

Keys to Resolve the Problems faced by Small Scale Industries- A Literature Review

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Abstract

The purpose of this research study is to highlight the problems faced by Small Medium sized Enterprises (SME's). SME's are the industries who contributes a large portion in GDP and supports the development as well as growth of our nation by helping in various ways like providing employment to large number of youth, maintain the market competition, etc. These types of industries contribute a lot in economic growth but also facing many problems in their daily working life. Keeping these problems in mind, the researcher tries to highlight the problem and also suggest some solutions to these companies through the review of previous studies and their own experience. The researcher also suggest the SME's owner to get aware about the number of schemes which have been already implemented by the government to help these small scale industries in India. Due to unawareness of these schemes and facilities, the small scale firms faced a lot of problem, which can be easily resolved by the assistance of the government organization and other practices. The researcher also highlights the benefit of implementing the HR practices at their workplace. If the Human resources department is fully employed in such industries, then their troubles can be reduced to a great extent, but such industries considered these practices as extra workload and increase company expenses and replace the requirement of HR department with account department to fulfill their basic needs only.

Keywords: Small Medium sized Enterprises, GDP, HR Practices, economic growth etc.

Introduction

This article tries to highlight the role of HR Practices in small scale firms. Most of the small scale industries do not consider the use of keeping Human Resource department at their workplace while some of them are applying the HR practices but the work is managed by the owner itself or by the account department.

In the introduction section the researcher first explain the words used in the title:

• Small and Small Scale Industries:

According to the rule passed by the Ministry of Micro Small and Medium Enterprises 2006, the classification of Small Scale industries are divided on the bases of two broad categories which are mentioned below:

1. Production
2. System.

1. According to the production department, there are three types of industries based on their investment potential are explained below
 - 1.1 **Micro-industry** : investment in plant and machineries should not exceed 25 lakhs.
 - 1.2 **Small**: Investment in small scale industries should not below 25 lakhs but not more than 5 crores.
 - 1.3 **Medium**: The investment of the mid size industry should be more than 5 crores but less than 10 crores.

As per the latest amendment in MSMED Act 2006 sec 7 has been amended by the Union Cabinet minister in 2018 and classify the three industries on the basis of the company's Turnover which are mentioned below:

Micro: Not more than 25 crore annual turnover in small firms

Small: 5 crore to 75 crore annual turnover

Medium: More than 75 crore but note more than 250 crore annual turnover

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- **Human Resource Practices:**

Human Resources department is used for the maintenance, facilities and development of employees working in any industry. The practices which are used for maintaining the manpower of any company and also helpful in increasing their profits are called as Human Resource practices.

There are many types Human Resource practices, some of which are given below.

- Skill identification based recruitment
- Handle salary and compensation
- Evaluate their performance
- Providing basic welfare facilities
- Work progress of employees
- Serve as the purpose of the manager
- To fully utilize all the employees present in the industry.
- To resolve the problems of employees etc.

Problems Faced by Small and Medium Enterprises

Investors and managers of these type of industries face a lot of problems. Some of the main problems are described below:

- Lack of capital is one of the main reasons why human resources departments not implentes by the managers to keep in their industries.
- Lack of complete information is also a reason.
- Not able to attract the skilled and professionals
- Heavy competition
- Heavy government taxes, rules and regulations
- Unsupported staff
- High Employee Turnover

According to Ucino and Hezari (2016), small and micro industries are facing many problems in many areas of Asia such as lack of money, lack of research, lack of basic data, lack of sales which slows down the speed of such industries.

Advantages of Human Resource Department in Small Scale Industries

There are many advantages of Human Resource Department in small and medium size industries. The HR practices and growth of the small firms are dependant to each other if these practices are applied in formal way (Barrett & Mayson, 2007). Some of the major advantages are given below in the hope that these benefits might help in clearing the confusion in the mind of owners of these industries and will implement the HR Department at their workplace like other functional

department they at implemented. Some of the major advantages are given below of Human Resource Department practices:

- Helps the managers to full utilize the available manpower of their company
- Skilled and trained labor require less supervision
- Helpful in reduction of waste
- Reduced employee turn
- Improved relationship among the employees and the owners
- Very less grievances and conflicts

Steps Taken by the Government of India to Promote Small and Medium Scale Industries

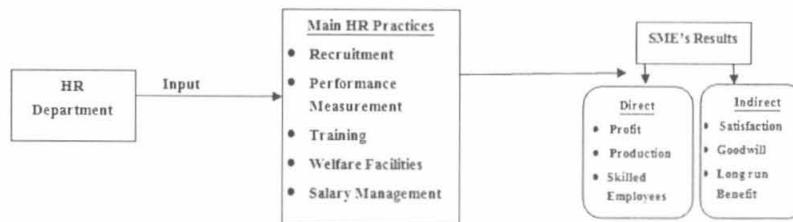
India Government has already taken several steps to promote and develop the small scale industries. Due to which the small scale firms workload and tension has been reduced to a great extent. The Government of India supported these industries because of their importance like it provides very large number of jobs to the youth of our country. The important steps taken by the Government of India are given below.

1. Institutes run by Government of India:

- **NABARD:** This institute was created in 1982 to promote and train small entrepreneurial people in the village. The task of this institute is to promote hand craft work in the village.
- **NSIC:** The function of this institute was to sell and support the producers of small scale industries and promote them in the market by providing technical information.
- **NCEUS:** The main objective of this institute is to provide employment to the poor people of the village so that they can earn small income monthly in the form of social security.
- **RWED:** The main objective of this institute is to support rural women's by empowering them so that they can earn for themselves.
- **WASME:** This committee was to make the Committee on World level for SSI. This institute work for continuous growth of small enterprises.

2. The Government of India has also announced to provide small enterprises a economic subsidy to the industry promote.
3. Capital assistance is provided by the government to small scale industries to participate in international trade, so that they can make them as a participant and learn about new techniques.

Relationship between HR Department Practices and Small Medium Sized Enterprises



Decisions and Proposals

- Sometimes Small Medium-sized Enterprises get the illusion that the Human Resource department functioning hinders in proving their work. This happens because they have a myth in their mind that all these practices will increase their expenses rather than profit making.
- Another suggestion is that all HR Practices might not suitable in all Small Medium-sized Enterprises due to the variation in their functioning. They should implement Human Resource practices according to their needs at their workplace.
- Sometimes HR department is unable to fulfill the main objective of the industry.
- Small Medium-sized Enterprises are back a bit in terms of advancing and promoting their employees because they are afraid that if they develop them in this way, they will leave the company soon.
- Employees working in Small Medium-sized Enterprises are not highly educated and trained. So. They generally avoid the training and development changes
- About 80% of the small companies in India do not have a systematic Human Resource department and the work handled by the industrialists itself or by employees of the finance department.
- If the HR department proves to be unable to organize the employees properly in the company, then in this situation Small Medium-sized Enterprises should outsource HR available outside for handling all these tasks.

CONCLUSION

Many researchers have been already done a lot of research on this subject, but all of them had made their own discovery by making a scope. Keeping in view the research of all of them, in the end it is concluded that Small Medium-sized Enterprises should adopt the human resource department practices and its functioning. The importance of this HR practices cannot be avoided and also helpful in the sustenance in the market. In order to fulfill all the objectives of Small Medium-sized

Enterprises, it is very important that small and small scale industries should be very sensibly and prudently set up Human Resource practices at their work place according to their needs by considering their type of work system. It is also cleared that these practices does not increases their expenditure. Keeping the workplace and needs in view, the Small Medium-sized Enterprises should implement Human Resources practices for the growth and progress of these firms.

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