



**A STUDY ON HUMAN RESOURCE MANAGEMENT
PRACTICES IN SMALL SCALE INDUSTRIES
SITUATED IN THANE-MAHARASHTRA**

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ABSTRACT

Human Resource Management Practices play an important role in any Business organization. Human resources are one of the most valuable and exceptional and unique assets of an organization. The success of any business depends as much on appropriate, effective, well communicated, HR and business practices. Human Resource Management is treated as the lifeblood of an organization. Organizations have realized the importance of human capital. This is a recent phenomenon and the functions have gradually changed its role. A study is focused on HRM practices in small scale industries whose main business is related with production of chemical, colors, solvents and same type of industries.

Key Words: HRM, HRM Practices, Small Scale Industries, Financial Performance, NP Ratio, ROCE Ratio



INTRODUCTION

Human Resources play not only significant but also a crucial role in building and developing an organization. It is often opined that, “the difference between two organizations in terms of competencies is due to difference in the capabilities of their “HUMAN RESOURCES”. According to the concise Oxford Dictionary, “Resource” means supplying what is needed; the stock that can be drawn on; available assets, which a person or recent times many new approaches to the study of human element in organizations have emerged. People are viewed as the most valuable resource of an Organisation². A number of inferences have been drawn based on research studies regarding the ways of treating people and motivating them for better performance. Further for the organizational development the researchers have emphasized to role of leadership, the investment in training, the inter-personal relationships etc. According to Boselie (2002), “Human Resource Management decisions relate to policies and practices which together shape the employment relationship and are aimed at achieving individual, organizational and societal goals”. The definition provides the clear cut areas of operation with reference to the field of HRM. A more pragmatic definition given by Schermerhorn (2001) is that “Human Resource Management is the process of attracting, developing and maintaining a talented and energetic workforce to support organizational mission, objectives and strategies”. The definition provides the functions of the HRM profession.

Human Resource Management is treated as the lifeblood of an organization. Organizations have realized the importance of human capital. This is a recent phenomenon and the functions have gradually changed its role. Human Resource Management concerns itself with anything and everything regarding human factor in the organization. There has been periodical shift in the function and scope of Human Resource Management. It is now regarded as a ‘profit centre head’, with emphasis on the investments and returns on those investments on the human capital in the organization. Human Resource strategies are now liked with business level strategy and are now termed as strategic Human Resource Management. Japan is the first country to stress and use HRM practices. "Better people, not merely better technology are the surest way to better society" is the popular belief in Japan³. To appreciate the importance of HRM, it is necessary to understand the HRM concept because it is multidimensional concept. Human Resource



Management is newly adopted and being seen as a very popular approach in the modern industrial world. It is expected to play a very important role in the corporate strategic planning. It is a continuous learning process and not merely a set of mechanism or techniques. In the words of Parmnath “HRM is not engineering process having set of mechanism, but is a concept having meaningful approach to acquire a skilled and stimulated work force. It is the need of the hour to recognize the importance of Human Resource management in any industries or any department or anywhere the Human are working.

SCOPE OF THE STUDY

Many progressive industries have been developing more effective HRM practices to support these technological initiatives. Growing evidence strongly suggest that without the effective management of people, the full potential benefits of technology cannot be completely realized. Manufacturing technology, without a properly trained and motivated work force is a potentially poor investment, if workers cannot maximize potential benefits through optional usage. Because of the current human resource changes facing manufacturers in particular, their need to leverage their work force better is paramount. If they are to create and sustain competitive advantage in the market pace, they can no longer rely solely on technological superiority. Manufacturing workers must be properly trained, motivated and led to allow their organizations to make productivity improvements. The top vehicle for enhancing productivity is by the practice of sharing operating data with the work force on an ongoing basis. Today's changing conditions demand more emphasis on promoting work commitment mutuality and harmony in relations between management and labour. The acceptance of new technology and improvement of work methods, call for formulation of people oriented policies and plans. It involves not only attitudinal change but also skill development for various jobs. HRM assumes great significance in the context of motivating people to accept plans for achieving higher productivity in their organisations. Rapidly changing technology, peripheral revolutionary changes in information technology and wide spread concern for productivity are affecting the content and approach to human resource management and development. The impact of these changes on the people needs to be analyzed and understood. To be precise, HRM has great scope to improve Organisational



climate and efficiency. In fact, a well-planned HRM strategy is the need of the hour. It helps in efficiently managing and developing the business. The scope of HRM is, therefore extensive to the extent that there cannot be a study of management without proper attention to human resource management.

OBJECTIVES OF THE STUDY

The study has been carried with the following specific objectives:

1. To analyze the status and importance of HRM practices in certain selected private Small Scale industrial units.
2. To analyze the relationship, if any, between HRM practices and financial performance of respondent units.

SAMPLE DESIGN

For this purpose, the Small Scale private sector industries were identified and selected. All the relevant information needed for this study were collected. The details of the units and the number of respondent members for the study are presented in following Table 1. For the purpose of collecting the primary data relevant for the study, a 25 percent of employees in each unit were selected at random basis.

Table 1- Details of the units and the number of respondent members for the study

SR NO	NAME OF THE INDUSTRY	SIZE OF THE MAN POWER	SAMPLE SIZE
1	A	256	64
2	B	135	34
3	C	285	71
4	D	108	27
5	E	179	45
6	F	205	51
7	G	246	62



8	H	96	24
9	I	187	47
10	J	209	52

The industrial units chosen have provided diversity, since they vary in size, type of products sold and type of market covered Ranging from Chemicals, Pigmentations, Colors and Solutions. The HRM functions also varied significantly across these Ten organizations. The sample size is most representative and adequate of the HRM practice sat Industry level.

METHODOLOGY

The data relevant for the study has been gathered both from primary and secondary sources. The secondary data has been gathered through a comprehensive survey of the research works carried out at academic and official levels. The researcher has gathered the basic primary data by administrating a Questionnaire to the respondent employees of this Ten organizations selected for the study. The basic methodological approach in this study was to focus on a limited number of industrial units and complete an in depth analysis of formal HRM practices as well as informal HRM practices, as viewed by employees in each industrial unit. The questionnaire was developed incorporating important domain of Human Resource Management practices I e.HRM Status in the industry

STATISTICAL TOOLS

The perception of respondents expressed on the 'Likert Scale' was analyzed based on the summative model. The scale has allowed an expression of the intensity of feeling. Here, instead of having just 'yes' or 'no', the scale was designed to assess the intensities varying from strongly agree to strongly disagree, agree, disagree and can't say.



LIMITATIONS OF THE STUDY

It is essential to indicate certain limitations to which a study like this is subjected. The study is an empirical work presented in a descriptive manner. Only few important domains have been selected for analysis. However, the spirit of the concept of HRM practices had been rightly perceived. The study is confined to the private sector specially the Small scale industry. The study has not been able to analyse and compare the results with the public sector industrial units. The study is restricted to the industrial units in and around the city of Thane, particularly the Small scale industries. These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

ANALYSIS OF PERCEPTION

The perceptions on HR status and practices of Employees of the different companies chosen for the study on the five point scaling has been summarized and tabulated in accordance with the main and sub parameters of HR domain. Initially the frequencies of Employees under each point of the scaling are counted for all the statements under one parameter of a domain and the frequencies are averaged for each point of the scaling and then expressed in percentages. The interpretation and inference from these observations are discussed under each parameter of the selected domains. The survey data were converted in to mean percentages. The survey data pertaining to HR status in sample companies were presented in terms of mean percentage measured on a 5 point scale. Table 2 shows The average percentage for all the Ten companies put together

Table 2- Average percentage for all the Ten companies put together

COMPANY	Strongly Agree	Agree	Strongly Disagree	Disagree	Can't say	Total
A	56	26	10	08	NIL	100
B	68	18	04	08	02	100
C	38	16	32	10	04	100
D	72	20	08	NIL	NIL	100



E	53	21	20	06	NIL	100
F	26	38	22	10	04	100
G	16	20	44	14	06	100
H	62	16	20	02	NIL	100
I	28	14	46	10	02	100
J	48	20	12	18	02	100

A' nearly 56 percent of the employees strongly agree that the organisation does have important HR status. Again 26 percent of the employees of “f” 'agree' that the HR enjoys a good status in the organisation. However 46 percent of “I” employees disagree with the perceptions of the majority of employees regarding the HR status in their organisation. In other words the employees of company “D” express the prevalence of the very good HR status in their organization. The Financial Statements of all the Ten Industries were analysed and Profitability of such industries were compared.

In the context to relationship between HRM and Financial Position of industries , an attempt has been made to find out the relationship between HRM practices and financial performance of respondent companies. As for instance, the financial data of the respondent companies did not forth-come, since the companies come under private sector. These units have not divulged the inside financial information to the researcher. Hence, this analysis is made based upon the published financial statements made available.

It is widely accepted that there is a positive relationship between individual HRM practices and corporate financial performance. Brown & Medoff concluded that employee turnover also has an important influence on organizational productivity. Hingorani, Ramnathan and Grewal argued that a firm's current and potential human resources are important considerations in the development and execution of its strategic business Plan. Although the literature is largely conceptual, it concludes that, HRM practices can help to create a sustained competitive advantage. There is a growing consensus among HR professionals that organizational HR policies can provide a direct and economically significant contribution to firm performance.



The researcher has gathered all the financial Statements of the company for the past three years and average the profit of past three years were made to justify the Result. HRM practices which shows Less than 40 percentage were termed as LOW PERCEPTION, more than 41 to 60 as AVERAGEPERCEPTION, and more than 61 percentage were termed as HIGH PERCEPTION of the employees.

Table 3- HRM PRACTICES

HRM PRACTICES	LOW	AVERAGE	HIGH
COMPANY	G	C, F, I	A, B, D, E ,H, J

Net Profits and Return on Investment Ratios were taken out after averaging the profits of past three years .Net profits to Total sales were calculate and Returns on Investment were also calculated , these help in finding out the FINANCIAL POSITION OF ALLTHE COMPANIES . The result on Profitability were converted in to percentage and through Ratio analyses and result was as per following Table 4

Table 4 - Ratio analyses and result

COMPANY	NET PROFIT RATIO	RETURN ON CAPITAL EMPLOYED (ROCE)
A	22 %	37%
B	27%	22%
C	06%	12%
D	22%	28%
E	24%	32%
F	07%	14%
G	06%	12%
H	09%	15%
I	21%	13%
J	18%	41%



FINDINGS

It can be concluded that the BETTER THE HUMAN RESOURCE MANGEMENT PRACTICES follow by the industry the BETTER THE FINANCIAL RESULT OF the company.

- There is a positive correlation between HRM practices and financial performance in case of company A , B , D , E and J
- Strangely in company “ H “ the ranking is HIGH in case of HRM practices but is financial performance IS NOT GOOD as compare to other companies. This is an unusual case and is not in tune with the expectation. If more attention is bestowed upon HRM, it is possible for the company to register still better financial performances.
- In case of company C, F, there appears to be a close relationship between HRM practices and financial performance. Both in case of HRM practices and financial performance, this company fall under ' AVERAGE performance' category.
- Regarding company ”G” the HRM PRACTICES and FINANCIAL PERFORMANCE both are below average..

Thus management of these companies should adopt clear cut Human Resource Management policies and should follow the Participate Style of Management to improve their Profitability.

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