

A Study on Micro, Small and Medium Enterprises -Role in Propelling Economic Development of Bilaspur-Chhattisgarh & a Discussion on current HR issues in MSMEs' in India

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ABSTRACT

MSME (Micro, Small and Medium Enterprises) are the heart of Indian Industry. Their contribution especially to a developing country like India is very valuable. They not only contribute in generating employment but also encourage low skilled level workers to start as entrepreneur level in rural areas. As data given by Economic Times in June 2013, they employ close to 40% of India's workforce. Their main boost is given to Indian Manufacturing industry which is around 45% and export oriented units which are close to 40%. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. It helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. MSME complement large industries as ancillary units and contribute enormously to the socioeconomic development of the country. MSME manufacture more than 6,000 products ranging from traditional to high tech items. Even though contributing so much in industrial growth, MSME internal operation is still far behind from the other developed industries. So focus of my paper is the HR operations and systems an MSME should have, a minimalist approach mandates that any business, no matter the scale of operations but should have a clear talent philosophy guiding vital talent management processes like talent acquisition, assessment, development, retention and leadership. Apart from that there are so many other challenges like credit to MSME, access to markets, lack of technological knowledge, lack of proper infrastructure etc. To overcome these challenges govt. Of India also taken some steps like MSME Development Act, 2006 has been enacted to facilitate these units first time and towards fulfilling the Credit needs of MSME various schemes have been introduced like "Credit Linked Capital Subsidy Scheme" (CLCSS). Looking forward for future growth MSME should grab opportunities through Globalization and be a messenger for Indian industrial growth as well as cultural heritage.

1. Introduction

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Chhattisgarh-Indian economy over the last five decades. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. MSME 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 & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. They are the nurseries for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains. Entrepreneurship is indispensable to accelerate the industrial growth. Small and Medium enterprises are an effective means for the development of entrepreneurship. This sector is a only

solution to the problems of poverty, insecurity, unemployment, over population he modern world. This article attempted at highlighting the significance MSME in economic development of Bilaspur -Chhattisgarh.

At present firms are acknowledging the efficient management of human resources as a critical factor in their success or failure (e.g., Huselid, Jackson, & Schuler,1997; Paauwe, 2004; Schuler & Jackson, 1999). Does this equally apply to MSME? As MSME focus more on running the business on a day-to-day basis, they find less time to manage the HR processes which is perceived as non-priority. MSME do not feel like revamping existing organizational structure, especially when they know that the status quo is delivering the output. Competitiveness of MSME can be enhanced through better human resource (HR) practices of recruitment, selection, training and compensation. Indian MSME need to reduce overall cost of products to remain competitive with Chinese manufacturers and exporters. Apart from other functional areas such as production, finance, marketing, inventory and logistics, MSME also need to focus on implementing best HR practice

2. Definitions of Micro, Small & Medium Enterprises

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TABLE 1: MICRO, SMALL AND MEDIUM ENTERPRISE

Nature of the enterprises	Micro enterprises	Small enterprises	Medium enterprises
Manufacturing Sector Service Sector	Investment in initial fixed assets (Plants and machinery which excludes land and buildings) which does not exceeds 2.5 million	Investment in initial fixed assets (Plants and machinery, which excludes 2.5 million but does not exclude 50 million)	Investment in initial fixed assets (Plants and machinery, which excludes 50 million but does not exclude 100 million)
Service Sector	Investment in equipment does not exceed 1.0 million	Investment in equipment is more than 1.0 million but does not exceeds 20 million	Investment in equipment is more than 20 million but does not exceeds 50 million

(Source: Tabulated by Author)

3. MSME as Growth Driver of Indian Economy

In India, 95 percent of industrial units (3.4 million) are in small-scale sector with a 40 percent value addition in the manufacturing sector. Enterprises of this type provide the second highest employment level after agriculture and account for the 40 percent of industrial production. These units

contribute 35 percent to India's exports. In this setting, Indian MSME are fundamentally important to the Indian economic system. Their potential to generate employment, bolster exports and bring flexibility into India's business environment deserves close attention from India's policy makers and research scholars.

TABLE 2: GROWTH AND PERFORMANCE OF MSMES IN INDIA: MSME UNITS, INVESTMENT, PRODUCTION, EMPLOYMENT AND EXPORT

YEAR	TOTAL MSMES	FIXED INVESTMENT IN CRORES	PRODUCTION	EMPLOYMENT	EXPORTS
2005-2006	123.42	497842	497842	294	15024
2006-2007	261.12 111.5	709398 4249	709398 42.49	595 101	182538 21.50
2007-2008	272.79 4.47	558190 11.37	790759 11.47	626 5.15	202017 10.67
2008-2009	285.1 4.13	621753 11.39	880805 (11.39)	659 5.27	N/A
2009-2010	2.98 4.52	693835 11.59	982919 (11.59)	695 5.46	N/A
2010-2011	311.5 4.52	773487 11.48	1095758 (11.48)	732 5.29	N/A
2011-2012	447.7 43.7	1176.99 52.16	1834372 (67.40)	1012 38.24	N/A

Source: Ministry of Micro, Small and Medium Enterprises, Annual Reports 2011-12 and 2012-1

4. Product Offerings In MSME SSI

Units produce an amazing variety and type of products. Over 7500 products are known to be manufactured in this sector. Even in a particular product, there would exist a wide range of qualities or specifications catering to different market segments, particularly in consumer/household products. Small Scale sector has emerged as a major supplier of mass consumption like:

Food Products

- Chemical & Chemical Products
- Basic Metal Industries
- Metal Products
- Electrical Machinery & Parts

- Rubber & Plastic Products
- Machinery & Parts Except Electrical goods etc.

5. Literature Review

Managing HR presents significant challenges to any firm, but MSMEs face unique challenges that stem largely from their size (Greening et al., 1996), with regard to the attraction and retention of employees which is clearly linked with the ability to offer a competitive benefits package (Williams and Dreher, 1992). While larger organizations face the challenge of retaining and developing talent within their organizations, MSMEs face the more basic challenge of hiring the right kind of people for themselves. If SMEs can achieve the right mix of effective leadership, innovative management, decision-making autonomy, growth opportunity and financial attractiveness, they

would be able to create the much sought after unique employer Brand, enabling them to attract the right talent to deliver on their promises. Leadership, management and performance orientation form the core of the HR Challenges faced by smes, and it is critical that organizations tackle this.4 Because Of smaller workforces, many specialized HR activities are infrequently performed in SMEs (Cook, 1999).Sunder and Kumar (2012) have concluded that the absence of HR policy is the root cause of most of the anomalies in the HR spectrum. They found that the mechanism for fixation of compensation for employees is widely varied.Research shows that managers of small firms lack training in formal personnel management practices and they do not consider the use of generally accepted HRM practices as essential for improving productivity (mcevoy, 1984; and AmbaRao and Pendse, 1985). A majority of the published research investigating HRM issues in small businesses is conceptual and has concentrated on diverse HRM topics. Flairfield-Sonn (1987) developed a strategic process model to guide the establishment of small business training and development programs. A study of 347 small Midwestern firms identified selection and retention of quality workforce as the most important HRM issue for small firms (Hornsby and Kuratko, 1990). Deshpande and Golhar (1994) observed that many personnel practices of small and large firms are similar. According to Longenecker et al. (1994), HR activities often become the responsibility of general managers in smes.

The lack of 'in place and streamlined' HR functions in these organizations come as a weakness when all the efforts invested in building a team become fruitless because of high attrition rates. There can be several reasons to this such as dissatisfaction with pay, HR policies and practices, lack of hygiene factors, employee loyalty issues, and the like. A competent workforce is perhaps the most important asset for any organisation. Thus it is in the interest of any company irrespective of its size to positively focus on human resource (HR) development &management. However, it is rather sad that the HR activities are often neglected by many Indian MSME. As per a survey conducted by the Confederation of Indian Industries (CII), around 80% from the small enterprises and about 20% of the medium enterprises respondents indicated having no formal HR department. The Indian economy is now the second fastest growing economy of the world. As per the Ministry of Finance, the GDP of India stood at 8.8% in the first quarter of 2010-11 (the overall growth of GDP in 2009-10 was 7.2%); overall growth in the Index of Industrial Production (IIP) was recorded at 13.8% during July 2010 as opposed to 7.2% in July 2009. Many forms of technological change are accompanied by changes in skill requirements. This is particularly true of the changes associated with the adoption of the new advanced technologies that are being implemented in the manufacturing sector (Doms, Dunne, and Troske, 1997). The contradiction of managing opposing forces, is caused by the attempt to apply a more flexible approach to human resources, and not just apply more flexibility to the individual within the company, and this flexibility seems to be based on both employee as well as employers interests. There is no consensus among researchers regarding the role of HRM in small-firm success (Deshpande and Golhar, 1994). HRM practices may be a leading cause of small business failures

(mcevoy, 1984). Inadequate and inefficient HRM in MSME may result in low productivity and high dissatisfaction and turnover among the staff (Mathis and Jackson, 1991).

6. Research Objectives

1. Identifying the current status of HR operations in MSME.
2. Find out the contribution of MSMEs in economic development of the country.
3. Challenges confronting by MSME.
4. Finding out ways to overcome the challenges in MSME and issues related to HRM.

7. Scope and Methodology of the study

The scope of the present study has been confined to the contributions made by the MSME to the Indian economy and how HR department is making a contribution to the growth and sustainability of MSME. The data for the present study have been collected from various Secondary sources especially from the annual report published by Ministry of Micro, Small And Medium Enterprises for various years.

8. Are MSME the Backbone of Indian Economy?

MSME have great role in the balanced development of the economy. MSME sector presently employs over 100 million people over 44 million units and MSME accounts for 9% of the country's GDP. Annual report of Ministry of MSME states that the sector accounts for about 45% of total export of the country. MSME sectors produce more than 6000 quality products. MSME sector, thus, shows greater opportunity for expansion and diversify its activities in various sectors. It is estimated that there are 1.6 million registered MSME in India and major portion of MSME working in India are not registered. MSME are dominated by micro enterprises with 94.9 percent share followed by small enterprises with 4.9 percent of share. These enterprises deployed throughout India by operating 55 percentages in rural India and rest operating in semi-urban and urban region of India. And hence the MSME contribute a commendable portion to the balanced growth of Indian economy. On the activity basis, if we are exploring, it can be seen that 67.1 percent of total registered units are manufacturing units, 16.8 percent of total registered units are service units and 16.1 percent units of total registered units are repair and maintenance units. From The diagram given below we can get some clearer picture about the distribution of 6000 units of MSME into their respective sectors.

9. Generating Employment Opportunities

Employment opportunities are one among the important variables of economic growth of a country. Now days, the Arab world is facing the problems created by its unemployed unrest people. No economy can economically sustain unless and until it provide lively hood to its local people. Traditionally the MSME are labour intensive and alleviating unemployment problems to a great extent. Indian MSME sector is the second largest employment generator next to agricultural sector. It employs about 101 million people and creates 4 million employment opportunities a year. The number of MSME has been increasing steadily. In 1991 there were only 67.87 lakh units,

but it increased multi folded by 2011-2012. This change might be the result of conducive policy environment during the liberalization era. As MSME, generally are labour intensive, employment generation always follows the increase in the number of units. It seems to be a boon to rural people as MSME do not demand highly skilled employees and semi skilled and even unskilled people can be employed in such units

10. Major Contributor to GDP

MSME sector is a major contributor to nation's GDP. News about GDP we listen to is alarming now a days. In the fourth quarter of 2012-2013 (January to March 2013) witnessed a slide of GDP to 4.8 percent. MSME sector constitutes an inevitable portion of GDP and hence it needs attention of the policy makers. The statistics show that the contribution of MSME to GDP is ever increasing. The below given graph delineates the percentage share of MSME in the nation's GDP over the years. It has managed to increase from 5.8 percent 2004-05 to 8.72 percent in 2008-09

11. Contribution to Industrial Production and Export

MSME are, at present, operating in wide variety of sectors such as manufacturing, trade and services and there by constitute a formidable component of country's industrial production. Over the year MSME reached at a level on the optimum utilization of available domestic resources and produces quality products and services. The sector contributes much to the industrial growth of the country. The sector account for more than 90 of the percent Industrial units in India and it has been increasing impressively for last many years. MSME had an impact on various issues of the economy such as industrial progress, entrepreneurship, job creation, economic empowerment etc. MSME made possible an inclusive and balanced growth. Around 50% MSME are owned

by rural people and hence increases the standard of living of people.

When we talk about country's export, it is noticeable that MSME contribute 40 percent of the total export. The current account deficit (CAD) have been subjected to hot debate during the third and fourth quarter of 2012-13 financial year. The alarming decline in the CAD can be, to a great extent, arrested by promoting the MSME sector though CAD is influenced by many other variables like economic turnaround. The data show that the MSME always showing an increasing trend in the contribution to the total export of the country. It has an increase from Rs. 71244 crores in 2001-02 to Rs. 202017 crores in 2007-08.

12. Conclusion

Human Resource is one of the most essential growth indicators for organizations today. There is a lack of formalization in the management of HR issues. This is in contrast to multinational companies operating in India who have adopted structured and formalized HR systems. As the studies showing very less MSMEs have formal HR dept and in new small business units owners only handling the HR practices. So with skill training there should be some procedure to provide basic HR functional training to owners so that initially they can handle HR Functions and understand the importance of HR in organizations. Later on after small units become profit oriented units, they can have formal HR dept to run each HR function systematically

Second option for MSMEs to outsource their HR functions to some outside authority, which can happen after establishing it a profitable unit. So The business owners or HR managers should ensure good HR practices in their organizations to remain competitive.

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