7.1 Conclusions

MSMEs referred to as the “engines of growth” by the Indian government is indeed a major driver for the economy of the nation. They participate by contributing to the decentralization of industries, use of indigenous resources, augmenting employment opportunities, even distribution of income, foreign exchange earnings, link for existing industries, entrepreneurial development and rural industrialization. Nevertheless, they are constantly delimited by the competition from larger firms and from within their sector itself as many of its counterparts produce low quality goods, and do not maintain the internationally accepted specific standards. Resource based theory highlights the importance of human capital to maintain competitive edge for individual firms. However, adequate supply of human resource in itself is not guarantee for the sustained growth of an organization. Management of the human resources through the formalization of HR practices within an organization lays the foundation for achieving synergy, fit and integration. Several factors like organization size, type of ownership, age, and large firm association have shown to influence the implementation of formal HR practices in MSMEs.

In the present study, organization size, labour agreement and large firm association were studied for a cause and effect relationship on formalization of human resource management using regression analysis. It was found that R-squared value was 0.329 when they were tested for total effect of the three variables on FHRMP. The result was positively contributing to firm performance and formalized HRM but labour agreement alone did not. Further p values were found to be significant, but r squares were slightly on the lower end. Suggesting only 33 percent of the antecedent contributes to formalization. Therefore, further casual telephonic or casual interviews with few MSME owners were conducted to analyse the reason added with secondary literature support. The main reasons that became evident from this study was the resource constraint, precarious working condition, owner’s decision, complicated legal
procedures and absence or less number of permanent employees became associated with the extent of formalization of human resource management practices. Despite of that, results showed presence of these variables contributed to organisational performance of MSMEs thereby showing the importance of the formalization of HRM practices.

Similarly, the combination of the factors also had a positive impact on the formalization of HRM. The pivotal role played by formal HR practices was elucidated by using FHRM as the mediator variable to understand the impact of other dependent variables on the organization performance. It was found that Organization size, type of ownership, age, and large firm association moderated the FHRM implementation which in turn influenced the organization performance. The data from the study was collected from 17 districts of Gujarat showing a fairly even distribution of the data across Gujarat. Therefore, this study can be extrapolated to the state of Gujarat. Another important point noted was that during the interactions with the respondents their was a tendency to use indigenous HR practices, or rather to say, modified version of the larger firm they are associated with. Frugal innovation on HR practices was quite prevalent. It was found that the leadership and management communicate with their staff on personal basis thereby maintaining a good rapport informally. This culture based control system, though informal ensures labour engagement as well as performance. In short run this practice seems to be doing good, but in course of time this informality may lead to breach of trust and perceived psychological contract breach. Oral communication can easily be tweaked by mischievous employees and likewise employer to exploit and manipulate people. Thus, it implies for a formalised system to be in place. On the other hand, informal HRM practices (e.g., reliance on informal evaluations in recruitment and selection; loose HR planning; ad hoc decision making when determining training needs) were favoured by those employers who were not highly achievement, planning, and goal oriented (Aycan, et. al, 2007). The authors explained these as insecurity feeling amongst employers of losing control over employees.

Reseaching these HRM activities is a step towards a holistic understanding of the HRM activities in MSMEs in developing economies like India. The findings showed significant impact of organization size and large firm association on formalization of HRM practices. Also, formalization has shown significant effect on organizational performance.

A fact that has come out form this research is the prevalence of precarious employment amongst these MSMEs, which has created a unstable employment environment. It has made
rippling effect on both employer and employee, thereby creating unstable and in-secured employment for workers and lesser profit and more competition.

Finally, MSMEs demand adequate attention from government, thereby adopting SME friendly rules and regulations. A serious food for thought for the government is about the dismal performance of the organized sector, slow decline in employment expansion rate and ‘jobless growth’ (Ghosh, 1994; Nagaraj, 2004) in India. An remarkable progress for which government of India needs to be applauded is for the passing of Mahatma Gandhi National Rural Employment Guarantee Act, 2005, providing 100 days of guaranteed work per person in rural areas, the Social Security Act for Informal Workers (2007) for those workers who are not covered by existing legislation and Small Enterprise Development Programme (SEED) by ILO.

7.2 Implications

This study would emphasize on the need and benefit of formalised HR practices in any MSME. Empirical results would make more sense to practitioners and researchers as well. Since, here, the ultimate goal was to bring in organizational performance, it would be more convincing to everybody, since the final result is what one would expect is performance. This study would also help practitioners understand the effect of different environmental and demographic factors studied here and act accordingly. The goal herein, is to help practitioners achieve better performance. Also, for researchers they can explore these areas in a more elaborate way or can take up other variables to see their effect. But, it is deduced from this study that more understanding about the informality in the HRM processes in these MSMEs needs to be explored. It would be wonderful to take up any good informal practice and bring it in a formalised way for the benefit of society.

Labour contract needs stricter government interventions. It has to be improved by taking care of both employee and employer, thereby creating a good work environment. The imbalance needs more exploration and highlighting to sort the intricate problems. Across industry, everybody should take the initiative.

The concept of copying the HRM practices from large organisations and using them do not fit into the system of any MSME. This study emphasizes the need of HRM practices and the systematizing those.
This study calls for advocacy on reformation in labour laws by making it simple and more user friendly. Complicated labour laws had given rise to precarious working condition which is already showing adverse effect by giving rise to employment malpractice by exploiting relationships, depriving employees their basic rights of even minimum wage and social and safety provisions. They are all outsourced and kept on contract basis to get away from legal or even basic duties. It has, in turn, increased manpower shortage. Individual wealth maximization by employers should be curbed by government intervention. It is necessary for both national and social well being both; otherwise this would lead to disruption in the economic scenario of the country.

7.3 Limitations

Binding MSMEs in a structured questionnaire format only brings out the facts and figures the researcher needs to know. Open, unstructured interview can bring out beautiful, interesting and recipe of being highly successful. It could have a better learning had the MSME owners allowed speaking their mind about the practices they undertake.

The research was confined to only one state in India. A more elaborate study would have revealed a better picture to get an idea about India as a whole in this sector. A bigger picture with respect to the state of Gujarat could have been done if only the nook and corner of very MSME could have been reached. Data collection was also impossible in few areas where MSME owners were not agreed to open up. Few industries like fisheries went untouched because of geographical limitation. It otherwise, could have brought out interesting facts.

7.4 Future Research Directions

Future studies could develop a research design to study the various human resource practices individually in a more detailed way and how they can influence the organisation and bring out the best. As rightly stated by Paauwe and Boselie (2008), to get organizational performance in real sense, HRM needs to be looked into a more holistic and balanced way. In other words, a further research investigation into the indigenous practices of HRM in MSMEs needs to be done. HRM practices indigenous to specific industries needs to be identified
which brings in high performance. Tracking of the path that how these practices had evolved will also give interesting insight and enrich the subject. Issues like employee turnover, skill shortage, trapping various sources for skilled labour could be taken up for the looming issues MSMEs are nowadays bogged down with. The research has missed out on some more key variables like leadership values, informal control systems, etc. Future research could look at that for further studies.

PAN ASIA study looking at integration of informal control systems can be taken up since it would be then having a common platform of similar cultural background. Comparison and contrast between large firm practices and small firm practices would be very interesting and enriching for the literature and learning for practitioners. This research has tried to bring out views on a new unexplored area to emphasize their importance in Gujarat and thereafter in Indian MSME sector. These studies end here with the expectation of benefiting MSMEs in their practice and bring more performance. Also, it opens up areas for further exploration which needs to taken up for the overall benefit of practitioners and enriching knowledge of academicians.