

## **Human Resource Management Practices In Small And Medium Sized Enterprises In Visakhapatnam**

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**ABSTRACT:** *The Micro, Small and Medium enterprises are considered as the most significant contributors in developing countries and play a significant role in the overall economy in terms of contribution to overall economic development and creation of employment opportunities. This paper is mainly focus on presenting the overview of the human resource practices and innovations in MSMEs, in general and in specific in Visakhapatnam. The economic and political development in the region, and overall changes in the global market, increases the important of MSMEs in Visakhapatnam city and is very crucial to overall economic development. Micro, small and medium enterprises (MSMEs) are significant contributors to economic development of our country. Ironically, relatively few researches have been undertaken in MSMEs compared to large organizations. The factors which are more contributed to the success of large organizations, particularly the role of employees and human resource management practices and innovations for success of MSMEs. The present study examines the relationship of use of professional HRM practices and innovations of MSMEs business performance in Visakhapatnam. The main objective of this study is to begin to address this gap in understanding of factors contributing to organizational effectiveness of the country.*

**KEYWORDS:** *Visakhapatnam, Human resource management, Micro and small medium enterprises*

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### **I. INTRODUCTION**

The importance contribution of MSMEs is supported by both theoretical arguments and empirical evidence. It has been recognized all over the world that MSMEs are adopt in distributing national income in a more efficient and equitable manner. This sector also helps the economy by promoting a balanced development of industries across all regions of the nation. The MSME sector stimulates economic growth by providing employment opportunities to those people who may not be employable in large-sized corporations/firms. Thus this sector acts as an essential medium for the efficient utilization of locally-available skills and resources. Consequently, MSMEs tend to attract the talent necessary to invent new products or implement new solutions for existing ideas. The larger businesses also often benefit from small businesses within the same local community, as many large corporations depend on small businesses for the Completion of various business functions through outsourcing. Added to this is the fact that small businesses do not always stay small. In short, MSMEs are important for development because they can make a definite contribution to the realization of a country's central economic purposes and to bring about an efficient utilization of natural, human and capital resources for the achievement of predetermined ends.

### **II. METHODOLOGY**

data are collected using by quantitative and qualitative approach. Visakhapatnam District is chosen for Research area of the study of Registered Micro Small and Medium enterprises. Enterprises have been registered in specific period in Visakhapatnam District taken as target population of the study. There is categorization of sampling units into manufacturing and service and trading in the sampling frame. Researcher has taken sampling units in the following manner. Population proportion for manufacturing is 65 percent, and service and service related is 35percent. So Sample size is 202, researcher has taken 131 manufacturing units and 71 services and service related units. The researcher has considered stratified random sampling technique to take the sample from the population. Primary data is always collected directly from the respondents. There are different methods of collecting primary data. Each method has its relative merits and demerits. Here researcher adopted direct personal observation method.

Definition of MSMEs: MSMED Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. This Act seeks to facilitate promotion and development and enhancing competitiveness of these enterprises. It provides the first-ever legal framework for recognition of the concept of “enterprise” (comprising both manufacturing and services) and integrating the

three tiers of these enterprises, namely, micro, small and medium. The Act provides for a statutory consultative mechanism at the national level with wide representation of all stakeholders, and an advisory committee to assist the National Board and the central and state governments.

Objectives: The MSMED Act was framed with the following objectives:

- To facilitate the promotion and development of Micro, Small and Medium enterprises
- To Enhance the competitiveness of MSM enterprises
- To Concentrate on the related matters of MSM enterprises
- To Extend the scope of benefits from SSI undertaking and ancillary industries to MSM enterprises

**Salient Features of MSMED Act:**

1. **Concept of Enterprises:** Clear cut demarcation of Manufacturing /Production and rendering services. It facilitates SMEs to enter into service enterprises aggressively.
2. **Definition of Enterprise:** Enterprise means, an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.
3. **Classification of Enterprises:** Section 7 of the MEMED Act, 2006 defines the eligibility for registration under the Act. Accordingly, the basic criterion for registration is Investment in Plant and Machinery/ equipments in case of Enterprise.

**Classification of MSMEs as per MSMED Act 2006.**

S.No	Type of Enterprise	Manufacturing Enterprise	Service Enterprise
		Rupee in Investment in Plant and Machinery	Rupees in Investment in Plant and Equipments
01.	Micro Enterprise	Up to 25.00lakh	Up to 10.00lakh
02.	Small Enterprise	25.00lakh to 5.00crore	10.00lakh to 2.00crore
03	Medium Enterprise	5.00crore to 10.00crore	2.00crore to 5.00crore

Source: MSMED Act 2006

4. **Types of Enterprises eligible to be registered under MSME act, 2006:** All classes of enterprises, whether Proprietorship, Hindu undivided family, Association of persons, Cooperative society, Partnership firm, Company or Undertaking, by whatever name called can apply for the registration and get qualified for the benefits provided under the Act. DIC is the primary registering centre.
5. **Replacement of registration with memorandum:** Process of two - stage registration of Micro and Small Enterprises dispensed with & replaced by filing of memoranda.
  - Filing of memorandum optional for all micro and small enterprises.
  - Filing of memorandum optional for service sector medium enterprises.
  - Filing of memorandum mandatory for manufacturing sector medium enterprises.
6. **Procurement Policy for MSEs:** The Government has notified a Public Procurement Policy for goods produced and services rendered by Micro and Small Enterprises (MSEs) order, 2012 effective from 1<sup>st</sup> April 2012. The Policy mandates that all the Central Ministries/Departments/CPSUs shall procure minimum of 20 per cent of their annual value of goods/services required by them from Micro and Small Enterprises. Further, policy has earmarked a sub target of 4 per cent procurement out of this 20 per cent from MSEs owned by SC/ST Entrepreneurs. All the Chief Ministers of State Governments have been requested by then Central Minister, MSME to formulate similar policy for Micro and Small Enterprises in their state as per the provisions in the MSMED Act.
7. **Provisions to Check Delayed Payments:** Provisions related to delay payments to Micro and Small Enterprises (MSEs) strengthened. Period of payment of MSEs by the buyers reduced to forty-five days. Rate of interest on outstanding amount increased to three times the prevailing bank rate or Reserve Bank of India compounded on monthly basis. Interest (paid or payable to supplier) disallowed for deduction for income tax purposes.
8. **Establishment of MSE Facilitation council for dispute resolution:** The State Government shall, by notification, establish one or more Micro and Small Enterprises Facilitation Councils for considering the disputes, at such places, exercising such jurisdiction and for such areas, as may be specified in the notification. Wherever the council receives any reference for recovery of delayed payments, it shall either itself conduct conciliation in the matter or may make a reference to any institution or centre providing alternate dispute resolution services for conducting conciliation and the provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996 shall apply to such a dispute as if the conciliation was initiated under Part III of that Act.

- 9. Closure of Business:** Statutory notification of scheme for closure. It makes to facilitates expedition of Liquidation.
- 10. Constitution of National Board for Micro, Small or Medium Enterprise:** The Act specifies the formation of National Board for Micro, Small or Medium Enterprise which shall have following powers to exercise: to examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programs of the Central Government in regard to facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises - to make recommendations on matters referred to in the first clause or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and - to advise the Central Government on the use of the Fund or Funds constituted under section 12 of the Act.

**MSMES in Visakhapatnam:** The present study is intended to find out the human resource practices in Micro, Small & Medium Enterprises and identify the factors hampering them in Visakhapatnam District in India;

**Number of Employees in MSMEs by size**

Size	Number of Employees	Frequency	Percent
Micro	<5employees	55	27.2
Small	5-15 Employees	70	34.7
Medium	15-25 Employees	51	25.2
Large	25-50 Employees	12	5.9
	Above 50 Employees	14	6.9
	Total	202	100.0

The table reveals the number of employees working with the enterprises in the sample of enterprises. It indicates that 27.2 per cent of the enterprises have less than five employees, 34.7 per cent of the enterprises have in between 5-15 employees, 25.2 percent of the enterprises have in between 15-25 employees, 5.9 per cent of the enterprises have in between 25-50 employees, and 6.9 percent of the enterprises have above 50 employees. It can be inferred that about 87 percent enterprises have employees below 25 only.

**Education level of the entrepreneurs in MSMEs :**

Education	Frequency	Percent
No formal Education	10	5.0
Inter/10th class	55	27.2
Graduation	107	53.0
Pg/Professional	30	14.9
Total	202	100.0

The table reveals the education level of the entrepreneurs in the sample of enterprises. It indicates that five per cent of entrepreneurs have no formal education, 27.2 per cent of entrepreneurs have 10<sup>th</sup> and intermediate level education, 53 per cent of entrepreneurs have graduation level, and 14.9 per cent of entrepreneurs have completed post graduation or professional qualification. It is found that comparatively graduation level educated entrepreneurs (53 percent) are more than other levels of educated entrepreneurs.

Hampering factors in MSMES doing business in Visakhapatnam:

**Hampering Factors in MSMES.**

Assigned: 1) No effect,2)Slight effect,3)Somewhat effect 4)Moderate effect 5)Extreme effect

Internal hampering factors for innovation enterprises	1	2	3	4	Mean	SD	Percentage Score
Lack of Information on technology	24 35.8%	43 64.2%			1.64	0.48	16.05
Entrepreneur age & interest	27 40.3%	38 56.7%	2 3%		1.63	0.55	15.67
Lack of ability to use new technology/ qualified personnel		40 59.7%	27 40.3%		2.40	0.49	35.08
Lack of funds within your Enterprise & group		39 58.2%	28 41.8%		2.42	0.50	35.45
Lack of marketing sensing	24	43			1.64	0.48	16.05

&foresight	35.8%	64.2%					
<b>External hampering Factors for innovation Enterprises</b>							
Market dominated by established enterprises	17 25.4%	43 64.2%	4 6%	3 4.5 %	1.90	0.70	22.39
Lack of or Difficulty in finding cooperation partners for innovation	19 28.4%	32 47.8%	16 23.9%		1.96	0.73	23.88
Difficult in finding access to new technology	27 40.3%	22 32.8%	18 26.9%		1.87	0.81	21.64
Uncertain demand for innovative goods or services	21 31.3%	33 49.3%	13 19.4%		1.88	0.71	22.02
Lack of finance from sources outside your enterprise	15 22.4%	38 56.7%	14 20.9%		1.99	0.66	24.63

The table reveals the names of the external and internal hampering factors for implementation of innovations in enterprises. It indicates the percentage scores of the all the hampering factors for innovators.

The following are the internal hampering factors for innovation enterprises. Lack of funds within your enterprise & group, Lack of knowledge to use new technology/ qualified personnel have somewhat effect on innovators, Lack of Information on technology, Lack of marketing sensing & foresight, and entrepreneur age and interest have slight effect on innovation enterprises.

The following are the external hampering factors for innovators. Lack of finance from sources outside, market dominated by established enterprises, difficulty in access of importing new technology, difficulty in finding cooperation partners, uncertain demand for innovative goods or services have slight effect on innovations enterprises..

The following are the external hampering factors for innovators. Lack of finance sources from outside moderately effect on non innovators , market dominated by established enterprises, difficulty in access of importing new technology, difficulty in finding cooperation partners, uncertain demand for innovative goods or services have slight effect on Non – innovations enterprises.

**Human Resource Management Practices in MSMEs in Visakhapatnam:** The concept of HR development tends to create overall wealth in a society as its emphasis the overall of individual and collective knowledge, capacities, skills, and capabilities to undertake and implement them in economic development. Additionally, there is an interventionism embedded in human resources development; it is not only a single activity, but more a series of activities commenced and supported by many supplementary initiatives in order to improve others knowledge and personal skills. The importance of human capital improvement has been most clearly revealed in the transitional economies, such as Visakhapatnam and other countries in Balkans peninsula. In Visakhapatnam in particular, policy makers and other decision makers decided that the insufficiency of knowledgeable and prepared human capital had to be systematically addressed a many issues that have been left aside for many years. There were many incentives undertaken by the policy makers to change this devastating situation, with the result that the impact of the Visakhapatnam’s education and training policy has been broadly attributed to that Country’s economic success.

There are different needs for different employees to become experiences in a level that may be seen from the organization as an asset or as an important part of the company. The length of the education needed varies and depends on many indicator and factors that are related to the company, individuals or the group that is part of learning process. As seen on the table the companies have noted that one of the largest obstacle that needs to be overcome and which is seen as one of the biggest barriers for their development, was the low level of skilled employees that have in their company (11%) and the lack of skilled employees in managerial level (15%), which is seen as the major lack of knowledge in their companies. As noted by Ahmeti (2014), there is a lack of organizational awareness in recognizing the importance of knowledge, as they see it as an expense rather than as an investment. The majority of SMEs that have been part of this study see the knowledge accumulated in by one individual, especially in managerial level, as a threat that may become a competitor in the future. This is one of the reasons, but not the only, why the MSMEs are careful when deciding about the individual that needs additional development. Another issue that is related to MSME hesitation to further develop their employees is that they will become more dependable to that particular individual, and so they are more vulnerable when it comes to replacement. Asked about the duration and the content of the training/education that their most important employees need, there was no clear answer. They are not very familiar with the form and structure of how they would deliver additional (needed) knowledge to their employees, especially to managerial level, without having to fear that this will become a threat to them. To complicate even more the situation related to knowledge, the overall educational system in Visakhapatnam is in lowest level when it comes to deliver practical knowledge which can be immediately implemented in the organization. There are several training

centers for different areas; however, none of them is capable to compete with western educational institution. An additional hurdle comes within the companies, as new technologies are to be implemented. As noted earlier the majority of workers are with secondary school and bachelor level of education. This shows that the majority of the employees possess only theoretical knowledge, whereas the practical is assumed that will be gained during the work. This worsens even more the situation, as organizations need to invest over-and-over for each new employee, or when implementing new technology. This makes owners and high level managers to become self-learning employees, as they tend to learn everything that is needed by them self, rather to invest in new employees or on those that are seen as a threat or with a tendency to move to the competition. Visakhapatnam, being a developing country and going through a transition phase, from closed to open economy, is facing numerous challenges to manage its HR in several aspects. SMEs have an enormous potential as the majority of inhabitants are young. However, Visakhapatnam has the largest unemployment rate in the region, in total 35.1% of available work force are unemployed. From them, the youth unemployment rate (15-24 years) is 55.3 %. This is an indicator that there are many that are interested and ready to work, only that there is no work (ASK, 2014). As noted by Khan et al. (2013), where available HR may be utilized effectively, the chances to contribute to the economic development are larger. MSMEs establish are seen as the key player in any economy (in particular in developing countries) which can play crucial role in overall development such as in Visakhapatnam. Due to other political and overall developments, the importance of managing HR in MSMEs and overall in private sector, there were no important policy measures taken by the government or at national level. High level of corruption and the difficulties for MSMEs to access the finance are seen as the major hurdles from the private sector, which can only be overcome only through government support.

### III. CONCLUSION

It is more than evident that human resource development is crucial for economic development, in particular for developing countries such as India . Furthermore, this paper confirms the argument that MSMEs in Visakhapatnam have enormous potential for organizational development and larger social improvements. As noted, the MSME and in general the private sector in developing countries can play an essential part in emerging the viable economic structure of the country. The figures and facts presented in this paper point out the potential of additional growth in MSME sector through human resources development. Though, the paper also reviles the fact that MSMEs in are not exploiting their human resource purposefully and consistently and management pay no attention to organization's most valued assets, that is, the its employees. MSMEs are facing many obstacles and are not achieving their maximum, dues to incompetency in applying contemporary and substantiated HR practices due to the lack of experience and low level of awareness pertaining to HR development. Therefore, significant initiatives have to be implemented in order to improve the foundations of organizational efficiencies to attain the maximum MSME performance.

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