CHAPTER - I
INTRODUCTION

This chapter deals with the detailed information about Human Resource, Human Resource Management (HRM), Importance of HRM, Functions of HRM, Micro, Small and Medium Scale Industries, Meaning and Concept of Micro, Small and Medium Scale Enterprises (MSME), Characteristics of MSME, Objectives of MSME, and Problems of MSME.

‘People are our most valuable asset’ is a formula which no member of any senior management team would disagree with. The people in an organization are definitely the most important assets. Therefore, special care must be taken in managing them. Besides the reality for many organisations is that their people remain undervalued, under trained and underutilized. For example, if an organization wants to achieve its goals, it must not only have the required resources but also it must use them effectively. The resources available to a manager are human, financial, physical, and informational. While human resources (HR) have always been critical to the success of any organization, they have assumed an increasingly greater importance that is being recognized inside and outside work organizations. Human resource management is a set of functions and activities to be used in the management of human resources in a nondiscriminatory, affirmative, and affective manner for the benefit of the organization, the individual and society in a given organizational and environmental Context.

Every business unit needs manpower for the conduct of different business activities. In fact, no organization can exist or operate efficiently without the support of manpower or human resource. Human Resource
Management focuses on all issues related to ‘people’ in the organizations such as human resource including top level managers, executives, supervisors and employees. A business organization has to estimate its future manpower needs and adjust its manpower planning and development programmes accordingly. This function of management is called ‘staffing’. Human resource management is concerned with practices involved in the acquisition, development, motivation and maintenance of people. Human resource management is also described as personnel management or manpower management. Without employee organisation does not exist, they are real assets of the organisation. So to manage and control this asset is very much necessary for each organization. For that purpose every organization investing money and time to get better result. Therefore, it is necessity to achieve the organizational goals.²

The research problem selected by the researcher is of vital significance in the present context because human resources are assuming augmented value in the organizational perspective. Personnel Management was neglected area in the past. But now, it has become the most powerful of all the functional areas of management. The success of organizations in this modern business environment depends on the manpower. Recruitment and selection are the most critical and significant human resources function. Unless the organization has the best available employees, it will not be able to grow and flourish in the market. When organizations choose the right people for the job train them well and treat them appropriately, these people not only produce good results but also tend to stay with the organization longer. Therefore, the research is an attempt to lighting on valuable asset of human resource. A study has been undertaken on the research topic- A Study of Recruitment and Selection
Process of Micro, Small and Medium Scale Industries in Marathwada Region.

1.1 MEANING OF HUMAN RESOURCE:

In an industrial unit, large numbers of persons are employed in order to conduct various operations and activities. This is treated as human resource or manpower employed. A business unit needs material resources as well as human resource for the conduct of various activities. Of all the "M"s in management such as Materials, Machines, Management, Money and the most important ‘M’ stands for Men i.e., manpower working in the organization. It is through manpower or employees that all other component of an enterprise-money; machines, materials, marketing, etc. are managed. In brief, Human Resource (HR) constitutes important and the most productive resource of an industrial unit.

In the words of Michael Jucius, ‘human resource means a whole consisting of inter related, inter dependent and interacting physiological, psychological, sociological and ethical components’.³

It is rightly said that "machines are important in the production process but the man behind the machines is more important". He transforms the lifeless factors of production into useful products. Human resource is an important asset of a business unit. Well-trained, loyal and efficient team of workers brings success and stability to a business unit. This suggests the importance of human resource in business. People and the organization are inter-related and interdependent. Organization moves towards success only by using its available human resource purposefully. Similarly, employees get various monetary and other benefits through the success of their organization.
1.2 HUMAN RESOURCE MANAGEMENT:

Human resource management or personnel management is the planning, directing, controlling and organizing of the procurement, development, integration, separation, composition and maintenance of human resource to the end that individual, organizational and social objectives are accomplished.\(^4\)

The people are instrumental for the success of organization. If human resource management practices are good, then the organization will be effective and efficient. That ‘Efficiency’ is reflected by the success in goal achievement. It’s ability to achieve the output with very little inputs of resources. An organization that is unable to achieve effectiveness or efficiency will eventually die. Survival is dependent on the human resource manager’s competence to coordinate the activities of all the people in the organization. Various areas such as recruitment and selection, wage payment and industrial relations are covered under human resource management.

1.3 HUMAN RESOURCE DEVELOPMENT:

Human Resource Development means to develop available manpower through suitable methods such as training, promotions, transfers and opportunities for career development. Human Resource Development programmes create a team of well-trained, efficient and capable managers and subordinates. Such team constitutes an important asset of an enterprise. One organization is different from another mainly because of the employees working therein. According to Peter F. Druker, "the prosperity, if not the survival of any business depends on the performance of its managers of tomorrow". The human resource should be raised and used for the benefit of the organization.
Potential employees will never remain potential for ever. Some of them have entered into the organisation with minimum qualifications. Later, the organizations expect more performance from them for which the employees are required to acquire higher qualifications. Some other employees may enter in the organisations with suitable qualification and skills. But their ability will become obsolete as ever growing improvements taken place in technology of course, organizations change overtime and management. To ensure that there is need to have an appropriate match of individual abilities with organizational needs for the future. All these will be considered in development function.\(^5\)

### 1.4 IMPORTANCE OF HUMAN RESOURCE IN MANAGEMENT:

Human resource management is a science of managing diverse characteristics of human being. Human resource management is multidimensional quality of discussion on human resource management is insufficient. The organisation is combination of human being showing multiple characteristics such as, acquiring talents, improving their caliber, inspiring them to put maximum efforts and making the people to extend their whole hearted dedication to the organisations that is, inevitable to achieve organizational goals.\(^6\)

Human resource is the most important resource in management and needs to be used efficiently. This is because success, stability and growth of an organization depend on its ability in acquiring, utilizing and developing the human resources for the benefit of the organization. In the final analysis, it is the people i.e. employees who produce promising results and generates a climate conductive to the growth and development of an organization. Human resource is a highly productive corporate asset and the overall performance of companies and corporations depends upon
the extent to which it is effectively developed and utilized. It is the most
delicate factor of production and need not be treated merely as a
commodity to be bought and used in factories.

According to Peter Drucker, "The function of management is to
manage managers, workers and work". The importance of manpower in
business management has now been universally accepted. Employees can
have a capacity to grow and develop, if suitable opportunities are offered.
They give positive response to monetary and non-monetary incentives,
training opportunities, favorable work environment and motivation.
According to Pigors and Myers, "Good management means getting
effective results with people". This focalizes the importance of human
resource.

Human resource is certainly important even in this age of extensive
use of computer technology. This is because machine cannot be used as a
substitute for human brain which has capacity to think, assess and react.
So one can say that man is a power rather than man has a power.
Progressive and professional managements invest huge funds on training
and development of human resource and this suggests the importance of
human resource and its contribution in industrial and economic
development. Professionally managed companies in India such as Larsen
and Toubro Ltd, TELCO, Reliance, etc. are giving special importance and
good attention to Human Resource Development.

The following remark of Shri DhirubhaiAmbani, former chairman
of Reliance Industries Ltd. (made in the 21st AGM held on 3/8/95), is
worth noting in this regard, "Our People: People are assets you can never
show on a balance sheet. Our company has a human resource asset of
around 12,500 people; 3,000 of which constitute scientific and technical
manpower. Every year we add over 450 young professionals. These motivated and well-trained people are the backbone of our business. The team is young in spirit, conscious of its responsibilities and committed to building world class assets for the country”.

Although there are many reasons for providing human resource management, the major four are:

1. The costs associated with human Resources.
2. The productivity crisis.
3. The increasing pace and complexity of social, culture, legal and educational changes.
4. The symptoms of dysfunction in the workplace.

1.4.1 Human resource costs: Today corporations realize that it pays to be concerned with how they manage their human resource. Top management has finally realized that the people costs are as important as other costs. Management realizes that its important assets are not simply financial resources but utilizing as effectively the people at the right time and place to make a thing go.

The positive results from personnel activities designed to manage and develop human resource effectively are significant reduction in accidents, absenteeism, and error rates and significant increases in morale, quality of the product or service, and productivity and profits, their important byproduct. For example, After conducting several surveys to measure employee attitudes and morale, Ruben krigsman, manger of personnel research at union carbide corporation, instituted several new training programmes and reorganized the workplace which gave the blue-
collar workers more responsibility. The result in just three months, productivity soared by 25%, the amount of finished goods passing inspection jumped from 50%, to 80%, and absenteeism dropped from 5% to 3%.

1.4.2 The productivity crisis: During the 1960s, productivity in the United States increased at an annual rate of about 3 per cent. By 1973 it was nearly zero. It fell sharply in 1974, resulting in a decline in the rate of productivity.\(^8\) From 1973 to 1978, the increase in the annual rate of productivity in major industrial states averaged 3.1% in Japan, 3.2% in West Germany, and 0.4% in the United States. In addition, the average Japanese auto workers produce between forty and fifty cars a year, compared with twenty-five in the United States and eleven in West Germany. This productivity crisis is not only a real threat to the U.S. economy but also underlines the importance of human resource management. This is so, because to date the more effective management of human resources seems to be the best hope for stopping the slide in productivity. Human resource managers will have an unprecedented opportunity to have the ear of top management if they can propose concrete solutions to these real problems.

1.4.3 The pace and complexity of change: Several ongoing changes in the cultural and educational levels and social order of the United States have contributed to the concerns of human resource management. For example, because midlife career changes are becoming more common and most occupations require increased knowledge, training and development programmes for all employees have developed rapidly. In 1940 the U.S. Department of Labour was enforcing 16 statutes and executive orders affecting
personnel practices. By 1960 the number had grown to 40, and today there was no more than 130. In 1952 women made up less than 33% of the work force. Today make up approximately 45%. The changes in the percentage of women in the work force are even more dramatic when 1920 is compared with 1980.

The current work force is generally becoming more knowledgeable and better informed. Whereas in 1970 only one of eight workers had a college degree, in 1980, one of every four workers who entered the labour force had one. These high-quality human resources are potentially more productive. However, this opportunity present a real challenge to organizations; ‘as society becomes better informed, it also tends to become more critical, less accepting of authority and more cynical.’ Young workers appear to be particularly cynical about decisions made by supervisors and correspondingly more resistant to authority. Older workers however, still tend to ‘reflect earlier values of society and are, therefore, more inclined to be organization people, to accept authority and to seek primarily the satisfaction of lower level needs at work’. Thus, the effective management of human resources requires not only knowing of how to manage and channel the skills of young workers but also knowing of how to manage a work force with a mixed set of values.

1.4.4 Symptoms at the workplace: Rapid social changes have been accompanied by changes in the relationship between the worker and the job. Some of the terms used to describe what is happening in the workplace include worker alienation, boredom, and job dissatisfaction. These symptoms are often associated with decreasing motivation and increasing counterproductive behavior
and worker demands on the workplace. Although these symptoms can certainly be found in most workplaces, whether they are factories or offices, public or private organizations, the extent to which they are reported to exist in the workplace varies greatly.

1.5 OBJECTIVES OF HUMAN RESOURCE MANAGEMENT:

The main objective of Human Resource Management is to take care of the work life of the employees from the joining to leave of the organization with ensuring their best possible cooperation in achieving the organizational goals and objectives. Keeping this broad view in mind the following one key objective of the present study.

1.5.1 Help the organisation to rich the goals: It is the most important objective of Human Resource department. Human Resource Managers need to get the right people to the right place at the right time and then help them in maximizing their performance and future potential to help the organisation for achieving its organizational goal.

1.5.2 To provide trained and motivated employees: Human resource Management requires employees be motivated to use their maximum efforts, their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.

1.5.3 To develop and maintain adequate manpower: The human resource manager need to estimate the employees turnover and number of vacancies to be arise out of turnover and also assessing the personnel requirement in near future.

1.5.4 To keep job satisfaction of employees: The success of organisation is depended on the efforts of employees and they
work hard when they satisfied. Therefore, it is a must to keep them satisfied by providing monetary and non-monetary benefits.

1.5.5 **To maintain good communication with employees:** It is the responsibility of human resource management to communicate with employees and keep the positive relation between employees. Manager should share ideas, opinions and feelings of employees giving feedback to the employees about their achievements and drawbacks to rectify their growth.

1.5.6 **To employ the skills and abilities of the workforce efficiently:** Choose the high efficient individuals, attract and orienting them also keep the employees happy and encourage doing everything possible for organisation.

1.5.7 **To make employees caliber:** To make employees caliber by organizing training and quality improvement programmes for developing skills, enhancing productivity and increasing individual and organizational performance to achieve the desired results.

1.6 **SCOPE OF HUMAN RESOURCE MANAGEMENT:**

The human resource management covers wide area of activities in organisation and concepts in the whole corporate sector. It covers the all functions of human resource manager i.e. Human Resource Planning, Recruitment and Selection, Training and Development, Employees placement, Promotion, Demotion and Transfer, Incentives and Remunerations and basic amenities like canteen, dining halls and rest rooms, travel facility, educational facilities, recreation and health and safety measures.8
The Institute of personnel Management (IPM) has mentioned the Human Resource Management as following ways:

1.6.1 **Labour aspect**: This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay-offs and retrenchment, remuneration, incentives, and productivity etc.

1.6.2 **Welfare aspect**: This aspect is related with the working conditions and amenities such as canteen, crashes, rest room, housing, transport, medical assistance, education, health, safety, recreation facilities etc.

1.6.3 **Industrial relations aspect**: This aspect deals with pertains to union-management relations, joint consultations, collective bargaining, grievance and disciplinary, actions and settlement of disputes.

1.7 **NATURE OF HUMAN RESOURCE MANAGEMENT:**

Human Resource Management is a process of bringing people and organisations together so that the goals of each one are met. It tries to secure the best from people by winning their wholehearted co-operation. It is the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.  

1.7.1 **Pervasive force**: Human resource management is comprehensive and pervasive in nature. It is present in all organisations and at all level. It is not limited to industry only it is useful to all over. Each and every manager is concerned with human resource function.
1.7.2 People oriented: Human resource management is a people oriented function and it is involved with employees as individuals as well as group. It tries to put people on assigned jobs in order to produce excellent results.

1.7.3 Science as well as Art: Human resource management is a science because it has contains of organized body of knowledge consisting of principles and techniques, Human resource management is an art because it involves the application of theoretical knowledge. Handling people is one of the most creative arts.

1.7.4 Recent origin: As compared to other areas of management, human resource management is comparatively a young discipline. It started in the later part of the nineteenth century.

1.7.5 Action oriented: It focuses on attention action instead of record keeping, written procedures or rules. The problems of employees at work are solved through employee friendly policies aimed at eliminating tension-points, resolving controversies, securing co-operation with a clear intent to move closer to the hearts of people.

1.7.6 Comprehensive function: The main function of human resource management is to manage people at work. It is comprehensive function which covers all types of people at all levels in the organisation. In other words, it applies workers, supervisors, officers, managers and any other type of personnel in the organisation. It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation.
1.7.7 **Continuous function**: According to Terry, human resource management is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

1.8 The Human Resource Process:

Human resource management is a perennial activity. Highly caliber managers and trouble shooters are given timely promotions, otherwise they leave the organizations for prosperous opportunities and some of the incompetent employees behave rudely for their inefficiency. Subsequently, organizations require persons to bridge their gap for want of possessing a right number of personnel suitable for these various vacancies raised to accomplish the organizational goals. \(^{11}\)

1.9 Human Resource Management: Yesterday and Today

Since industrial revolution management of the workers was the central management problem in the business. The main problems were:

- How to attract right people
- How to get workout from them
- How to retain them

In the first stage of industrial development the manager or entrepreneurs faced this problem. They considered labour as an adjunct to be hired and manipulated according to the needs of the enterprise. Though initially from the village there was neither ‘push’ nor ‘pull’ from the industry, the labour force had to join organization not by attraction or
monetary reward, but by compulsion of force and fear. Gradually, the problem of getting labour force was less. After joining the industry, labour force became organized themselves with the guidance of the ‘social helpers’ and started demanding fixed wage structure, working hours, safety in the work place, and different welfare facilities. Under this circumstance, the managers faced the problem of how to get work from them. The questions before them were – can stable service condition and working condition satisfy the needs and demands of the labour force for effective utilization? As a consequence of this, many pro-management labour laws were introduced in all industrialized countries to introduce some aspect of working conditions and welfare facilities. Attempt to handle the demands through the limited statutory benefits could not satisfy the increasing needs and demands of the labour force and thereby aggravated the problem of utilization of labour. It was then realized that control oriented, welfare-centered ‘personal’ management would only increase the dimension of the problem. In order to utilize them, there is a need for their integration and involvement with the organisation and task. To achieve this, management has to operationalize result-oriented, development centered personnel management. This will ensure both utilization and retention of manpower. Man at work will thus realize task is mine and organisation is mine. There should be, the purpose of human resource management i.e. looking objectively not subjectively for the fulfillment of organizational goals.12

1.10 Role of the human resource department:

Human resource management is occupying invaluable significance as multinational companies relocate their operations to those geographical areas where they can extract the maximum for their human resource currency. When large scale organisations wanted to retain their domestic
operations and still is competitive regarding price and quality, they ought to widen the caliber of their human resource.13 Not all organizations consider the human resource department to fulfill important functions. In fact, there was a time when the personnel director was primarily concerned with only blue-collar workers: he had little effect on company policy(s). He was viewed as little more than a record keeper and director of recreation, one chief duty being to preside at retirement parties. In fact, because of this record keeping, flag-waving role played by the personnel department in the past and in some organizations in the present comments like the following became common, the image of personnel is zero, through some gripes are unjustified. Personnel are reluctant to get rid of its obvious nonperformers. The image of personnel in the community is poor.

But today in many organization and communities the role and image of the personnel department is changing. The human resource management is becoming more and more representative. Even the title of Human resource Development/Management reflects the expanding roles and growth in importance.

**Personnel policy formulation:** The role of personnel department is providing information to be used by top management. The specific type of information includes the concerns of the employees and impact of the external environment, particularly federal and state regulation, in the use of human resources.

Personnel staff can also provide advice in the process of policy formulation. The chief executive may still make policy statements, but these could be regarded as drafts of policy. Formal adoption of a final policy can then take place after others, such as the personnel manager and
line managers, have had a chance to provide their comments. At Honeywell there is an executive employee-relations committee composed of five operation group vice presidents and five staff vice presidents, that is the senior policy board for employee-relations issues. This committee not only helps and ensures extensive informational input into personnel policies but also increases their likelihood of being accepted. This acceptance then eases the way for the implementation of personnel policy, the next personnel role.

**Personnel Policy Implementation:** In reality, personnel programmers succeed because line managers make them succeed. The bread-and-butter job of the personnel department, therefore, is to enable line managers to make things happen. Thus, in the more traditional personnel activities such as Selecting, Interviewing, Training, Evaluating, Rewarding, Counseling, Promoting, and Firing, the personnel department is basically providing a service to line managers. In addition, the personnel department administers direct and indirect compensation programmes. Since the line managers are ultimately responsible for their employees, many of them see these services as useful. The personnel department can also assist line managers by providing information and interpretation of equal employment opportunity legislation and safety and health standards.

The responsibility of the personnel department in personnel policy implementation is to provide the services needed by the line managers on day-to-day basis, to keep them informed of regulation and legislation of human resource management, and to provide an adequate supply of job candidates for the line managers to select. But to fulfill these responsibilities, the personnel department must be accessible. When the department is not accessible, the personnel manager loses touch with the
needs of line managers. Consider this typical statement made by a line manager:

“If only the personnel people would visit us sometime, they might better understand what it is we do”.

The personnel staff should be as close to where the people and the problems are as possible. This is an organizing concern, so getting the personnel staff close to the action will be discussed in the section on organizing later in the chapter. One relevant comment on organizations is that getting the personnel staff close to the action involves decentralizing. But since the personnel functions and activities must be implemented with organizational consistency and integrity (to maintain fairness), the personnel and human resource department has to have a centralized auditing and controlling role.

**Audit and Control of Personnel Policies:** Today this role is one of the most critical, because of fair employment legislation. Various states and federal regulations are making increasingly sophisticated demands on organizations. Responses to this regulation can best be made by a central group supplied with accurate information, the needed expertise, and the blessing of top management. Expertise is also needed for implementing many personnel activities such as distributing employee benefits. Hence since having personnel experts is costly, organizations hire as few as possible and centralize them. Their expertise then filters to other areas of the organization.

In an organization with several locations and divisions or units, has often tension between the need to implement policy at the point of action (decentralization) and with other organisation units. There is also tension between for decentralization and the need for having the expertise
necessary to comply with complex regulations and advising on the best method for personnel activities. The audit and control role will be discussed at greater length in the section on organizing of the personnel and human resource department.

**Innovation:** A final important and ever-expanding role for the personnel and human resource department is that of providing up-to-date application of current techniques and of developing and exploring innovative approaches to personnel problems and concerns.

Naturally, the innovative role must be in tune with the times and set of issues confronting a particular company. In the periods of rising inflation, escalation wage, and salary demands, the emphasis must be on compensation issues. In times of retrenchment and falling profits, creative work sharing and lay-off plans should be needed.

Today, there are many issues confronting the personnel department that require it to actively fulfill its innovation role. It might be said that the personnel department stands between an irresistible force and an immovable object. The irresistible force is the desire of a growing proportion of the employed population for emancipation from repetitive work, authoritarian bosses, and all sorts of job stresses. The immovable object is the necessity of getting people to work harder and smarter in order to survive in an increasingly competitive and unpredictable environment. Thus, the personnel manager has to devise methods for satisfying the needs of the employees, who are preoccupied with getting the most out of the system, while getting them to contribute their best.

Times have changed since the days of the laissez-faire approach to personnel management, when the personnel manager was the one who arranged the Christmas party and the retirement parties. From the
perspective of using an organization’s human resources, all the easy yards have been gained; the yards ahead will be increasingly tough. A purpose of this book, therefore, is to help to smooth those yards for you—whether you are a line manager, a personnel manager, or a student preparing for a career in organizations.

**Organizing human resource department:** Several issues related to the organization of human resources have already been introduced.

a) The need for the personnel and human resource staff to be where the action is and to identify with the organization they are a part of,

b) The need for a fair and consistent application of personnel policies in the organization, regardless of how small or large and diversified it is,

c) The need for the views of the personnel department to be an integral part of personnel policy,

d) The need for the personnel department to have sufficient power and authority to help ensure that personnel policies will be implemented without discrimination, legally and affirmatively,

e) The need for the personnel department not just to react to personnel crises but to be active and innovative in dealing with human resource management.

**1.11 Who is responsible for human resource management?**

**The Managers:** Human resource management is the task of individuals who have specialized in and who are primarily responsible for
personnel and of individuals not specialized in but often responsible for the day-to-day implementation of personnel functions and activities (line supervisors and line managers). This does not mean that the personnel manager never implements personnel functions and activities or that the line manager does not get involved in their development and administration. Indeed, these two managers are interdependent in the effective management of human resources. Nor can the effective management of human resource occur without the support and direction of top management. Top management influences the number and execution of personnel functions and activities in an organization. This influence is best shown by the role of top management which allows the personnel manager and department to play in an organization.

**The Employees:** Increasingly employees are taking a role of kin personnel and human resource management. For example, employees may be asked to appraise their own performance or their colleagues. Employees may also help to determine their own performance standards and goals. It is no longer uncommon for employees to write their own job descriptions. Perhaps most significantly, employees are taking a more active role in managing their own careers, assessing their own needs and values, and designing their own jobs.

**1.12 HUMAN RESOURCE MANAGEMENT AS PROFESSION:**

Human Resource management is emerging as a profession. Human resource management functions occupy a much more important position in most organisations and there for various universities, colleges, and business schools and offer a variety courses. Some time ago human resource managers were often assigned the ‘people functions’ in an
organisation because they did not have the talents to work in production, finance, marketing or other important areas.\textsuperscript{14}

The following criteria are filled by the human resource management as a profession:

- **An organized body of knowledge:** There has been a tremendous increase in the knowledge about human resource management in recent years. A human resource manager can’t perform his job effectively without proficiency in these concepts and principles.

- **Formal education and training:** Human resource management functions occupy a much more important position in most organisations and hence various universities, colleges, and business schools, offers a variety of human resource management courses for education and training for Human resource management.

- **Existence of association:** The National Institute of Personnel Management, Kolkata (NIPM) prescribes a code of conduct for personnel managers. The government of India has established a separate ministry to regulate the activities of human resource management institutions.

- **Existence of ethical code:** The National Institute of Personnel Management (NIPM) is one such institute with several regional councils and a large number of members. It sets a code of conduct for its members. Every member of a profession should observe a code of ethics prescribed by the regulatory authority.

- **Charging of fees:** The most important criteria of profession are charging the fees for the service and human resource manager also charge the fees for his service.
From the above discussion we can say that the human resource management fulfills the criteria of profession and hence more and more people viewing to human resource management as a career and taking interest in human resource management.\textsuperscript{15}

**1.13 FUNCTIONS OF HUMAN RESOURCE IN MANAGEMENT:**

Six human resource management functions and activities are described as:

1. Planning the organizational human resource needs
2. Staffing the organizational human resource needs
3. Appraising and compensation the organizational human resources
4. Training and developing the human resources of the organization
5. Establishing and maintaining effective labour relations
6. Improving and analyzing the organizational environment

These functions represent the essence of personnel management. Although the personnel departments of many organizations may not currently be performing all these functions, the trend is clearly in the direction of performing them all.

**1.14 PLANNING FOR HUMAN RESOURCE MANAGEMENT:**

The two major activities in this function are planning and forecasting the organization short term and long term human resource requirements and analyzing the jobs in the organizations and determining the skills and abilities that are needed. These two activities are essential for effectively performing many of the personnel management activities. For example, they help to indicate:

1. What types of employees and how many the organization needs today as well as tomorrow?
2. How the employees will be obtained (for example, from outside recruiting or by internal transfers and promotions), and
3. The training needs the organization will have.

In fact, these two activities can be viewed as the major factors influencing the staffing and development functions of the entire organization.

Although these two activities are 50 vital in the management of human resources, most organization has only recently incorporated them into personnel departments. Today, in almost all of the nation’s 500 largest industrial companies, personnel managers have responsibility for human resource planning; this was true for only a handful of companies five years ago. Organizations are increasingly relating human resource planning to corporate goals of strategies. Typical of the trend is Tenneco’s requirement that vice presidents submit five-year “executive resources” plans along with five year business plans:

“If a division, for example, is planning to shift from a marketing to a production orientation, the company vice-president of employee relations must make certain that it is planning not only to develop a large enough production staff to meet the new demands in that area, but also to make a suitable reduction of marketing specialists.”

1.15 Staffing the organization:

Once the organizations human resource needs have been determined, they have to be filled. Thus staff activities become necessary. These include:

a) Recruiting candidate
b) Selecting from among the job applicants those most appropriate for the available jobs

c) Socializing and accommodating newly selected employees

The organization must cast a wide net for potential employees in order to ensure a full and fair search for job candidates. Time was when the organization could rely on “walk-ins” to provide the major source of supply for nonexempt employees; it could choose exempt employees from traditional sources. If a comer was spotted, the organization might carefully tailor the job description so that the requisite experience fit him-and probably only him-to the job. Now, however, the organization must prepare job descriptions and specify requisite experience and training with care and publicize its openings. These recruiting procedures apply to external candidates (those not currently employed by the organization) as well as to internal candidates (those who are currently employed by the organization).

After the candidates have been identified, they must be selected. Common procedures used in selection include obtaining completed application forms or resumes, interviewing the candidates; checking education, background, experience and references; and various forms of testing. Regardless must be based on job-related standards. In other words, any criteria a manager chooses to use-from candidate’s experience or education to performance on any pre-employment test must be demonstrably related to job performance. In other words, selection procedures must result in a match between a candidate’s ability and the abilities required by the job.

Although this match assures the organization of getting someone who can do the job, it does not always ensure that the new employee will stay. One consequence of this is an increased concern for providing a
match between the candidate’s needs and the rewards associated with the job. Another consequence is greater attention to the process of bringing the new employee into the organization. The organization must not only convey. Its expectations (socialization) to the new employee (the traditional orientation session being one means to do this but must also adapt to the employees’ expectations (accommodation).

**Appraising and compensating employees:** After employees are in the job, it becomes necessary to determine how well they are doing and reward them if they are doing well. If they are doing well, it becomes necessary to determine why. This determination may indicate that the reward structure needs to be changed. It may also indicate that employee training is necessary or that disciplinary action must be taken.

Employees are generally rewarded on the basis of the value of the job, their personal contributions and their performance. Although rewards based on level of performance can increase an employee’s motivation to perform, many rewards are more generally given on the basis of the value of job of employee. However, rewards based solely on the employee’s personal contribution-those provided just for being a member of the organization are rapidly increasing.

Which form of compensation is most fair? Which form is most effective for the organization? By what methods can jobs fairly be evaluated to determine their values? These questions and others are part of the appraising and compensating function which includes:

- Appraising employee performance
- Administering direct compensation on the basis of job evaluation
- Providing incentive compensation on the basis of performance level
• Administering indirect compensation benefits to employees of the organization

None of these activities is easy, but all must be done to ensure the effective use of human resources. They must be done not only to get employees to join the organization, to participate, and to perform but also to determine possible training and development needs.

**Training and developing Employees:**

Training and developing activities include training employees, developing management, and helping to develop careers. These activities are designed to increase the abilities of the employees of the organization in order to facilitate employee performance. The training and development function includes determining, designing, and implementing employee training and development programmes to increase employee ability and employee performance. Employee training and development programmes may see as activities meant to increase employee performance in the short run, whereas career management can be seen as a way for the employee and the organization jointly to increase employee performance and long-run satisfaction. It is very true, though seemingly trite, to say that the continuity and success of any organization depends to a great extent on its ability to attract, evaluate, develop, utilize and retain well-qualified people at professional and managerial levels.

Translated into fewer words, this merely means that a successful organization must have well organization and administered human resource and career planning programmes? Thus, the second activity in the training and developing function is designing and providing opportunities for managing careers.
Establishing and maintaining effective labour relations: This function is composed of two sets of activities that relate to how employees organize themselves in dealing with the organization and how the organization bargains and negotiates with its organized employees. Specifically, the activities are:

- Understanding the reasons and methods used by employees in organizing
- Bargaining and settling grievances with employees and the organizations representing them

These functions are particularly important for organizations that have unionized employees. On the one hand, the formal union management relationship can effectively define the extent to which other personnel functions can be applied to the work force. On the other hand, the union-management relationship can be instrumental in developing new programmes for the improvement of human resources.

Improving and analyzing the work environment: Two activities in which the union-management relationship has been crucial for personnel management are:

- Improving the physical work environment to maximize employee safety and health
- Improving the socio psychological work environment especially in regard to the quality of work life and employee job stress

The federal regulations specified in the occupational safety and Health Act of 1970 has special influence in improving the work environment of employees. These improvements directly and positively influence the
physical safety and security of employees and their socio psychological well-being.

Remember that the primary purpose of the improvement activities is employee’s well-being (physical and mental) performance. In practice as well as theory, however, there is some overlap. For example, in many programmes designed to improve the socio psychological work environment, employee performance may increase along with satisfaction, responsibility and self-control. In order to effectively improve the quality of the work environment, one must first know what the work environment is like. This means that the personnel and human resource department must collect information on existing conditions and employees. These data can then be used to develop and implement programmes for improvements. After the programmes have been implemented, additional data are collected. The two sets of data are then compared, using such techniques as correlation coefficients and subgroup analysis.

Many of these techniques are also useful in the evaluation of such employment decisions as hiring and firing and other personnel functions. These techniques will grow more important as it becomes increasingly necessary to use human resources more effectively and to justify the existence and credibility of the personnel department. Hence, it is the third and final activity in improving and analyzing the work environment and collecting and using personnel data for effective human resource management.

Edwin B. Flippo motioned the function of human resource management. In the words of Flippo, “all the functions of human resource management have a basic objective to bring together expertise in a
scientific way and to create attitudes that motivate a group to achieve its goals economically, effectively and speedily. He has enumerated two main functions of human resources management i.e. managerial functions and operative functions”.16

A. Managerial functions: A manager is one who exercises authority and leadership over other personnel. As a manager, the personnel manager must perform the basic functions management. The listing of major management functions varies with the experts. Perhaps the original listing was that of Henri Fayol in General and Industrial Management. He proposed a sequence of planning, organizing, commanding, coordinating and controlling. Luther Gulick calls these functions as POSDCORB i.e. planning, organizing, staffing, directing, coordinating, reporting and budgeting. Some others suggest that i) planning, organizing and controlling ii) planning, Organizing, staffing, directing, controlling, innovating, and representing and iii) just planning and controlling. The differences are in emphasis rather than in content.

B. Operating Functions: An operative is one who has no authority over other but who has a specific task or duty to perform under managerial supervision, operative functions of personnel management are also known as service functions of routine functions and they are concerned with the activities like procuring, developing, compensating, integrating, and maintaining an efficient workforce.17

1.17 ROLE OF HUMAN RESOURCE MANAGER:

Human resource manager have to perform several roles for example, to discharge their duties and responsibilities i.e. recruiters,
placement specialists, training and development specialists, employee welfare experts, employee benefits specialists, compensation and job analysis specialists, labour relations experts and human resource information system specialists, apart from being good counselors. For instance, Armstrong points out that human resource practitioner have to play the roles of business partners, strategists, interventionists, innovators, internal consultants, monitors and volunteers.¹⁸

As well as the role of human resource manager in the organisation can be explained as follows -¹⁹

- **Advisory Role:** The human resource manager has functional relationship with the other departments of the organisation, as a specialist, the manager advises the heads of the departments about manpower planning, recruitment, selection, training, compensation, appraisal etc. Human resource manager is responsible for conveying the problems, grievances and giving opinions of workers to management and also provides the suggestions and assistance to win the confidence and cooperation of workers.

- **Counseling Role:** Playing the role of as a counselor. The manager can discuss the various problems of the employees relating to work, career, their subordinator, supervisor, colleagues, health, family, financial, social etc. and suggest them to remedies to solve them or overcome those problems.

- **Mediators Role:** The human resource manager often acts as a mediator. Whenever there is conflict between the employees-manager, employees-employees, manager-manager, employees-owner or superiors and subordinates then manager plays the role of mediator to solve the conflict and maintain the peace.
• **Liaison Role:** Acting as a representative of the organisation so as to give an overall picture of the organizational operations to the employees particularly in case of industrial disputes or grievance redressal and also provide the all necessary news to management.

• **Legal Role:** The human resource manager plays this firefighting role of grievance handling of settlement of disputes, of disciplinary cases, collective bargaining, joint consultation, interpretation and implementation of various labour laws, contacting lawyers regarding court cases, filing suits in labour courts, industrial tribunals, civil courts and the like.

• **Welfare Role:** Under section 49 of the Factories Act, a welfare officer has to be appointed in specific factories. Personnel manager is expected to be the welfare officer of the company. As welfare offices, he provides and maintains canteens, hospitals, crèches, educational institutions, clubs, libraries, conveyance facilities, cooperative credit societies, consumer stores etc.

• **Controller’s Role:** The human resource manager advice and service is essential for monitoring and controlling the progress. As an arm of the top management, the human resource manager ensures that the human resource policies and procedures approved and adopted by the management are being consistently carried out in all the departments.

• **Other Roles:** Apart from this human resource manager plays the various roles i.e. the role of change agent, conscience, human relations role.

### 1.18 QUALITIES OF HUMAN RESOURCE MANGER:

For being a successful human resource manager the manager have good knowledge and some qualities to perform his duties. He or She
should have the working knowledge in the field of business administration, law, behavioral sciences, industrial psychology, sociology, political science, economics, statistics, engineering, finance and computers. Apart from this He or She would require the following personal qualities and skill to become successful human resource manager.20

- **Knowledge:** Knowledge is the most powerful weapon to get confidence and respect of subordinates. The human resource manager must have the comprehensive knowledge in his field and need to know the concept, principles and theories of human resource management and other related fields.

- **Communication Skills:** The human resource manager must have good communication skills to share his ideas, plans and his opinion effectively with employees and it is important to achieve better cooperation and unity. It is also desirable for him to have a functional knowledge of the languages of the employees to effectively communicate with them.

- **Intelligence:** intelligence means the mental ability to properly to understand the nature of the problem existing in a situation which may require a solution. The human resource manager should be able to understand the situation quickly and manage it before it becomes unmanageable. He should also be able to properly examine the situation to solve it.

- **Empathy:** The human resource manager should learn to view the issues affecting the employees from their perspective. He should not only depend on his formal authority in dealing with the employees grievances but also use his informal relationship to
settling them. He should honor others opinions, sentiments, rights, beliefs, and values.

- **Emotional Maturity:** It is essential for the human resource manager to have emotional maturity and tolerance in dealing with the employees. He should always be rational and not emotional in his approach. He must show parental care in attending to their needs. He should not have any ill-feelings towards any employee on the basis of his past behavior.

- **Leadership and Motivational Qualities:** The human resource manager should be good leader and have a motivational quality to motivate the workers to fulfilling the goals and objectives of them. He also maintains the employees motivated toward the achieving organizational goals.

- **Other Qualities:** In addition to these qualities human resource manager must have a good character, objectivity, fairness, personality, physical strength and stamina for effectively discharging his duties successfully.

**1.19 MICRO, SMALL AND MEDIUM ENTERPRISES:**

Micro, small and medium scale industries play a vital role in economic development. Small and large scale industries are two legs of industrialization process of a country. Small scale industries have been given an important place in the development since beginning. Development of India depends primarily on its Small and medium scale industries. It may be regarded as powerful tool for development of a predominantly agricultural country like India. The Micro, Small and Medium Enterprises (MSMEs) contribute about 7-8 per cent of India’s GDP, 45 per cent of the manufacturing output and 40 per cent of the exports. They are recognized as the engine of growth for the Indian
economy. After agriculture, MSME sector employs the largest number of persons. Hence the researcher selected the MSME for the study.

**Introduction of MSME:**

Micro, small and medium enterprises sector occupies an important position in the state’s industrial economy and continues to contribute to industrial production, export, creation of employment opportunities, etc. In most of the developing countries like India, Small Scale Industries (SSI) constitutes an important and crucial segment of the industrial sector. They play an important role in employment creation, resource utilisation and income generation and helping to promote changes in a gradual and phased manner. They have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons. The reasons are obvious.

The scarcity of capital in India severely limits the number of non-farm jobs that can be created because investment costs per job are high in large and medium industries. An effective development policy has to attempt to increase the use of labour, relative to capital to the extent that it is economically efficient.

Small scale enterprises are generally more labour intensive than larger organizations. As a matter of fact, small scale sector has now emerged as a dynamic and vibrant sector for the Indian economy in recent years. It has attracted so much attention not only industrial planners and economists but also of sociologists, administrators and politicians.

**1.20 HISTORY OF SMALL SCALE INDUSTRY:**

Ministry of Agro and Land Rural Industries and Ministry of SSI have been merged into a single namely Ministry of Micro Small &
Medium Enterprises. The President under Notification 9th May 2007 has amended the Government of India (Allocation of business) Rules 1961, Pursuant to this amended Ministry of /agro and rural Industries (KrishiEvamGraminUdyogMantralay) and ministry of SSI (LaghuUdyogMantralay) have been merged into a single Ministry, namely, Ministry of Micro Small & Medium Enterprises (SukshamLaghuAurMadhemUdyamMantraly).

1.21 MEANING AND CONCEPT OF SMALL AND MEDIUM SCALE INDUSTRIES:

Defining small and medium scale industries is a difficult task because the definition of small-scale industry varies from country to country and from one time to the another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country. Small and medium enterprises are companies whose headcount or turnover falls below certain limits.

In a way small and large scale industries are two legs of industrialization process of a country. Small scale industries have been given an important place in the framework of Indian planning since beginning. Small Scale industry comprises of a variety of undertaking the definition of SSI varies from one country depending upon the pattern and stage of development, Government policy and administrative set up of particular country.

According to the Fiscal commission 1950, for the first time defined as “Small scale industries as one, which is operated mainly with hired labour usually 10 to 50 hands.”
Every country has set its own parameters in defining small-scale sector. Generally, small-scale sector is defined in terms of investment ceilings on the original value of the installed plant and machinery. But in the earlier times the definition was based on employment. In the Indian context, the parameters are as follows.

The Fiscal Commission, Government of India, New Delhi, 1950, for the first time defined a small-scale industry as, one which is operated mainly with hired labour usually 10 to 50 hands.

Fixed capital investment in a unit has also been adopted as the other criteria to make a distinction between small-scale and large-scale industries. This limit is being continuously raised up wards by government.

The Small Scale Industries Board in 1955 defined "Small-scale industry as a unit employing less than 50 employees if using power and less than 100 employees if not using power and with a capital asset not exceeding Rs. 5 lakhs".

The initial capital investment of Rs. 5 lakhs has been changed to Rs. 10 lakhs for small industries and Rs. 15 lakhs for ancillaries in 1975. Again this fixed capital investment limit was raised to Rs. 15 lakhs for small units and Rs. 20 lakhs for ancillary units in 1980. The Government of India in 1985 has further increased the investment limit to Rs. 35 lakhs for small-scale units and 45 lakhs for ancillary units.

Again the new Industrial Policy in 1991 raised the investment ceilings in plant and machinery to Rs. 60 lakhs for small-scale units and Rs. 75 lakhs for ancillary units.
As per the AbidHussain Committee's recommendations on small-scale industry the Government of India has further raised investment ceilings to Rs. 3 crores for small-scale and ancillary industries and to Rs. 50 lakhs for tiny industry in March 1997.

The new Policy Initiatives in 1999-2000 defined small-scale industry as a unit engage in manufacturing, repairing, processing and preservation of goods having investment in plant and machinery at an original cost not exceeding Rs. 100 lakhs.

In case of tiny units, the cost limitation is up to Rs. 5 lakhs. Again, the Government of India in its budget for 2007-08 has raised the investment limit in plant and machinery of small-scale industries to 1.5 crores. An ancillary unit is one which is engaged or proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediaries or rendering services and the undertaking supplies or renders or proposes to supply or render not less than 50% of its production or services, as the case may be, to one or more other Industries undertakings and whose investment in fixed assets in plant and machinery whether held on ownership terms or lease or on hire-purchase does not exceed Rs. 75 lakh.

For small-scale industries the Planning Commission of India uses terms 'village small-scale industries'. These include modern small-scale industry and the traditional cottage and household industry.

The definition for small-scale industrial undertaking has changed over time. Initially they were classified into two categories those using power with less than 50 employees and those not using power with the employee strength being more 50 but less than 100. However the capital resources invested on plant and machinery buildings have been the
primary criteria to differentiate the small scale industries from the large and medium scale industries. An industrial unit can be categorized as a small-scale unit if it fulfills the capital investment limit fixed by the government of India for the small-scale sector.

As per the latest definition which is effective since December 21, 1999, for any industrial unit to be regarded as Small Scale Industrial unit the following condition is to be satisfied: Investment in fixes asset like plant and equipments either held on ownership terms on lease or on hire purchase should not be more than Rs. 10 Million. However the unit in no way can be owned or controlled or ancillary of any other industrial unit. The traditional small-scale industries clearly differ from their modern counterparts in many respects. The traditional units are highly labour consuming with their age-old machineries and conventional techniques of production resulting in poor productivity rate whereas the modern small-scale units are much more productive with less manpower and more sophisticated equipments. Khadi and handloom, handicraft, village industries, coir are some of the traditional small-scale industries in India. The modern small industries offer a wide range of products starting from simple items like hosiery products, garments, leather products, fishing hook etc. to more sophisticated items like television sets, electronics control system, various engineering product especially as ancillaries to large industrial undertakings.

Nowaday’s Indian Small Scale Industries (SSI’s) are mostly modern small-scale industries. Modernization has widened the list of products offered by this industry. The items manufactured in modern small-scale service & business enterprises in India now include rubber products, plastic products, chemical products, glass and ceramics, mechanical engineering items, hardware, electrical items, transport
equipment, electronic components and equipment, automobile parts, bicycle parts, instruments, sports goods, stationery items and clocks and watches.

In India the enterprises have been classified broadly into two categories i.e. Manufacturing and Service Rendering. Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery for manufacturing enterprises and on equipments for Service Rendering Enterprises. The present maximum limit for investment to be classified as micro, small and medium enterprises is as under:

Table No. 1.1
Definitions of Micro, Small and Medium Enterprises

<table>
<thead>
<tr>
<th>Classification</th>
<th>Manufacturing Enterprises</th>
<th>Service Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Up to Rs.25 Lakh</td>
<td>Up to Rs.10 Lakh</td>
</tr>
<tr>
<td>Small</td>
<td>Above Rs.25 Lakh and Up to Rs.5 Crore</td>
<td>Above Rs. 10 Lakh and up to Rs. 2 Crore</td>
</tr>
<tr>
<td>Medium</td>
<td>Above 5 Crore and up to Rs. 10 Crore</td>
<td>Above 2 Crore and Up to 5 Crore</td>
</tr>
</tbody>
</table>

Definitions of MSME before 2nd October 2006

<table>
<thead>
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<th>Classification</th>
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<td>Up to Rs.10 Lakh</td>
</tr>
<tr>
<td>Small</td>
<td>Above Rs.25 Lakh and Up to Rs.1 Crore</td>
<td>Not defined</td>
</tr>
<tr>
<td>Medium</td>
<td>Not defined</td>
<td>Not defined</td>
</tr>
</tbody>
</table>

Source: MSME in India, An overview GOI-2008-09

1.23 SMALL AND MEDIUM SCALE INDUSTRIE’s IN INDIA:

India is an emerging economy with a population of more than one billion. Nearly 40 per cent of the population lives below the poverty line and 70 per cent of the population is dependent on the agriculture for sustenance. The economic reconstruction of India depends on the
balanced growth of economy in the field of agriculture and industry. There is no denying the fact that small scale industries are accepted as engine of economic development and promoting equitable development. The major advantage of small and medium scale industries is its employment generation at low capital cost. The intensity of labour of small and medium scale industries is much higher than that of the large enterprises. In India, the small and medium scale industries play an important role in the overall economic development of the country because capital and finance have been scarce in India; the Government of India has encouraged alternatives to agriculture and heavy industries like small and medium scale industries, which can operate on limited resources. A small scale industry can be operated by an entrepreneur without needing sophisticated machinery and modem technology. These industrial units can be established in semi urban and rural areas where the infrastructure is underdeveloped. The objective is to use local raw material for raising production with the help of local skills. Small and medium scale industries provide employment without affecting the main occupation agriculture of illiterate people in rural areas in India. The other advantages of small and medium scale industries are that these units need short gestation period in establishment, are less dependent on imported raw material and machinery and help in meeting a substantial part of demand of consumer goods.

1.24 Small and Medium Scale Industries and Human resource Practices:

Efficient management of human resource is crucial factor in determining the growth and prosperity of business enterprise. This is particularly true in the case of small industry where owners are forced to have a close and more personal association with their employees. It is
accepted that there exists lack of professional approach towards human resource and the managers unaware of the development that are taking place in management field, generally, and human resource management in particular. In general, small and medium scale industries are having somewhat apathy towards human resource management practices. Lack of resources and more importantly lack of will leads to non-existence of such practices. In many cases small entrepreneurs are even not found to be aware of them. The human resource management policy is a neglected area in majority of the units in this sector. Whatever such a policy exist, it was mostly related to fulfilling government statutory requirement.

With the advent of planned economy from 1951 and the subsequent industrial policy followed by government of India, both planners and Government earmarked a special role for small and medium scale industries in the Indian economy. Due protection was accorded to both sectors, and particularly for small scale industries from 1951 to 1951, till the nation adopted a policy of liberalization and globalization. Certain products were reserved for small scale units for a long time, though this list of products is decreasing due to change in industrial policies and climate.23

Small and medium scale industries always represented the model of socio-economic policies of government of India which emphasized judicious use of foreign exchange for import of capital goods and inputs, labour intensive mode of production, employment generation, non-concentration of diffusion of economic power in the hands of few discouraging monopolistic practices of production and marketing and finally effective contribution to foreign exchange earning of the nation with low import intensive operations. It was also coupled with the policy of de-concentration of industrial activities in few geographical centres. In
India, the micro, small and medium scale industries play a pivotal role in the overall industrial economy of the country. It is estimated that, in terms of value, the sector accounts for about 39 per cent of the manufacturing output and around 33 per cent of the total export of the country.\textsuperscript{24}

Further, in recent years the small and medium scale industries have consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labour intensity in the small and medium sector. It is estimated to be almost 4 times higher than the large enterprises.\textsuperscript{25} Small and medium scale industries developed in a manner, which made it possible for them to achieve the following objectives:

1.\textsuperscript{25} Objective of Small and medium scale industries:

1. To generate immediate and large scale employment with relatively low investment
2. To eradicate unemployment problem from the country
3. To encourage dispersal of industries to all over country covering small towns, villages, and economically lagging regions
4. To promote balanced regional development in the whole world country
5. To ensure more equitable distribution of national income.
6. To encourage effective mobilization of country untapped resource
7. To improve the level of living of people in the country
8. To understand the current status of the Small Scale Industries on the basis of various critical performance parameters like contributions, export and importance and the nature of competition

9. To identify the problems entrepreneurs are facing after liberalization and to understand the impact of liberalization and globalization on SSI

10. To propose a strategy for the development of the SSI

At the same time one has to understand the limitations of small and medium scale industries which are follows:

1.26 Limitations of Small and medium scale industries:

1. Low capital base
2. Limited concentration of one or two persons
3. Inadequate exposure to international environment
4. Inability to face impact of WTO regime
5. Inadequate contribution towards research and development
6. Lack of professionalism

1.27 CHARACTERISTICS OF SMALL AND MEDIUM SCALE INDUSTRIES:

Small Scale Industries are useful because of its following significant features.

1. Small Scale industry is generally a one-man show. Even the small unit which run by partnership firm or by company. The activities are mainly carried out one of partner or member.
2. In case of small scale industries, the owner himself/herself is a manager also. Thus, these units are managed in a personalized fashion.

3. Compared to Large unity, a Small Scale Industrial unit has lesser gestation period i.e. the period after which the return on investment starts.

4. The scope of operation of small industrial undertaking is generally localized catering to the local and regional demands.

5. Small scale industries resource and therefore can be located anywhere subject to the availability of these resources like raw material labour etc.

6. Small scale industries are fairly labour intensive.

7. Using local resources, small scale industries are more decentralized and dispersed to rural areas.

8. Compared to Large industries, Small scale industries are more flexible to adopt changes like introduction of new product, new method of production, new Materials, new market, new forms of organization etc.

1.28 PROBLEMS OF SMALL BUSINESS:

While the small entrepreneurs can set up a unit even with less capital, enjoy quick returns and have the flexibility to handle the vagaries of the market, they face many problems like the following:

1. Paucity of Finance: The small entrepreneurs possess a weak financial structure and find it extremely difficult to obtain credit because of lack of collateral security. This acts as a big handicap, especially in the initial stages, in most of their operations like their
ability to hire the best workers or to purchase the latest machinery and equipment or to acquire sophisticated technology.

2. Poor availability of power and other infrastructure: Though infrastructural bottlenecks are problems for big businesses, yet they can overcome these problems to some extent because of their financial strength e.g. generating their own power, or even influencing the government in framing its policies sometimes. The small entrepreneur has to battle with them.

3. Obsolete Technology: Most small businesses use old technologies because they cannot afford better. As a result the quality of their goods is inferior and the cost of production is higher than in case of other big ventures. This has acted as a serious handicap especially after opening up of the economy when they have had to compete with imported goods.

4. Marketing Problems: The small entrepreneur cannot supply standardized goods of high quality and as a result cannot compete with products of large companies or MNCs. They usually do not have a brand name or loyalty as there are hardly any funds for advertising or sales promotion. All these increase their marketing woes.

5. Poor Managerial and Organizational Skills: Usually the entrepreneur has to perform a multitude of diverse functions invariably without having any exposure to professional education or formal training. The large sector can hire the best qualified and trained people.

6. High Incidence of Sickness: 7 out of 10 small businesses usually falls sick and dies within 3to5 years. Main causes for this are a wrong choice of product, poor managerial skills, lack of
experience, poor quality of products because of the use of old technologies, etc.

Apart from the above-mentioned problems the small entrepreneur has weak bargaining power to deal with suppliers and financial institutions, has to face bureaucratic red Taoism and is unable to invest in R & D. After the opening up of the economy the small sector has been finding it extremely difficult to compete with the high quality goods available in the market.
REFERENCES:
