

## **A Study on the Performance of Micro, Small and Medium Enterprises (Msmes) and Role of HRM in SME's in India**

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### **Abstract-**

The MSME sector is considered to be the engine of growth for an economy. The estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 Lakh. The contribution of the sector to India's total export for the year 2014-15 was 44.70 per cent. Also the problems of poverty and inequality are deep-rooted, especially in developing countries like India. To address these problems, we need a system of 'Inclusive Growth'. Growth cannot be inclusive unless and until the fruits of the growth is percolated to the bottom of pyramid. Specifically in a developing nation like India where inequality in distribution of wealth and income is significantly high, sustained increase in ii. iii. A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore. In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722 (E) dated October 5, 2006. per capita income cannot be translated automatically to sustained increase in standard of living. In order to alleviate the curse of poverty, inequity, unemployment and underemployment, adequate employment opportunities should be created for

the poor mass which will facilitate them to meet their subsistence level of consumption demand. This paper attempts to assess the performance of MSME sector in India.

**Keywords:** SME, Human Resource, Growth, Poverty, Small Scale Industries, Medium Scal Industries.

**Introduction:**

Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs 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. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under: a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

- i. A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- ii. A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore. In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722 (E) dated October 5, 2006.

Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.

A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh; A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

As per the revised methodology suggested by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), the estimated contribution of manufacturing sector Micro, Small and Medium Enterprises (MSME) to GDP, during 2012-13, was 7.04 percent. However, taking into account the contribution of services sector MSME, which was estimated at 30.50 percent during 2012-13, the share of MSME sector in GDP of the country, during 2012-13, was 37.54 percent (Mishra, Kalraj, 2014). Based on the export data maintained by Director General of Commercial Intelligence & Statistics, Ministry of Commerce and the information available with this Ministry about MSME products having significant export, the share of MSME in India's total export, for the year 2013- 14, has been estimated as 42.38%. (Ministry of Micro, Small and Medium Enterprises, Government of India, 2014).

The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. MSMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. In this context it is very important to examine the role of MSMEs for economic growth of India.

**Major functions of the Organization:**

- i. Advising the Government in policy formulation for the promotion and development of MSME units
- ii. Providing techno-economic and managerial consultancy, common facilities and extension services to the MSME Sector;
- iii. Providing for technology upgradation, modernisation, quality improvement and infrastructure;
- iv. Developing Human Resources through training and skill upgradation
- v. Providing economic information services;
- vi. Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other organisations concerned with development of MSME Sector.
- vii. Evolving and coordinating Policies and Programmes for development of the MSME as ancillaries to large industries.

## **II. Literature Review :**

According to Revell and Blackburn, Compliance, competitiveness and value-driven ecological and social concern have been identified as motivations for pro-social and pro-environmental behaviour in SMEs. The competitiveness argument underpins much of the UK government's approach to encouraging voluntary pro-environmental engagement in small businesses, particularly with respect to climate change and the reduction of greenhouse gas emissions, (2007). SMEs differ from larger firms in terms of their engagement with social and environmental issues. They rarely have codified social or environmental policies (Spence, 2007; Hamann et al., 2009) and seem to engage in less explicit environmental and social behaviour than larger firms (Lawrence et al., 2006). Voluntarily investing in environmental measures or concerns is part of showing an environmentally friendly attitude or showing some form of sustainable entrepreneurship. For the private sector this is part of sustainable entrepreneurship: trying to find a balance between planet, profit and people (Masurel, 2007:191).

## **III. Objectives of the Paper:**

The following are the objectives of the paper:

- a) To assess the performance of MSMEs in India
- b) To assess the role of MSME in entrepreneurship development

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs 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. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. Recognizing the significant contribution of this sector in economic growth and also in employment generation in our country, Government of India has taken good number of initiatives to develop the sector such as erstwhile definition of 'Small Scale Industries' was enlarged by increasing investment ceiling in plants & machineries from Rupees One crore and trading activities have taken in the ambit of MSMEs by enactment of Micro, Small & Medium Enterprises Development (MSMED) Act from 2nd October 2006.

MSME sector is the second largest employment provider in our country and it is good vehicle to achieve inclusive and distributed growth. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises. Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. The Prime Minister of India, Shri Narendra Modi had this year in his Independence Day speech announced the “Start-up India” initiative. This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups.

The objective is that India must become a nation of job creators instead of being a nation of job seekers. The Prime Minister of India will formally launch the initiative on January 16, 2016 from Vigyan Bhawan, New Delhi. The event will be attended by a vast number of young Indian entrepreneurs (over 2000) who have embarked on the journey of entrepreneurship through Start-ups. Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete. The development and upgrading of clusters is an important agenda for governments, companies, and other institutions. Cluster development initiatives are an important new direction in economic policy, building on earlier efforts in macroeconomic stabilization, privatization, market opening, and reducing the costs of doing business. Govt. of India, Ministry of MSME has announced the scheme for Micro and Small enterprises for enhancing their productivity and competitiveness as well as capacity building.

The name of scheme is Micro and Small Enterprises- Cluster Development Programme - MSE-CDP. This study has undertaken to ascertain various issues relating to SME finance from banks taking the published statistics and primary data into account, to examine the reasons why banks shy away from lending to the sector and what are possible remedies to enhance accessibility of SMEs to bank finance.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmers for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act. Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. Recognizing the contribution and potential of the sector, the definitions and coverage of the Small Scale Industry (SSI) sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of “enterprise” to include both manufacturing and services sector besides, defining the medium enterprises.

### **Human Resource Management System (HRMS):**

Human Resource Management System (HRMS) has become one of most vital information systems in the market. The purpose of this study is to develop an effective and efficient HRM system for ease in HR functionality and their contribution in employee management and all businesses processes of the personnel functions and this is intended to enhance workforce planning through HRMS recruitment, training & development subsystems and succession planning subsystem as perceived by senior HR Managers in their management functions. It includes definition of various levels of hierarchy in an organization, the salary structure

pertaining to every element in this hierarchy, the description of every department functioning in the organization and the overall employee database which integrates elements in all the aforementioned.

This system would allow the database administrator to have access to the entire employee database, in regards with viewing, edit employees' details, add new employees, transfer/terminate/promote employees. Each employee in the database is assigned with a position which can be easily added and edited when need arises.

Moreover employees will also be easily transferred between positions without having to retype back their information in the database. Most of all, the employer will have the opportunity to assign tasks to employees and assess their progress in order to keep track of employee performance.

The Human Resource Management System is a case of Public Service Board. According to (Hendrickson, 2003), HRMS is an integrated systems used to gather, store and analyze information regarding an organization's human resource. It is an online System that lets you keep track of all your employees and information about them. Digital Campus Services was established with perpetual succession and a seal capable of suing and being sued in its own name. The system I intend to design will acquire, store, analyze, retrieve and utilize information to ensure that the job placement is rightfully done, with the right skills at the right time and help in managing employees efficiently without having to retype back their information in the database.

Human Resource Management is the process of developing, applying and evaluating policies, procedures, methods and programs relating to the individual in the organization. Human resource management includes Human Resource Planning, recruiting, selection, training and development, compensation, performance management and employee development. Effective human resource practices relate to company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation of the firm in the industry.

The best way to understand Strategic Human Resources Management is by comparing it to non-strategic Human Resources Management, or simply put, human resource management. Human Resource Management (HRM) focuses on recruiting and hiring the best employees and providing them with the compensation, benefits, training and development that they need to be successful within an organization. However, Strategic Human Resource Management takes this one step further by doing all of these things, but doing them with a specific goal in mind that works in conjunction with the goals of the other organizational departments. Plus, it ensures that all objectives are aligned with the mission, vision, values, and goals of the organization of which they are a part.

Human resources management includes a variety of activities , and among them is deciding what staffing needs an organization has and whether to use independent contractors or hire employees to fill these needs , recruiting and training the best employees , ensuring they are high performers , dealing with performance issues and ensuring the personnel and management practices conforms to various regulations. Activities also include managing their approach to employee benefits and compensation, employee record and personnel policies.

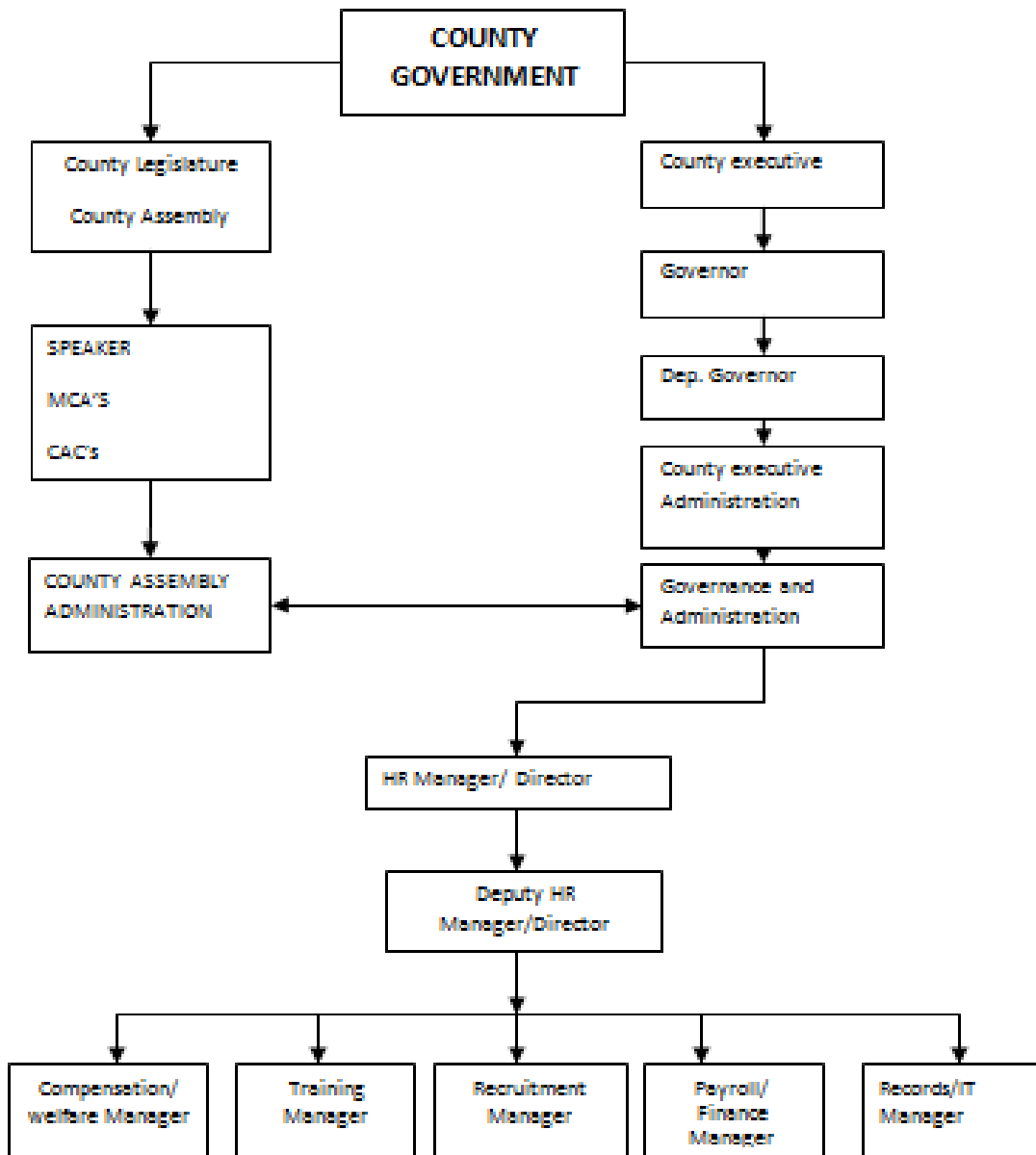
HRM practices have shown to be valuable to any company's success. Thus to be successful in a global market place, the challenge for all businesses regardless of size is to invest in human resources. They need to select and retain talented employees, undertake employee training and development programs and dismantle traditional bureaucratic structures that limit employee's ability to be innovative and creative.

World-class organization use performance measurement systems to determine whether they are fulfilling their vision and meeting their customer-focused strategic goals. Leading-edge organizations use performance measurement to gain insight into, and make judgments about , the effectiveness and efficiency of their programs , processes , and people. These best-in-class organization decide on what indicators they will use the measure their progress in meeting strategic goals and objectives, gather and analyze performance data and then use those data to drive improvements in their organization and successfully translate strategy into action. Thus in today's organizations, the use of Strategic Human Resource Management information is to help set agree-upon performance goals, allocate and prioritize resources, inform managers to either



confirm or change current policy or program directions to meet those goals , and report on the success in meeting those goals.

FIG. ORGANIZATION CHART



The main reason why I undertake to design this system is:-

- To help me apply the interpersonal skills I have learnt and even to write a technical report.
- To improve my programming skills and to challenge me to offer solution in the real world system
- To improve service delivery and improve data management and ease in retrieval of information
- To improve security of their system
- It is a planned approach towards working in the organization. The data will be stored efficiently with optimal disk space consumption in data stores which will help in retrieval of information as well as its storage under resource constraints.
- The level of accuracy in the proposed system will be higher. All operations would conform to integrity constraints and correctness and it will be ensured that whatever information is received at or sent from the centre is accurate.
- The reliability of the proposed system will be high due to the above mentioned reasons. This comes from the fact that only the data which conforms to the accuracy clause would be allowed to commit back to the disk. Other properties like transaction management and rollback during system or power failure etc get automatically taken care of by the SQL systems, which is undoubtedly an excellent choice of the rear end of the dbms system. Properties of atomicity, consistency, isolation and data security are intrinsically maintained.
- Reports generation: - Geared towards provision of a quick and efficient platform for retrieval of information. Among the queries allowed for use by the user, the query results are made available immediately, without time lapse, irrespective of the complexity of the query.

This Paper scope defines the description of the work that is required in HRM system and will be limited to:-

- Employee details: The HR will be having an electronic access to employees' personal profile.

- Personnel management, hiring and developing employees
- Electronic leave management: There will be complete elimination of paperwork in employee leave application by enabling both the employee and the HR manager to apply for leave and as well as check their leave status through the system.
- Recruitment Process: The admin will add an employee and a default password and employee id will be generated and sent to the new employees email. The HR manager will then have the ability to add an employee's information to the database.
- Report generation: Processing of reports will increase

#### Conclusion:

In this world of growing technologies everything has been computerized. SME also play an important role in the Indian economy. The structure of organization play an important role in the growth of the organization. The systematic rules and regulations which they follow will have an impact on the growth of the organization. With the large number of work opportunities the Human workforce has increased. Thus there is a need of a system which can handle the data of such a large number of employees. This system is fairly simple in design and implementation. This presents presents a worthwhile area for research since I intend to take existing standards and authoritative standards for the professional practice of HRM and will apply them to a modern, well regarded and valued HRM system.

- Provide open and flexible HRM system.
- Improve paperless HRM capabilities
- Better communication, horizontal integration and streamlined processes.
- Automation of HRMS information i.e. Computerized payroll generation, manipulation and management.
- To allow connectivity of cellular phone applications
- To ensure reconciliation of individual goals with that of the organization.
- Easy management of databases of various sections covering key aspects.

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