

Analyzing Human Resource Challenges in the Growth of Micro, Small, and Medium Enterprises Engaged in the Manufacturing Sector in Palghar, Maharashtra

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Abstract

The Micro, Small, and Medium-scale Enterprises (MSMEs) play a pivotal role in the Indian economy, contributing significantly to its growth. According to the MSMEs annual report, this sector accounted for 30.27% of the total national GDP and 48.10% of exports in the year 2018-19. In 2021-22, it continued its substantial contribution, representing around 30% of the national GDP and contributing 49.35% to India's total exports (PIB Delhi, Dec. 2022). MSMEs are crucial for generating employment opportunities, catering to both skilled and unskilled labour with relatively lower capital investments. However, despite their importance, MSMEs often struggle to withstand external competition and secure competitive prices for their products due to various challenges and issues they face in managing their businesses. These challenges include inadequate utilization of information and communication technology, low production capacity, underutilization of resources, reliance on outdated technology, lack of innovation and reluctance to expand the business. These issues have a detrimental impact on the performance and competitiveness of MSMEs. During the study, researchers observed several problems related to Human Resources (HR) among the respondents. These problems included absenteeism among laborers, frequent job switches without prior notification causing disruptions, and internal disputes among laborers impacting productivity. The presence of unskilled laborers led to product damage and compromised quality. Furthermore, it was noted that trained laborers often started their own businesses in the same industry, which adversely affected productivity and performance.

Keywords: entrepreneurs, human resource, manufacturing, enterprises, msme.

Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector serves as the backbone of India's economy, contributing approximately 30% to the national GDP in the fiscal year 2021-22. This sector plays a vital role by producing a diverse range of products and services to meet both domestic and global market demands, accounting for a significant 49.35% share in India's total exports (PIB Delhi, Dec. 2022). MSMEs are pivotal in creating employment opportunities for both skilled and unskilled labour, requiring relatively lower capital investments.

This study examines the challenge related to human resource encountered by Micro, Small, and Medium Enterprises (MSMEs) involved in manufacturing engineering dyes, electronic and electric components, rubber products, and plastic products, which significantly affect their role in the informal sector of the economy. Within the manufacturing industry, MSME entrepreneurs encounter sluggish growth and intense

competition from larger companies and imported substitutes, posing significant human resource challenges that adversely affect the performance and competitiveness of domestic MSMEs.

In this study, researchers observed several problems related to human resources (HR) among the respondents. These challenges encompassed absenteeism among laborers, frequent job changes without prior notification causing disruptions, and internal disputes among laborers affecting productivity. Additionally, the presence of unskilled laborers resulted in product damage and compromised quality. Furthermore, the study observed that trained laborers often ventured into entrepreneurship within the same industry, negatively impacting productivity and performance.

Definition of MSMEs

As per Ministry of MSME notification, Composite Criteria based on the classification of micro, small and medium enterprises in the service sector and manufacturing sector, namely:

- (i) A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- (ii) A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
- (iii) A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Human Resource

Adam Smith famously discussed division of labour and specialization in 'The Wealth of Nations'. Human resource management is linked to a company's success measured through productivity of the labour, rate of innovation in the firm, market share, environmental performances, etc. But MSMEs are facing various problems of human resource related to shortage of funds, lack of expertise required to implement human resource management, unskilled and semi-skilled labour, lack of interest of labour in training and skill development, absenteeism, discontinuation with same job etc.

Objective

1. To analyse problems associated with the human resource used in the MSMEs manufacturing sector.
2. To suggest suitable measures for improvement of the MSME manufacturing sector.

Review of Literature

The proposed research has conducted a comprehensive review of previous studies on MSME growth and development in India, focusing specifically on exploring the challenges and opportunities associated with human resource management in the MSME sector.

Ali Anis, Husain Firoz, (2014) studied 'MSME'S in India: Problem, Solutions and Prospect in Present Scenario'. The study's findings recommended fostering technological exchange among various types of MSMEs, providing financial and technical support, implementing flexible labour laws, and enhancing training and skill development to promote the growth of MSMEs.

(Das Keshab's, 2011) edited book "Micro and Small Enterprises in India the Era of Reforms", presents issues include constraints in accessing loan finance, inadequate basic infrastructure, poor innovation resulting in substandard product quality, neglect cluster development and labour question, skill formation, safety at workplace and social security especially within the informal sector.

(Phatak, Gururaj. G., 2017) have presented a report on entrepreneurial marketing in MSMEs in selected industrial clusters in Karnataka with objectives to identify labour availability, productivity and competition played a significant role in entrepreneur decisions on product strategy, price strategy and promotion strategy.

(Vyas, Divyangkumar. K, 2017) made an attempt to understand the problems and prospects of selected micro small and medium scale enterprises (MSMEs) located in Anand district Gujarat and the socio-economic background of MSME entrepreneurs. Finding of the study shows steady growth in performance of the MSME sector during the past few years. He also observed that MSME units in Anand face various problems like skilled labour, high cost of labour, finance and transport whereas the production unit's management and financial problems are the major problem faced by the majority of entrepreneurs.

The paper by **(Israr Ahmed and Shaukat Haseen, 2019)** on skill development and entrepreneurship through green and inclusive MSMEs in India is reviewed here. Result of the analysis stated that a large number of labour forces are illiterate and less skilled. India has targeted to train 150 million people to create skilled manpower in the MSME sector by 2022.

Material and Methods

The study will be both qualitative and quantitative in nature. Primary sources have been explored for data collection. The secondary data has collected from journals, Annual Reports of Ministry of MSME, articles, research papers etc. A combination of Snowball Sampling and Convenience Sampling methods was employed to select 400 respondents for the study from MSME manufacturing units in The Palghar district, Maharashtra.

Map 1.1: Palghar District



(Source: <https://palghar.gov.in/>)

Finding & Results

Labor plays a vital role in enhancing productivity within Micro, Small, and Medium Enterprises (MSMEs), driving efficient production processes, fostering innovation, and enabling effective problem-solving. Throughout the study, researchers identified various human resource (HR) challenges faced by the respondents. These challenges encompassed absenteeism among laborers, frequent job changes without prior notification leading to disruptions, and internal disputes among laborers negatively impacting productivity. Moreover, the presence of unskilled laborers led to product damage and compromised quality and in the absence of entrepreneurial supervision, time wastage among laborers was observed. Furthermore, the study noted that trained laborers often pursued entrepreneurship within the same industry, resulting in reduced productivity and performance. These findings are further analyzed below.

A) Absenteeism of the Labour Affects Productivity

Absenteeism pertains to deliberate absence from work without valid permission. Absenteeism of labour stemmed from various factors, including inadequate working conditions, low wages, difficulty in adapting to technological changes, and strained relationships with colleagues.

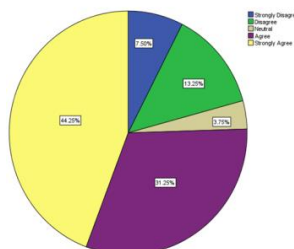
Table 1.1 Absenteeism of the Labour Affects Productivity

Absenteeism of the labour affects productivity	Frequency	Percent
Strongly Disagree	30	7.5
Disagree	53	13.3
Neutral	15	3.8
Agree	125	31.3

Strongly Agree	177	44.3
Total	400	100.0

Source: Field Survey

Chart 1.1 Absenteeism of the Labour Affects Productivity



Source: Field Survey

Finding: Table 1.1 and Chart 1.1, indicate that a significant portion of the respondents 177 (44%) strongly agree that absenteeism of laborers has an impact on productivity. 125 (31%) of the respondents agree with this statement. On the other hand, 53 (13%) of the respondents disagree, 30 (7.5%) strongly disagree, and 15 (4%) remain neutral on the matter. It shows the majority of the respondents agree with absenteeism of the labour affects productivity.

B) Labours are shifting their job frequently without intimation

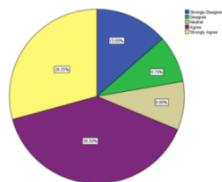
In MSMEs, employees are leaving their current workplaces or employment to pursue new job opportunities elsewhere. This job transition can occur due to various reasons such as seeking higher wages, improved working conditions, career advancement, dissatisfaction with their current job, or the exploration of new avenues for personal and professional development.

Table 1.2 Labours are Shifting their Job Frequently without Intimation

Labours are shifting	Frequency	Percent
Strongly Disagree	54	13.5
Disagree	35	8.8
Neutral	36	9.0
Agree	158	39.5
Strongly Agree	117	29.3
Total	400	100.0

Source: Field Survey

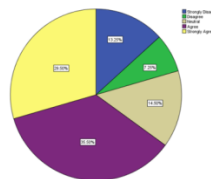
Chart 1.2 Labours are shifting their Job Frequently without Intimation



Source: Field Survey

Finding: Table 1.2 and Chart 1.2 display the responses of 400 participants regarding the impact of frequent job shifting among laborers without prior notification. These findings indicate that a majority of the respondents 68.5% either agree or strongly agree that frequent job shifting among laborers without intimation has an impact on productivity. On the other hand, 35 (9%) of the respondents disagree, 54 (13.5%) strongly disagree, and 36 (9%) remain neutral on the matter.

Chart 1.3 Labours Internal Issues/ disputes Affects Productivity



Source: Field Survey

Finding: Table 1.3 and Chart 1.3 present, among the responses of 400 participants 260 (65%) of the respondents either agree and strongly agree that internal issues and disputes among laborers have an impact on productivity. On the other hand, 82 (20.6 %) of the respondents disagree and strongly disagree, and 58 (14.5%) remain neutral on the matter. Addressing these issues is essential to foster a harmonious work environment and uphold productivity levels within the organization.

C) Labours Internal Issues/ Disputes Affects Productivity

Internal issues or disputes among employees in small and medium-sized enterprises refer to conflicts, disagreements, or problems that impact their overall efficiency and output. These issues might involve disputes between co workers, conflicts among teams or departments, disagreements on work processes, interpersonal conflicts, communication gaps, or other internal tensions.

Table 1.3 Labours Internal Issues/ Disputes Affects Productivity

Labours internal issues	Frequency	Percent
Strongly Disagree	53	13.3
Disagree	29	7.3
Neutral	58	14.5
Agree	142	35.5
Strongly Agree	118	29.5
Total	400	100.0

Source: Field Survey

D) Unskilled labours damage the product

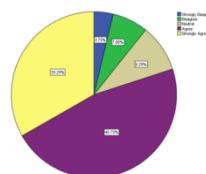
It indicates situations where workers lacking adequate skills or training inadvertently cause harm or defects in the products they handle. This lack of necessary skills might result in substandard quality, defects in the products, ultimately impacting the overall output and quality of goods manufactured by a company or industry.

Table 1.4 Unskilled Labours Damage the Product

Unskilled labours damage the product	Frequency	Percent
Strongly Disagree	15	3.8
Disagree	28	7.0
Neutral	37	9.3
Agree	187	46.8
Strongly Agree	133	33.3
Total	400	100.0

Source: Field Survey

Chart 1.4 Unskilled Labours Damage the Product



Source: Field Survey

Finding: Table 1.4 and Chart 1.4 display the responses of 400 participants. These findings indicate that a majority of the respondents (80% in total) either agree or strongly agree that unskilled laborers can negatively impact product quality and lead to damages. On the other hand, 28 (7%) of the respondents disagree, 15 (4%) strongly disagree, and 37 (9%) remain neutral on the matter.

E) Trained Labours Start their Own Business in the Same Product Business

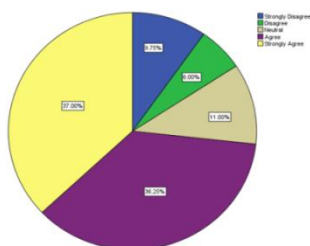
MSMEs invest in training their labour force to enhance productivity and efficiency in production. However, some trained workers might venture into starting their own similar business or opt for a different job elsewhere.

Table 1.5 Trained Labour Start their Own Business in the Same Product Business

Trained labour	Frequency	Percent
Strongly Disagree	39	9.8
Disagree	24	6.0
Neutral	44	11.0
Agree	145	36.3
Strongly Agree	148	37.0
Total	400	100.0

Source: Field Survey

Chart 1.5 Trained Labour Start their Own Business in the Same Product Business



Source: Field Survey

Table 1.5 and Chart 1.5 present the responses of 400 participants regarding the phenomenon of trained laborers starting their own businesses in the same product industry. These findings indicate that a significant majority of the respondents (73% in total) either agree or strongly agree

that trained laborers starting their own businesses in the same product industry can impact productivity. Specifically, 145 (36%) of the respondents agree, while an additional 148 (37%) strongly agree with this viewpoint. On the other hand, 24 (6%) of the respondents disagree, 39 (10%) strongly disagree, and 44 (11%) remain neutral on the matter.

Weighted Average Mean for Problems Associated with Human Resource Management

- SD = Strongly Disagree
- D = Disagree
- N = Neutral
- A = Agree
- SA = Strongly Agree
- WAM = Weighted Average Mean

Table 1.6 Weighted Average Mean for Problems Associated with Human Resource Management

Sr. No.	Factors influential	SD	D	N	A	SA	WAM
1.	Absenteeism of the labour affects productivity	30	53	15	125	177	3.92
		7.5	13.3	3.8	31.3	44.3	
2.	Labours are shifting their job frequently without intimation	54	35	36	158	117	3.62
		13.5	8.8	9	39.5	29.3	
3.	labours internal issues/ disputes affect productivity	53	29	58	142	118	3.61
		13.3	7.3	14.5	35.5	29.5	
4.	Unskilled labours damage the product and quality	15	28	37	187	133	3.99
		3.8	7	9.3	46.8	33.3	

5.	In absence of entrepreneur's supervision labours are wasting time and affects productivity	74	23	66	90	147	3.53
		18.5	5.8	16.5	22.5	36.8	
6.	Trained labour starts their own business in the same product business	39	24	44	145	148	3.85
		9.8	6	11	36.3	37	

Source: Field Survey

Interpretation & Discussion

According to the provided weighted average mean scores, the findings highlight significant concerns regarding human resource management. The highest weighted average mean score of 3.99 was attributed to the issue of "Unskilled laborers damaging product quality," indicating that respondents perceive this as a considerable challenge impacting product integrity. Additionally, "Absenteeism of labour affecting productivity" received a weighted average mean score of 3.92, underscoring absenteeism as a notable obstacle to productivity within the organization. Furthermore, the problem of "Trained labour starting their own business in the same industry" obtained a weighted average mean score of 3.85, suggesting that respondents recognize this issue as a potential threat to productivity, potentially due to the loss of skilled labour to competing enterprises. In summary, based on the weighted average mean scores, the key problems associated with human resource management that emerged from the study are:

- Unskilled labours damaging the product and quality.
- Absenteeism of the labour affecting productivity.
- Trained labour starting their own business in the same product business.

Therefore, it can be inferred that the factors used to determine problems associated with human resource management exhibit high internal consistency and can be considered reliable.

Suggestions

Enterprises should focus on the following:

- Encouraging teamwork, recognition, and rewarding employee contributions.

- Providing opportunities for professional growth and development.
- Offering flexible work arrangements to enhance work-life balance.
- Implementing employee engagement initiatives such as regular feedback mechanisms, team-building activities, recognition programs, and career development opportunities.
- Utilizing strategies like workload balancing, task delegation, and effective time management techniques.
- Considering offering benefits such as paid time off, health and wellness programs, family-friendly policies, and flexible leave options.

Conclusion

In conclusion, the findings of the study highlight various labour-related issues that significantly impact productivity within Micro, Small, and Medium Enterprises (MSMEs). The majority of respondents agreed that absenteeism, frequent job shifting, internal disputes, lack of entrepreneurial supervision, and the presence of unskilled laborers are key factors affecting productivity. Moreover, there was consensus that laborers demanding higher wages and trained laborers starting their own businesses in the same industry can disrupt work continuity and productivity levels. Absenteeism emerged as a particularly significant challenge, negatively affecting productivity within organizations. Addressing these challenges and implementing supportive measures is essential for MSMEs to enhance their competitiveness, meet international standards, and seize opportunities in the global market. Collaboration between the government and the private sector is crucial in providing an enabling environment for MSMEs to thrive on the global stage. By working together, both sectors can foster innovation, entrepreneurship, and sustainable growth within the MSME sector, contributing to overall economic development.

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