent suggests that identifying the most suitable resource for the company, even if they are not the best, but meet the assignment requirements with an average rating of 4.18, leads to career advancement within the company. This approach also fosters an environment that encourages employees to take on diverse tasks, with an average rating of 4.06. Furthermore, it helps to reduce employee turnover in

the organization, with an average rating of 3.96. The respondent also holds the belief that HRM fosters a sense of belonging among employees by reducing hierarchical barriers, as indicated by a mean value of 3.87. Additionally, the respondent believes that HRM promotes work-life balance through initiatives such as flexible working hours and remote work, with a mean value of 3.81. Furthermore, the respondent suggests that HRM enhances long-term employee productivity, with a mean value of 3.76.

The responder also states that the organization facilitates the re-entry of retired personnel at a reduced wage, with an average value of 3.25. Additionally, it supports innovation and creativity in small and medium-sized enterprises (SMEs) with an average value of 3.12. Additional t-tests indicate that all the claims are statistically significant (with p-values below 0.05), except for one statement about the impact of innovation and creativity on SMEs company, which has a significance value slightly over 0.05, namely 0.059.

VI. CONCLUSION

Research suggests that the strategic utilization of human resource management (H.R.M.) is a significant determinant of an organization's success. The proprietor of the business, who acts as its central figure, must possess the vitality, expertise, assets, and dedication requisite for small and medium-sized enterprises to thrive. As a result of the owners' regular engagement in physical work and their role in making decisions about wages, personnel matters are often neglected and dealt with in an informal manner. The positive impact of human resources on a company's effectiveness and productivity is well recognized. According to the resource-based method to management, people are a crucial and essential resource for achieving an organization's purpose, regardless of the company's size. Concerning MSME, which seems to be highly neglected, there is a substantial want for theoretical augmentation in this domain. During this period, it is important to engage in thorough research in order to expand the knowledge foundation for the purpose of formalization and execution.

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