

## **HRM CHALLENGES FACED BY SMALL SCALE BUSINESS OPERATORS OF KERALA**

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### **ABSTRACT**

In an environment of continuous and growth of high economic situations, economic reforms and liberalization of the economy, the role and importance of the small-scale business sector has become more significant. These industries make considerable impact to the annual GDP, exports and employment. Small Scale Business is a vibrant and important sector of the economy and providing of employment, but it is startling that without a proper functioning HR department, implementing various people-related processes and policies, how it would be difficult. This article provides a snapshot of the challenges emerging for small scale business in Kerala. So to deal with this problem and to have an aim for solving such problem this study is been conducted. Various reviews have been collected in regards to this study and various SPSS tools have been put into use. And the essential finding has been made after the clear analysis on this issue.

### **KEYWORDS**

HR Department, SME , Challenges in SME.

### **INTRODUCTION**

SME (Small-Medium Enterprise) sector has been playing a significant role in strengthening country's economic progress and international standing. The sector has been instrumental in generating millions of jobs, promoting industrial development in rural areas, production of diverse range of products with the limited capital investment. According to the estimates of the Ministry of SMEs, the sector contributes around 40% of the manufacturing output, accounts for over 8% of the national GDP, and creates more job opportunities both in

rural and urban parts of the country. Going forward, SMEs will need constant support from the government to achieve its full potential. At the same time, SMEs will also need to work on their internal structure, processes and practices to continue their journey of growth. Not underscoring their incredible growth so far, SMEs are still grappling with some of the inherent challenges related to people and culture which must be essentially addressed by the HR authorities. According to a survey conducted by Confederation of Indian Industries, 20% of medium and 80% of small-sized businesses have no HR departments. There can be many reasons for the absence or lack of HR departments in SMEs. The first and foremost being budget constraints- SMEs mostly work on a tight budget and focus more on the growth and scale aspects vis a vis people and culture-related issues. Having a fully functioning HR department can be perceived as a costly activity to be carried out for a small enterprise. Secondly, many SME founders feel that their teams are currently too small for an elaborate HR system and most of the HR activities can be managed like that. However, it is advisable to build an HR system right from the start so that various people related practices like talent management, engagement, policies related to compensation and benefits can be laid out. Well laid out HR practices help in removing various ambiguities related to one's job and role in the organization and thus help in improving employees' motivation and control attrition.

### **HR DEPARTMENT AND HR POLICIES:**

HR policies are also defined as that body of principles and rules of conduct which govern the enterprise in its relationship with employees. Such a policy statement provides guidelines for a wide variety of employment relationships in the organization. The purpose and significance of the HR policies hardly need any elaboration. Every organization needs policies to ensure consistency in action and equity in its relation with employees. Policies serve the purpose of achieving organizational goals in an effective manner. HR policies constitute the basis for sound HRM practices. Moreover, policies are the yardstick by which accomplishment of programs can be measured. Human Resources policies are generalized guidelines on employee management, adopted by consensus in an organization to regulate the behavior of employees and their managers or supervisors. As for the dichotomy between an HR policy and a procedure, they can be compared to a human being and the shadow. Both are inseparable and as shadows set the outlines of a human being, so do procedures set the outlines of an HR policy.

### **HUMAN RESOURCE PLANNING:**

Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—quality employees. Human Resource planning ensures the best fit between employees and jobs while avoiding manpower shortages or surplus. There are four key steps to the HRP process. They include analysing present labour supply, forecasting labour demand, balancing projected labour demand with supply, and supporting organizational goals. HRP is an important investment for any business as it allows companies to remain both productive and profitable.

### **RECRUITMENT AND SELECTION:**

Recruiting the ‘right’ talent has emerged as one of the top challenges which HR has to face in their daily operations. Fierce competition, limited pool of qualified candidates and at times inability to offer a competitive salary are some of the top recruitment constraints. Apart from this, inadequate branding and risk associated make these enterprises less attractive vis-a-vis more established, big organizations. However, there has been a small perception shift- highly qualified and experienced people are now willingly taking up senior positions in such enterprises- their profiles are exciting and offering them diverse roles and responsibilities with a good benefits package. Despite this positive shift, HR managers still struggle to create a strong layer of middle managers, especially in the urban set up where competition is fierce.

### **PERFORMANCE APPRAISALS:**

Performance appraisals are often not very structured or documented in SMEs mainly because other structures like competency framework, values, job description for different roles are not that well defined. Furthermore, managers are mostly occupied and are not trained to handle difficult ‘performance conversations’. Since SMEs are mostly focused towards growth and scale, the process of appraisal somehow gets sidelined. This comes as a big challenge and frustration for HR managers who are considered as the process owners of such systems yet don’t have requisite resources and means to roll that out.

### **PROMOTION:**

Promotion means the advancement of an employee to a higher job involving more work, greater responsibility and higher status. It may or may not be associated with the increment in salary. Promotion is one of the best forms of incentives and it provides higher responsibilities, better salary, high morale and job satisfaction to the employees. Practically, all the employees aspire for career advancement and promotion is an advancement of the employee in the organizational hierarchy.- Edwin B. Flippo, “A promotion involves a change from one job to another that is better in terms of status and responsibilities.”

### **TRAINING AND DEVELOPMENT:**

To succeed in current scenario, organizations need to have a pool of skilled labour. Big organizations are making concerted efforts to assess and upskill their talent by roping in expert external vendors to assess and deliver various training programs. However, for SMEs, relying on external vendors is not always feasible mainly owing to budget constraints.

### **EMPLOYEE COMPENSAION:**

Compensation or Remuneration is a systematic approach to provide monetary value to employees in exchange for work performed by them is called as compensation or remuneration. Compensation may achieve several purposes assisting in recruitment, job performance and job satisfaction. In the case of Human Resource Management, compensation is referred to as money and other benefits that are received by an employee for providing services to his employer.

### **EMPLOYEE RELATIONS:**

Employee relations definition states “any industrial relationship between the organization and its workers or employees, concerning physical, emotional, contractual, and practical efforts by the employer to maintain a positive relationship with its employees.” employee relations are strategically created a positive atmosphere for the employees with the hope to keep them loyal and more engaged at work. Most organizations employ a dedicated employee relations manager who plays the role of an advisor, mediator, and compensator to employee issues. Essentially, the role of employee relations manager is to elude better relationships between management by working on certain policies, developing mutual respect, trust, and marinating transparency.

## **RETENTION:**

In SMEs, retaining employees at the junior level is a challenge. The junior levels mostly comprise of employees with functional skills such as electricians, or field sales people. This class is highly mobile and change jobs frequently and may even quit without a prior notice. It becomes a big challenge for the HR to fill vacant positions at a short notice. On the other hand, at senior and middle levels, where attrition is relatively low, HR needs to mainly focus on keeping employees engaged. Unclear role definitions, lack of career path or any perceived unfairness in the system can trigger thoughts of attrition among these employees. As an HR manager, one has to be really aware of employees' engagement levels and their retention drivers.

## **LITERATURE REVIEW**

**Rajesh Kumar Jhamb (2014)** conducted a study on 'Challenges and Opportunities in Retailing Sector' stated that increase in literacy level, income, movements, awareness as well as global exposure contributed for creating awareness among middle class people in India. A number of factors like human resources, information technology, organization structure and financing in retailing help in its growth and development. Retail sector plays a very important role throughout the world by increasing consumption of goods and services and increases employment.

**S. Narender and L. Sampath (2014)** made a study on 'Brand Awareness of Consumers - A Study on Toyota'. It stated that creation of brand awareness is the primary goal of advertising in the beginning of any product's life cycle in target markets. Brand awareness influences buying behaviour. Brand equity has positive effect of the brand. A consumer accepts to pay for a brand when the value of benefit received is equal to the price.

**Walton** in his definition stresses on extending support between employers and employees and states that, "common goals, influence, respect, rewards, and responsibility will stimulate commitment which contribute better organization performance and greater human development".

**Puthussery** defines the process of HRM is undertaken by an organization to encourage the socio economic well being of intellectual, moral, psychological, cultural, social and economic development of the individuals in the organization. It also helps them to greater human potential as a resource to serve the community".

## **RESEARCH METHODOLOGY**

### **Significance of the Study**

Empirical literature on Human Resource Management policies and practices has been deepened with the established relationship between HRM practices and organization performance. The study made an effort to investigate the dimensions of HRM policies and practices prevailing and the impact of HRM practices like training and development, performance appraisal and employee welfare on organization. Looking towards several research studies were observed on HRM practices in different sectors but only few were identified in the small scale Business. Thus a significant gap has been identified in the study of existing HRM policies and practices implemented for organization performance of small scale industries which need to be filled by the present study.

### **RESEARCH GAP**

Several researchers have given a big list of the benefits of Human resource management policies and practices on the performance of the organization. Several studies have been carried on Human Resource Management policies and practices in relation to organization performance. While some studies showed the link between HRM policies and practices and firm performance, whereas few attempted to show the relationship between HR policies and practices and employee job performance. Thus the present study sought to fill the above gap by examining the impact of perceived opinion regarding HRM practices that are implemented based on policies and challenges faced by them.

### **Objectives of the Study**

The major objectives framed for the present study are as follows:

1. To identify the HRM policies adopted as practices in small scale Business.
2. To study the challenges and issues faced by them.

### **SCOPE OF THE STUDY**

The practice of HRM has great significance today, as the management of people has become extremely important for the successful performance of an organization. Attracting and retaining

the right talent is the strategy of the organization. Thus the main goal of an organization is to hire the right type of people at the right place at the right time. Another important aspect of concern for any organization is look into high attrition rates and growth aspirations of the workforce. Therefore effective implementation of HRM policies and practices need to be taken care of by each organization irrespective of whether it is large or small. Thus the study is focused only on the HRM policies and practices and the challenges faced taken from the registered as well as non registered Small scale business of Kerala.

### **PERIOD OF THE STUDY**

The period of the study of this research is between 2019 to 2020, first three months was spent for the identification of the problem and collection of the secondary data. Remaining time was spent on collection of primary data, presentation and analysis of the opinions of the respondents.

### **SAMPLE SIZE AND SAMPLE DESIGN**

The size of the sample is around 150. The sample includes 90 male employees and 60 female employees. The education background of the respondents ranged from 10th pass to post graduation. The experience of the employees is ranging between 1 year to 20 years. The employee income ranged from 1.2 lakh per annum to above 6 lakh per annum.

### **DATA INTERPRETATION AND ANALYSIS:**

Data collected from the respondents were analyzed by the use of Statistical Products and Service Solution (SPSS) software. This was used as the researcher deemed it the most appropriate given its versatility and considering the nature of the data collected. The process involved tabulation, description and interpretation of field data for simple variable. The SPSS is software that has the incredible capabilities and flexibilities of analyzing huge data within seconds and generating an unlimited gamut of simple and sophisticated statistical results, including simple frequency distribution tables, percentages, cumulative frequencies, and other distributions. In analyzing the collected data, tables, percentages and frequencies were used to analyze responses to each item on the questionnaire. The charts were used as graphical illustrations of the relationship among the various items of the frequencies distribution tables.

**TABLE I-EMPLOYEE PROFILE**

<b>Demographic variables</b>	<b>Category</b>	<b>No of respondents</b>	<b>Percentage</b>
<b>Gender</b>	<b>Male</b>	90	60%

	<b>Female</b>	60	40%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Age</b>	<b>18-28</b>	20	13.33%
	<b>29-38</b>	50	33.33%
	<b>39-48</b>	20	13.33%
	<b>Above 49</b>	60	40%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Educational Qualification</b>	<b>SSLC</b>	55	44.66%
	<b>Under graduate</b>	25	16.66%
	<b>Post graduate</b>	20	30.66%
	<b>Diploma</b>	50	8%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Business type</b>	<b>Bakery business</b>	67	36.6%
	<b>Garment business</b>	25	16.6%
	<b>Steel business</b>	46	13.33%
	<b>Restaurant business</b>	12	33.33%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Increase in motivation level</b>	<b>Yes</b>	42	28%
	<b>No</b>	108	72%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Training</b>	<b>Yes</b>	61	40.66%
	<b>No</b>	89	59.33%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Expectations from training</b>	<b>Theories</b>	40	26.66%
	<b>Practical knowledge</b>	50	33.33%
	<b>Vocational guidance</b>	60	40%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Monthly income</b>	<b>Below 10000</b>	20	13.33%
	<b>10000-25000</b>	30	20%
	<b>25000-45000</b>	67	44.6%
	<b>Above 45000</b>	33	22%

<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Monthly expenditure</b>	<b>Below 40000</b>	21	14%
	<b>40000 to 60000</b>	33	22%
	<b>60000 to 80000</b>	56	37.3%
	<b>Above 80000</b>	40	26.6%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Working environment</b>	<b>Relaxed</b>	20	13.33%
	<b>Normal</b>	15	10
	<b>stressed</b>	65	43.33%
	<b>Very much tensed</b>	50	33.33%
<b>Total</b>		<b>150</b>	<b>100%</b>
<b>Earners in your family</b>	<b>One earner</b>	72	48%
	<b>Two earner</b>	53	35.3%
	<b>More than two earner</b>	12	8%
	<b>No other earner</b>	13	8.6%
<b>Total</b>		<b>150</b>	<b>100%</b>

From the study conducted 60% of them are men and the rest are women .From the population collected 40% of the people are above the age of 49.It is also been noted that from the study conducted the people with SSLC as qualification are more engaged with small scale business. From the above study conducted it is said that most of the people are engaged in the bakery type of business constituting 55% from the population collected. Out of the population most of the respondents says that there should be an increase in motivational level. As per the opinion of the respondents training should be provided to the employees. The monthly income ranges from 10000 to 45000 and from that higher number of respondents have monthly income between 25000 to 45000 and monthly expenditure ranges from 40000 to 80000 and from that most of the small scale business units have monthly expenditure ranging from 60000to80000.According to the study conducted the employees are seemed stressed as per the data collected from the respondents. Most of the family of respondents has one earner only. When the question comes on the performance appraisal according to the respondents they strongly agree for the same.

**TABLE 2- Weighted Average of HR Policy and IC of employees**

FACTORS	Weighted Average	Rank
The right person for the right job.	3.05	12
Relevant information about the organization	2.09	11
The training needs of the employees in our organization	1.77	4
Training in our organization includes social skills, general problem solving skills and broader knowledge of the organization and business.	1.56	3
Challenging jobs are assigned	1.94	8
We are encouraged to participate in various seminars and workshops etc.	1.91	7
HR policies	1.88	6
Human resource planning is up to date?	2.07	10
Recruitment and selections are as per qualifications and vacancies	2.07	9
Performance appraisal	1.84	5
Promotions provided in the organization	1.51	2
Employee compensation	1.39	1
Grievances addressed	3.98	13
Record keeping activity	4.41	14

**INTERPRETATION:**

On the basis of the study conducted most of the employees states that compensation, promotions, training and performance appraisal issues are faced by them mostly and they also state that right person for right job are not applied in the organization and also the record keeping and grievances are not being addressed.

**H<sub>0</sub> There is no association between gender and the HR policy awareness level.**

**Table:3 Chi-Square Test For Association Between gender and the HR policy awareness level**

Gender	HR Policy awareness level			Total	Chi-square value	P value
	Low	Moderate	High			
Male	67 74.4% 100.0%	23 25.6% 52.3%	0 0.0% 0.0%	90 100.0% 60.0%	104.261	0.001**
Female	0 0.0% 0.0%	21 35.0% 47.7%	39 65.0% 100.0%	60 100.0% 40.0%		
Total	67 44.7% 100.0%	44 29.3% 100.0%	39 26.0% 100.0%	150 100.0% 100.0%		

**INTERPRETATION:**

Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence concluded that there is an association between gender and the HR policy awareness level. Based on Column percentage female employees are highly aware about HR Policy and Male are having low level of awareness in HR policy.

**H<sub>0</sub> There is no significant difference between mean rank of training and issues and challenges faced.**

**Table 4 :Mann Whitney U test for significant difference between Mean Rank of Training and Issues and Challenges faced by the employees in the organization.**

IC Factors	Mean Ranking of training		Z value	P value
	Provided	Not- Provided		
Right person for right job	33.51	104.28	10.184	0.001**
Relevant information	44.50	96.75	8.125	0.001**
Challenging jobs	32.01	105.31	10.782	0.001**
Update HR	32.80	104.76	10.475	0.001**
Selection as per qualification	32.70	104.83	10.582	0.001**
Promotion	49.00	93.66	7.299	0.001**
Employee compensation	49.50	93.32	7.284	0.001**
Grievances addressed	35.10	103.19	9.985	0.001**
Employee turnover	35.06	103.22	10.512	0.001**

Note: 1. \*\* denotes significant at 1% level

**INTERPRETATION:**

Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence there is a significant difference between mean rank of training and Issues and Challenges .It is clear that company which is providing training to the employees and are assigned challenging jobs for the employees and the company which does not provide any kind of training are also not providing any kind of compensation to their employees.

**FINDINGS**

As per the study conducted it is noted that many of the small business organizations have not yet established separate HR departments to deal with employee problems, and they use any kind of formal HR policies. It is also noted that there is a requirement of more man power in the coming

future. The recruitment process uses the network for recruiting employees which includes friends ,advertisements in newspapers, Employment exchange and from various placement agencies. The performance appraisal is somewhat (60%) done both formally and informally for improving motivation of the employees. while coming to area of promotions in the organization it is rarely done. The employees are paid annual bonus. It is found that there are less grievances found from the part of employees. Since there is no record keeping systems followed in the small business areas it is hard to find out the absenteeism of the employees and employee turnover of the organizations.

## **CONCLUSION**

The results point out that the small business units do not have formal HRM policies in place, but they do have HRM practices such as recruitment, selection , training and performance appraisal. The chief characteristics of these practices are found to be informal and flexibility. Having understood the constraints and opportunities of small business units, this paper suggests formalization of a sound performance appraisal system that can be used to motivate better performers. This in turn can be linked with monetary benefits so that the small business units as well as employees benefit significantly .The result of the above study concludes that HRM practices have positive impact on organization performance of small scale industries. Small scale industries need to implement HRM practices if they want to improve their performance. It should improve training and development, compensation, performance appraisal and employee welfare practices which are influencing organization performance significantly.

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