



RELEVANCE OF HUMAN RESOURCE MANAGEMENT STRATEGIES TO MEET CHALLENGES OF RECENT BUSINESS SCENARIO: A REVIEW OF INDIAN MSME

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ABSTRACT

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Small and medium-sized businesses (SME) play a significant role in the economic and social progress of numerous nations worldwide. Globally, SMEs are performing better than ever in terms of GDP, employment creation, export, investment resource use, etc. Therefore, it is imperative to grow the SME sector. However, due to their high level of cyclicity, small and medium-sized businesses also carry a significant level of variance. Therefore, it may crucial for MSME to deal with the unpredictability having dependable and efficient employees who can support them during optimistic and worst times. Not only should this be done in the current era, when commerce transcends national borders SMEs work to obtain a competitive edge by tackling HR and their possible concerns. This paper focuses on different HRM-related problems that affect SMEs and highlights possible solutions to these problems. Furthermore, the study's conclusions will open up opportunities for academician study into the effects of HRM practices on businesses, SMEs, and policymakers.

KEYWORDS - HRM, Management, Empowerment, Motivation, SMEs

INTRODUCTION

Due to their contribution to national economies, SMEs enterprises have assumed a position of critical importance in the majority of global economies. money, exports, innovation, and growth activities and how they contribute to social labor-intensive economic development activities rural development, income distribution, and consumption elimination of poverty, development of regional harmony, and business ownership. Small and medium-sized enterprises have taken on a position of strategic importance in the majority of economies around the world due to their achievements to gross domestic product, trade, entrepreneurship, and development initiatives as well

as their support of economic and social proposals like workforce digestion, distribution of income, regional development, eradicating poverty, regional balance, and entrepreneurship promotion.

In actuality, they contribute significantly to the nation's industrial growth. Small labor-intensive companies have historically been preferred in developing countries, Irrespective fact that their support may not always be based on their financial efficiency; they often are supported in order to provide opportunity in areas with an abundance of unskilled.

In emerging economy, micro and small-scale industries are exceptionally significant for employment

possibilities, fair national income distribution, The expansion of rural and semi-urban regions in a balanced manner. Rahman (2006;13). They provide such a method of assuring a more equal distribution of the government income and they generate quick large-scale employment. They also enable the efficient allocation of savings of capital and expertise that would otherwise go idle. Even in developed and industrialised nations like the USA, the Britain, Canada, Germany, and others, small-scale companies are extremely important. Barua, especially in Japan (2000;2). This sector is seen as a growth engine, particularly in a developing nation like India as it contributes to GDP, employment, income generation, and trade revenue. India's current economy is growing with one of the fastest rates around the world. According to the Ministry of Finance government of India, India's GDP was 8.7% in the 2021 (the overall growth of GDP in 2022 was 11.8%); In March 2020, there was a 6.8% overall increase in the Index of Industrial Production (IIP) compared to March 2020.

The MSME sector has regularly recorded better growth rates in previous years when compared to the total industrial sector. In order to withstand the recent economic crisis and recession, the sector has displayed commendable inventiveness and adaptability. It is always in dispute with various points of view if we look at the literature on the meaning and definition of MSMEs. The Micro, Small & Medium Enterprises Development (MSMED) Act of 2006 stipulates that the Micro, Small, and Medium Enterprises is what MSME stands for. In accordance with the MSMED (Micro, Small, and Medium Enterprises Development) Act of 2006, the Government of India introduced it. As defined by this regulation, MSMEs are enterprises that produce, process, or maintain goods and commodities. To create the framework for the implementation of the country's upward adjustment in the definition and criteria of MSMEs, the Union Ministry of Micro, Small and Medium Enterprises (M/o MSMEs) published a Gazette notification. The revised definition and standards will take effect on July 1st, 2020.

After the MSME Development Act was established in 2006, it has been 14 years, and on May 13, 2020, the Atmnirbhar Bharat package announced a modification to the MSME definition. According to this notification, the definition of MSME units has been expanded to include investments of Rs. 1 crore and turnover of Rs. 5 crore. The tiny unit's investment and turnover caps have been raised to Rs. 10 crore and Rs. 50 crore, respectively. Similar to this, the medium unit's investment and turnover limits were raised to Rs. 20 crore. On June 1, 2020, the Indian government decided to significantly increase the MSME Definition. The

new investment requirements for medium-sized businesses are Rs. 50 crore and Rs. 250 crore. Turnover.

The MSMED Act of 2006 serves as the foundation for the current MSMEs defining criteria. For the production and service units, it was different. Financially speaking, it was also quite limited. The economy has changed significantly since then. Several arguments were made following the package's announcement on May 13, 2020, arguing that the disclosed modification is still out of step with current market and price conditions and should therefore be increased. The Prime Minister made the decision to raise the limit for medium Units even further in light of these representations. This has been done to make business easier to conduct, to provide an objective classification system, and to be realistic with time.

Also presented is a new composite modeling approach for industrial and service units. The divide between the industrial and service industries will vanish. A new turnover metric is also included.

The new definition will allow for MSMEs' growth and expansion. In particular, the rule that exempts exports from calculating turnover will motivate MSMEs to export larger without worrying about losing the advantages of an MSME unit. This is anticipated to dramatically increase the nation's exports, resulting in increased GDP, economic activity, and job creation. SMEs are often labor-intensive production units by nature. Though unexpectedly, the HR strategy of Small manufacturing facilities are among the least common examined topics (Mankelov, 2008; 8). Every time we when we consider HRM and HR managers huge companies. However, the truth is that the idea of Management of human resources is crucial in small businesses too. Efficiency and effectiveness in people Resource management allows business owners to enhance the calibre of their output. Hence, the Strong business strategy is invariably necessary. in the SME sector Constraints include restricted access to resources and a manager or owner's lack of knowledge make it difficult for SMEs to conduct business. Entrepreneurs are eager to investigate ways for decreasing this inertia, but HR and its many aspects are equally vital in tackling the problems SMEs have growing.

However, 20% of medium-sized companies and 80% of small enterprises still don't have human resource departments, according to a Confederation of Indian Industries poll. The growing focus on HRM in SMEs is a relatively new phenomenon. Even though smaller organisations, given their size, growth rates, and

variation in the qualitative elements of management practises, might provide for fascinating empirical study subjects. HR academics tend to focus on major corporations while ignoring SMEs. To ensure long-term commercial success, SMEs must adhere to organised HR practises. Indian SMEs may always learn from large companies' expertise and overcome their HR challenges to prosper. They consider the two most challenging elements to be identifying the right talent and recruiting qualified staff.

They should place more emphasis on hiring new employees than keeping existing ones while concentrating on their human resource efforts. In order to implement HR procedures and reduce turnover, many firms also roll out creative programmes. These programmes occasionally cover stress management, weight watchers' involvement in helping night shift workers adjust to the flexibility of the shift to work from home, etc. An innovative strategy is for Indian SME's to solicit improvement suggestions from their staff. In addition to the aforementioned considerations, organisations can also advocate for the systematic re-employment and retention of older workers. HR techniques. These strategies can all help Indian SME's to succeed.

OBJECTIVES OF THE STUDY

1. To analyze the impact of Human resource management on the performance of an organization using the knowledge that is accessible.
2. To investigate the different HR challenges and obstacles faced by HR in SMEs
3. To investigate few cutting-edge HR tactics for MSMEs to ensure efficient HRM.

METHODOLOGY FOR THE PAPER

In this study is primarily descriptive and minimally exploratory in nature. The study's sources: Secondary source for the study Examining secondary data include reading articles from research journals, media, and study-related websites as well as reviewing earlier research papers. These are the main objectives of this research. This study will have repercussions for SMEs, decision-makers in government, and academic studies that look into how HRM practises impact businesses. This research also creates new opportunities for academicians to study MSMEs in order to raise the status and productivity of workers, who serve as the main engines of the Indian economy.

THE IMPORTANCE OF HRM AND HOW IT AFFECTS MSME PERFORMANCE

The most valuable resource for any firm is likely its skilled personnel. Therefore, it is in the best interest of every business, regardless of size, to put a strong emphasis on human resource (HR) management and growth. However, it is really disappointing that many Indian SMEs frequently ignore the HR activities. After reviewing a variety of academic sources, we found that according to data provided by the (CII), approximately 80% of small businesses and 20% of medium-sized businesses reported not having a dedicated human resources department.

Many SMEs have chosen not to expand in some areas over the past 20 years or have had difficulties in doing so due to limitations on their ability to alter their businesses. Both B2B and B2C business strategies allow SMEs to compete with major enterprises. SMEs benefit from agility in that they can get the product to market more quickly, while large businesses benefit from economies of scale to control prices. Many SMEs continue to struggle to achieve the development they had hoped for, even when we assume that other criteria like strategy, resources, and the proper employees are equal. Entrepreneurs are open to exploring strategies to reduce this inertia, but HR, in all of its varied forms, is equally crucial in addressing the challenges SMEs confront in terms of growth.

Few studies have found a connection between the use of HRM techniques and the performance of SMEs. Research demonstrates a severe lack of studies identifying and validating HRM methods in small businesses, and even fewer studies emphasising the connection between strategy, HRM practises, and firm performance. Recently, studies have started to establish this connection. It is important to note that research has shown that smaller organisations provide a "unique opportunity for examining human resource management" and its relationship to business performance. This justification explains the implications that numerous factors, including business size, company age, technology, capital intensity, degree of collective bargaining, sector, administration, and location, will have on the relation between the relevant independent variable and the dependent variable. It is important to address the evolution of HRM practises in Indian SMEs that operate in a complex social, political, and legal environment. Taking into account moderating elements like business functions, culture, and social capital as well as influencing factors like company size and firm age, this study will investigate the link between HRM and SME performance. Firm performance, which includes both financial and non-financial performance, is the dependent variable in the

study. The practise of HRM is important for labour relations and employee development. MSMEs now have industrial parks as a result (Rao, M.G. 1993; 14). The core of HRM is regarded as being applicable to all forms of commercial activity. Since promoting independent industrial sectors is a concern for Indian policy. For the MSME sector, new job chances and employment opportunities have a market has emerged. with the start of a new job a number of innovative HRM techniques have been developed and a practise that originated in India (Vettriselvan.R., & Balakrishnan. A 2011;08) Effective HRM practises are crucial for smaller-scale industries, according to the facts (Marlow & Patton 1993;5). A small business needs a highly qualified and motivated worker in order to compete in the modern economy. (Hodgetts & Kuratko 2001; 7)

According to Narayanan. E. (1992:10), larger industries have regarded finding and developing their personnel as the most important activity of the industry, whereas smaller enterprises have assessed these tasks as being low on the importance scale for retaining and gaining employees. Human resource management policies and practises have been shown to positively contribute to high organisational performance, according to Singh, S., Singh, K.N., and Bhattacharya (2008:16). As a result, organisations can take steps to implement better HRM practises that are innovative in order to improve the performance of the organisation as a whole. The impact of HRM procedures on Productivity discovered that by implementing strategy-based HR policies and procedures, companies build more capable and dedicated workforces, which in turn serve as a continuous source of competitive advantage.

Organizations can take steps to implement better HRM practises that are innovative to improve overall organisational performance (Singh, S., Singh, K.N., & Bhattacharya, 2008:16). Human resource management policies and practises have a favourable impact on high organisational performance. Small company units don't have official HRM policies in existence, but some of the processes—such as hiring, selection, training, and performance reviews—are still performed. (Srimannarayana, M., and 2006:17). Inadequate pay and salaries, a lack of incentives and bonuses, a lack of social security and welfare programmes, a lack of unionisation, and labour market victimisation have all been named as major problems in SMEs (Srimannarayana, M. (2006:17), Vettriselvan.R., & Balakrishnan. A.). These issues have a negative impact on the efficiency of the company and the working environment (2011 18).

EFFICIENT STRATEGIES TO OVERCOME HR PROBLEMS IN MSME

SMEs have particular difficulties because of their size. Many SMEs cannot afford to hire a staff of specialists, whereas larger firms do so to handle the complexity of administering HR programmes. However, has received little to no attention. The importance of SMEs' strategic human resource management strategies in maintaining the long-term survival of the business, Due to the unique characteristics of SMEs, HR managers are required to be flexible and make some big changes to their policies. Due to a lack of organisational capability and human resources, the majority of SMEs were unable to accomplish their specific goals according to Chee (1986:4), Hashim and Oman (2003:6), and Hashim and Oman. Other likely causes included the lack of innovation, the scarcity of knowledgeable or qualified people, the employment of conventional ways of operation, cash flow issues, the difficulty of receiving financial assistance from financial institutions or the government, and the absence of new ideas. Human resources development, intense competition on a global scale, a lack of investment in technological infrastructure, a reliance on the domestic market, a lack of skills and knowledge, difficulties in hiring employees (Williamson, Cable & Aldrich, 2002:19), and challenges in creating human resource systems and policies that are sustainable (Barber et al., 1999:1) are just a few of the issues that need to be addressed (Cardon & Stevens, 2004:3).

Focus should be placed primarily on SMEs' staff recruitment and redundancy programmes. Setting clear objectives and goals for staff members, as well as giving them useful feedback, is crucial for HR managers in today's competitive economic world. As a result, the HR department must involve the workforce and implement a novel appraisal system.

The following are a few cutting-edge HR tactics for handling challenging circumstances that are especially particular to SMEs.

EFFECTIVE KNOWLEDGE MANAGEMENT

Knowledge management is a developing set of operational and organisational design concepts, procedures, organisational structures, software, and tools, according to Gurteen (1998); 5 which enables knowledge workers to significantly leverage their originality and capacity to produce economic value. A well-balanced strategy can be used to implement SME's, which need the promoter/positive owner's entrepreneurial backing and leadership. Leaders need to take an active role in promoting collaboration and knowledge exchange inside the company. They should

also aid in establishing a setting conducive to knowledge generation and cross-cultural learning. To increase SMEs' competence and production, it is crucial to impose labour training and build leadership skills.

EFFECTIVE RECRUITMENT

In the modern, globalised, and regulated economy, SMEs are having difficulty filling skills gaps and locating talented people, particularly for entry-level and middle management jobs. The ability to keep their essential talent is a task that is just as critical as finding the appropriate candidate for the right job with the right skills. A key component of effective recruitment is role clarity. Often, SME's do not spend money on performing a thorough job analysis and do not provide adequate job descriptions. The majority of applicants have a tendency to accept roles without comprehending them or seeking clarification, then regret it afterwards. SMEs must assess the demands of their employees and the skills gap. Rarely do SMEs provide a thorough orientation session for new employees. These are some of the several recruiting hurdles that the SME sector is now facing, and there are a number of innovative solutions that may be employed to meet these obstacles, including:

1. Using numerous candidate resources.
2. Employing social media for recruitment.
3. Establishing job portals and online recruiting campaigns.

RETENTION OF PRESENT EMPLOYEE

The SME's largest issue is to keep hold of current staff members who are quitting the company during a crisis. The HR staff should make an effort to keep the current employees by utilising several effective tactics, such as

1. Providing a benefits package that is competitive and meets employee expectations
2. Using incentives and contests to help maintain employee motivation and satisfaction.
3. Fostering open lines of communication between staff and management to foster employee trust.
4. Establishing employee development initiatives, such as investing time in coaching staff members, assisting high achievers in securing new roles, and reducing subpar performance with the support of management, can help employees see their own career paths.
5. Use exit interviews to discover the reasons behind employees' departures and take the required action to keep them on board.

The SMEs must step back and assess workforce strategies, talent acquisition procedures, and supporting technology to come up with a retention strategy that will benefit the company.

PROPER MOTIVATIONS TO EMPLOYEE

One of the main aspects that affects how an industry develops is employee motivation. Employee disengagement is a significant management weakness in SMEs. Another major difficulty for human resource management in SMEs is maintaining employee satisfaction while they are on the job. The human resource management of the small business must satisfy their staff by providing sufficient incentive because financial advantages do not favourably compare to those of bigger, more established organisations.

1. By offering the employee a secure and healthy workplace.
2. Building solid working connections may be made simpler for employees by using courteous language and encouraging phrases at work. This can help employees feel supported and encouraged.
3. Keeping interpersonal and professional ties between employees positive and harmonious.
4. Fostering cooperation and harmony at work reduces conflict and stress, which boosts employee engagement and enhances productivity higher retention rates result from increased labour productivity.
5. Motivating the workforce to lower absenteeism and staff turnover rates.
6. By explaining to them the advantages that the SME has to offer.
7. Describe the numerous chances and opportunities for professional and personal development offered by the organisation.
8. SME can lessen intra-office friction by using grievance management procedures.

EMPLOYEE EMPOWERMENT

Employees in most organisations are typically hesitant to provide their full support and effort because they perceive a hierarchical divide, especially in the decision-making process. Reducing this gap by allowing employees to participate in certain decisions is one of the fantastic techniques to deal with these difficulties. They start to feel valued by management as a result of their involvement, which ultimately inspires them to develop loyalty for management. Employees' feelings about their capacity to make and carry out decisions might be affected by empowerment. Following are some methods that can be used to empower employees:

1. The definition of the company's principles and mission is clearly defined and instilled in them.
2. The employer must assist staff members in attaining the necessary skills.

3. When employees attempt to achieve something special, they must be encouraged in their decision-making rather than subjected to criticism or constructive criticism.
4. Employees should be commended for their contributions.

Managers need to comprehend how crucial a strategic instrument empowerment is. Managers should put the aforementioned procedures into practise in order to reap the rewards. Otherwise, talking about empowerment will just be heard by employees and have no real impact.

EMPLOYEE ENGAGEMENT

When resources are insufficient, there is huge competition, and customers have been especially demanding small and medium-sized firms (SMEs) are at their worst. If the client's requirements are not met in a timely manner, the business risk losing them. In order to accomplish the goal on time, SMEs must therefore place an even greater emphasis on having emotionally engaged and passionate workforce. Personnel that are emotionally attached in the firm are often more likely to recommend it to others and devote more time and effort to making the company successful. There are a few cutting-edge tactics that can be applied in the SME sector, such as an open door policy, rewards, honours, recreational amenities, perks, annual recognition, socialisation, and celebration. employed to boost employee engagement, which can multiply the advantages for businesses.

ORGANIZATION BEHAVIOR

The way an organisation behaves can have a significant impact on its results. It is quite tough to satisfy and inspire each employee to give their all to the organisation when we are managing a group of people with varied backgrounds, cultures, behaviours, needs, and expectations. By establishing in the individual a sense that the organisation comes before their own interests in this instance, we may teach them about the concept of organisational behaviour and elicit good work from them. Therefore, staff efforts should go above and beyond what is required. The workforce is extremely constrained, especially in SME's. Therefore, it is imperative for every employee to feel and demonstrate a sense of belonging to the company. This guarantees that the firms will survive in the cutthroat environment of today. Conscientiousness, sportsmanship, civility, altruism, and civic virtue are the five types of organisational citizenship behaviour that SME HR managers must creatively foster, according to research by Organ (1988; 11) and Podsakoff et al. (1990; 2000; 12).

CONCLUSION

In order to replace large sector companies, increase employment, mediate between the agricultural, industrial and other sectors, contribute to industrial output, and boost in export earnings, MSMEs are one of the main pillars of developing economies. The results of this study indicate that any organisation cannot successfully accomplish its vision and objectives without human recourse involvement; as a result, it is important to focus more on the enterprises' valuable assets like HR, when developing and putting into use HRM strategies that will increase productivity in a sustainable way. It is important to work to provide new opportunities and offer to the employees for benefits of the organization through developing the human resource. SME's can implement the relevant adjustment for efficient hiring of workforce, since they have a thorough awareness of the differences between the traditional and modern approaches to talent acquisition and management. Small and medium-sized businesses (SMEs) must concentrate on hiring people with the necessary talent and skills for utilizing. In SMEs proper evaluation techniques to apprise the employees efficiency, skill and knowledge. In order to know the employee, to empower and guide them in difficult circumstances that HR professionals must face in the current competitive world. Although certain contend in today's scenario the financial circumstances facing by SMEs are complicated and difficult from the previous era. In reality, this is a chance for HR development that will successfully influence and inspire the workforce to produce outstanding work and progress the corporation.

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