

## **Dynamic and Administrative Capacities of Human Resources in Small and Medium Enterprises**

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### **Abstract**

The increase in knowledge-based economy is complementary to HRM practices as they are responsible for the growth of HRM functions and practices. HRM is one of the best aspects of study. It is important for firms to take and understand this function as it can lead the firm to achieve their goals and objectives. To face up with the fast-moving world and challenge of managing the human resources, organizations need an effective HRM system. This paper highlights the capacities of human resources in the SME sector and how this sector has evolved and grown over the time with respect to employment and how it occupies the centrality of the Indian economy. The distinctive feature of this paper lies in the HRM perspective highlighting its importance as a major sector in the Indian economy and the progress of MSME's in the map. However, this paper only covers the aspects of small and medium enterprises. It does not include micro enterprises. It also provides an insight on the greener side of HRM practices and its ethical orientation.

**Keywords:** *small medium enterprise, ethical, HRM, Indian economy, SME, challenges*

## 1. INTRODUCTION

India is being widely recognized as one of the emerging economies in the world. The human resource industry in India has grown at a rate of 21% over the past four years. As the industry gets more organized, new players, emerging sectors and multinationals are advancing, and a change in mindset of traditional companies makes space for HR firms. There has been a lot of developments from traditional ways of HRM to modern ways of HRM. New standards and policies have been enforced and many more streams have opened up in HRM keeping in mind the aspects of it. The purpose of the study includes the quest to determine the capabilities of HRM and to know about the reluctant nature of SME's in adopting to HRM practices in their functioning. It also aimed to identify the challenges and issues. The context of the study is topical. HRM practices are widely being exercised in large companies. The demand for HRM is maximum found in big organizations as their exists deployment of departments and formal lines of work. Small organizations do not have a separate department for HR. HRM practices are very important in any organization whether small or big in order to maintain and cater to soft and hard skills related to employees. The significance of research lies in getting to know the reasons as to why HRM practices are not very common in SME's. The study also aims to signify the importance of HRM in Industry 4.0. The Micro, Small and Medium Enterprises sector is a very vibrant sector of our economy. The SME's play a critical role in dissemination the bread and butter for many people across India.

## 2. LITERATURE REVIEW

Human Resource Management enables organizations to achieve the desired organizational performances. Most of the studies aim to investigate the human resource in different firms, especially SME's. According to KNN India, MSME doesn't realize the importance of HRM. They only pay attention to day-to-day operations. The MSME sector should realize that with growing operations the need of HR also arises. The money which will be invested in the business will bring back more revenue. A study has identified that SME's are giving attention to the HRM practices in their businesses recently. The performance depends upon the staff who have been hired. Hence, there is a need to recruit efficient, trained and well-skilled staff to work effectively. It has been identified that informal HRM practices are being done in SME's which should now be converted to formal ones. Study on Human Resource management practices in SME's and organizational theories identified that there is an increasing need for labor productivity in SME's as they need to make their position in the global market as size of the organization is a critical factor on the internal system of the company. The cost is the major constraint identified here because of which labor force cannot be available to the SME's. Communication, Motivation etc. are becoming hurdles for SME's because of lack of appropriate HRM practices. According to an article by Shodhganga, the presence of formalization of HRM practices is still a big question in the world of SME's. Owing to the cost constraint, they do not adopt the formal lines of HRM practices. Very few SME's are identified who have formalized guidelines related to HRM practices. According to the article by cosia.org, it identifies the randomness of any SME's. It says that very few people apply for jobs at SME's or look for a job there. Educational qualifications of people looking for a livelihood in SME's are not very high. Hence, formal gridlines of HRM practices are lacking here.

### 3. OBJECTIVES

- To study the performance of MSME in India
- To find out the issues in MSME related to HRM and reaching solutions
- To study the dynamic and administrative capacities of HRM practices

### 4. RESEARCH METHODOLOGY

A pilot survey was conducted via snowball sampling method with a sample size of 62 respondents. The research design used is exploratory and descriptive. Primary data was collected by making use of structured questionnaire and secondary data via research papers, books etc. For the purpose of data analysis percentage analysis was used and visual aid like pie chart were used to display data using MS-excel.

### 5. DATA ANALYSIS AND INTERPRETATION

The analysis and interpretation of various questions of the questionnaire directed towards achieving the objective of the study are as under: -

#### 5.1 Analysis of Research Questions

- **Challenges confronted by SME's in adopting HRM practices**

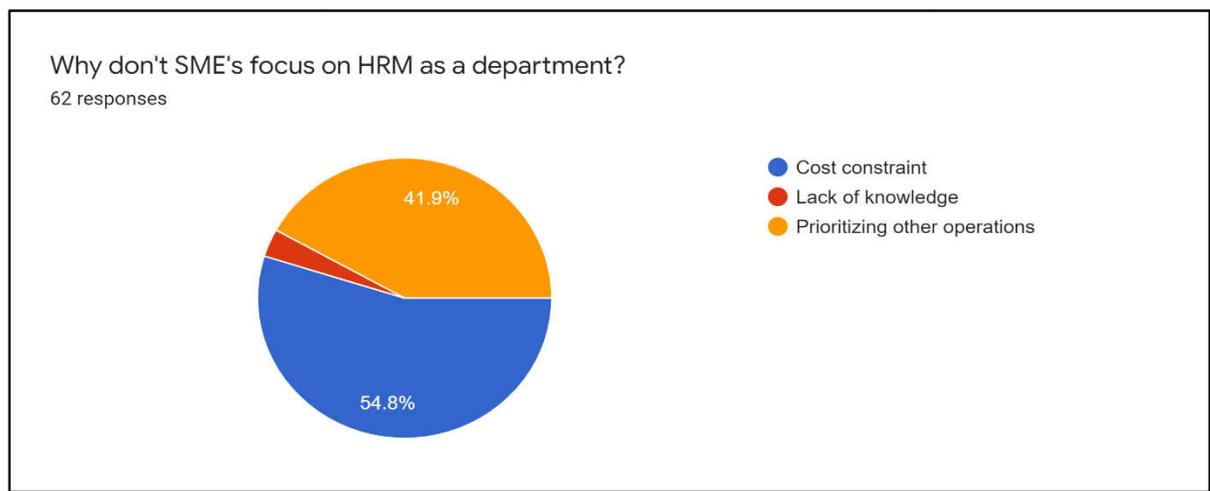


Figure 5.1 Causes of SME's lack of focus on HRM department

**Interpretation-** It can be inferred from the pie chart and frequency table that 54.8% people believe that cost constraint is the major hurdle of SME's in adopting the HRM sector.

- **Efficiency of HRM practices in SME's**

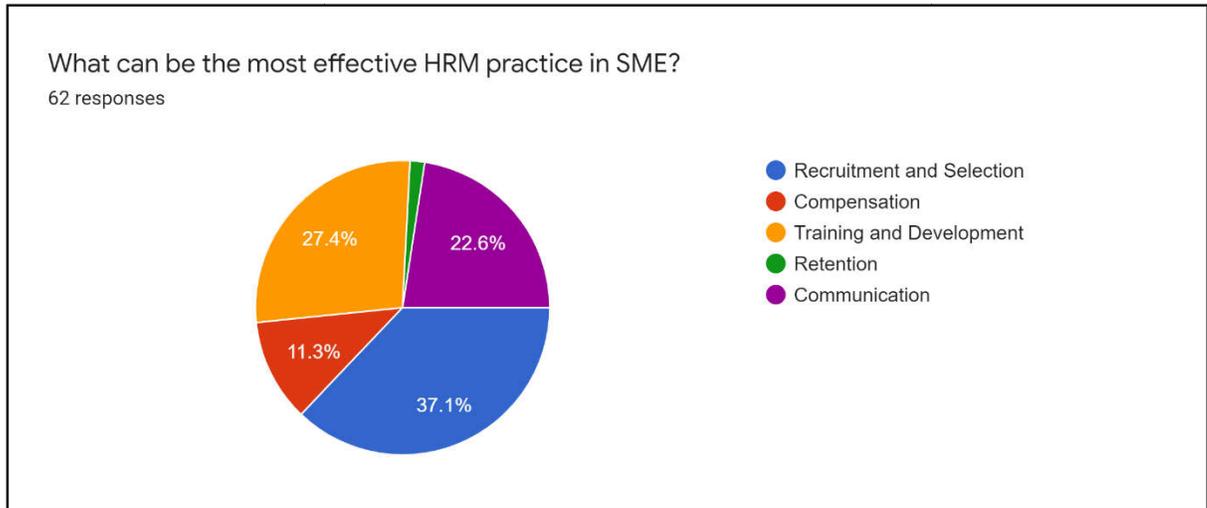


Figure 5.2 Capabilities of HRM practices in SME's

**Interpretation-** It can be inferred that 37.1% people think that the most effective practice of HRM in SME's is recruitment and selection. On the other hand, with not a very significant difference, 27.4% people believe that training and development is also an important role of the HRM department in SME's.

- **SME's approach towards HRM practices in Industry 4.0**

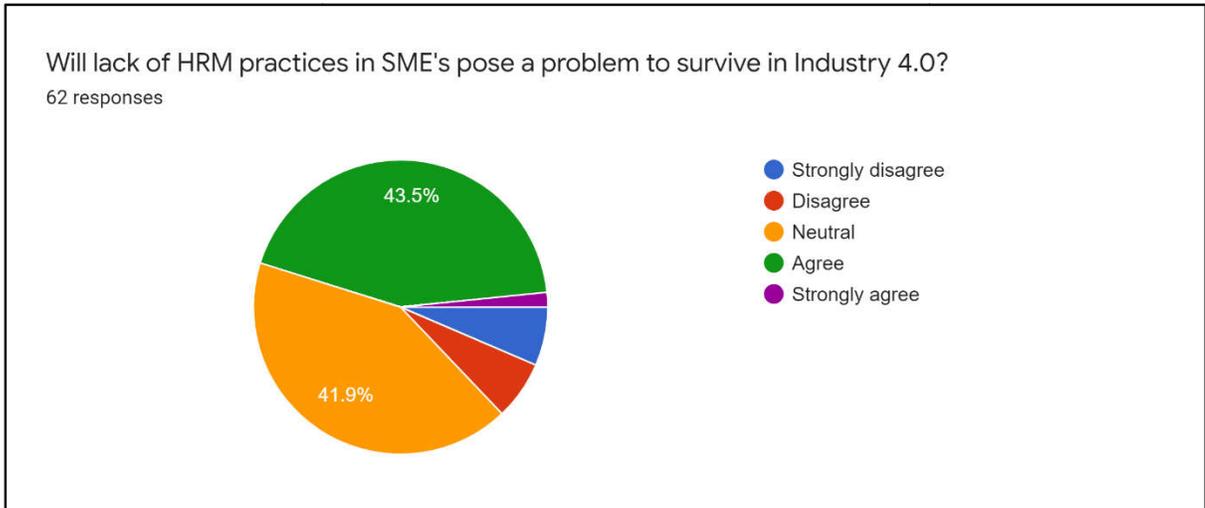


Figure 5.3 Reluctancy to HRM practices by SME’s in Industry 4.0

**Interpretation-** It can be inferred that almost similar percentage of people believe that lack of HRM practices will pose a problem for SME’s. 41.9% people are neutral about this fact as AI is replacing people while 43.5% people support this notion.

- **Results of adopting to HRM practices by SME’s**

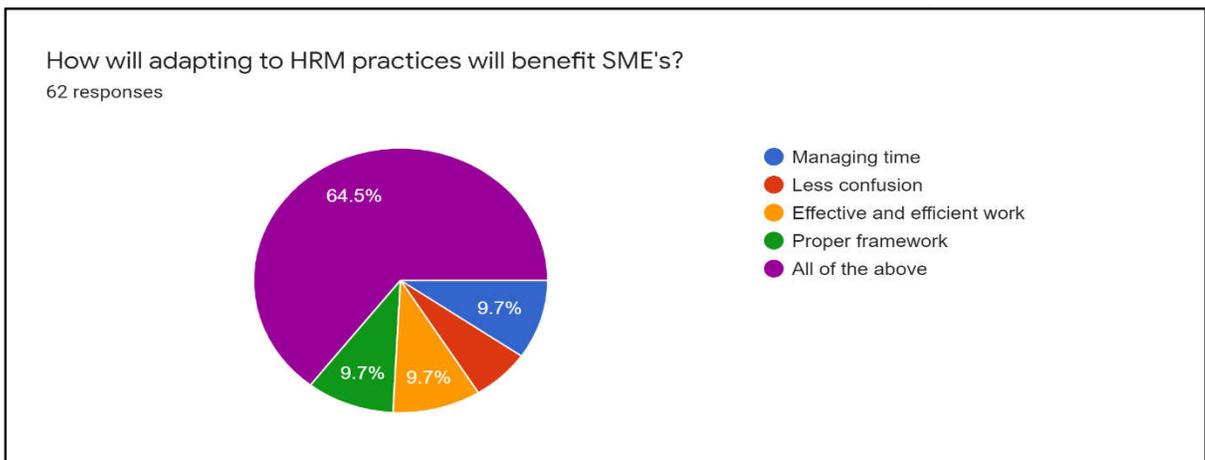


Figure 5.4 Benefits of HRM practices to SME’s

**Interpretation-** It can be inferred that 64.5% believe that SME’s should focus on developing HRM practices as they help in effective and efficient work, less confusion, proper management of work and manages time.

## 5.2 Content Analysis

The secondary data which were different research papers and articles by scholars examined that HRM practices are very important for the development of SME's. The literature that has been reviewed indicate that SME's are the energy drivers of the economy and hence they should know the dynamic and administrative capabilities of HRM. According to the article published by academia.com, HRM is the most important factor in SME's. The reason identified for SME's not very open to HRM practices is the cost constraint. The expenses of the firms increase when they develop a new department and hence the SME follows informal practices of HRM rather than formal practices. According to corsia.org, SME's hold employees who do not have great qualifications skills and thus are ranked lower in the economy. This is one of the issues identified. According to organization theories, motivation, training and development and productive human capital is the outcome of HRM practices. It will help bring in more and more revenue back to the small and medium enterprises. This source study fulfils the objective of study.

## 6. FINDINGS

The collected data was analyzed with the people of age group 20yrs-25yrs who are the next leaders in the industry. The implementation of the HRM department in SME's can be measured through the pie charts and the percentages.

- The finding shows that there is a lot of ability in SME's as they are the energy drivers of the economy. The challenge that pose for SME's is majorly cost constraint in terms of HRM department.
- More than half of the population believes that HRM holds dynamic and administrative capabilities in SME's as human resources helps in managing time, less confusion, effective and efficient work and ensures proper framework.
- The data bring forth the opinions and beliefs of next leaders in the industry.
- Industry 4.0 is the current generation we are living in and almost 50% of the population supports the notion that SME's can be affected if not adopted formal methods of HRM practices.

## 7.RECOMMENDATIONS

There is no fixed model that shows the relevance of solely HRM practices to improve the performance of SME's. The further research can include examining other departments which plays a significant role in the course of SME's. However, the sources which dominates HRM over other departments are its ability to recruit and select. Other measures include:

- Effective and efficient recruitment can decide the operations and work flow of any company or firm. It is important for SME's to realize the importance of various departments as a formal part rather than informal part.
- The cost constraint challenge can be further explained with determining the factors which affects this.

- This challenge over shadows the dynamic and administrative capabilities of HRM practices and therefore SME's fail to see the bright prospects.
- SME's are seen as the energy drivers of the economy and thus there is an immediate need which can be further examined and researched as to how many people and under what age group approach their bread and butter to these firms.

## 8. CONCLUSIONS AND LIMITATIONS

The research outcome gives us an idea about dynamic and administrative capacities of HRM in SME's. This research might be beneficial not only for the HRM practices but can also act as an important tool for SME's in India. This will help the small and medium enterprises to examine and re-examine their framework and also be able to see the prospects of HRM and adopt it to function better. Apart from small and medium enterprises, large scale organizations may also get inputs as to how managers and owner managers use the HRM practices in SME's with limited resources, which can help them to further optimize their operations and make them efficient. There are Indian SMEs who are looking forward to a brighter side of the market space, with adopting to HRM practices those who don't have any major challenges. To conclude, to achieve greater innovation, development of staff and equality and most importantly, to minimize the staff retention then HRM activities are to be practiced effectively by the SME's and aspiring SME's for their longevity. The research aims to identify the benefit of HRM practices and how their dynamic capacities improve the SME's. There are certain limitations to the research which are that it only aims at one factor to improve SME i.e. HRM, there can be other challenges as well apart from those discussed in this study and that only benefits and implementation of HRM practices in SME's are discussed.

## 9. SCOPE OF RESEARCH

Further researches should be done in order to understand that the research can facilitate as a guide to know the capacities of HRM practices, help the firms to get familiar with the challenges that pose a problem, develop a solution to the problem, help to recognize the right talent for the organization, help develop a culture of accepting challenges and planning a growth in career and facilitating flexible working hours and work from home in order to cope up with the balance between work and home.

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