ACHIEVING ORGANISATIONAL EFFICIENCY IN SMALL AND MEDIUM ENTERPRISES THROUGH STRUCTURAL EQUATION MODEL

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Abstract:

The Structural equation model which narrates the HR Practices and interrelationship between the Human Resource variables as the estimated values.HR practices in SMEs are able to have significant impact useful to increase employee efficiency, organisational efficiency, productivity and profitability.467 employees of small and medium-sized businesses in Chennai were interviewed and given questionnaires about HRM performance and practise. To interview the manager for a critical role, a format for the questionnaire is being developed. In addition, direct interviews were conducted to get the perspectives of the employees and subordinates. The 101-item questionnaire was created to assess the HRM performance and practises of SMEs in Chennai. These 101 Items are categorised under the eleven primary components of employee human resource practises.

Keywords: Structural Equation Model, HR Practices, SMEs

INTRODUCTION:

"Entrepreneurship is one of the main economic drivers in India, and it helps the country's economy grow. The "Make in India and Made in India" movement is crucial to the growth of entrepreneurship in India. MSMEs are therefore essential for boosting the Indian economy. Through business innovation, MSMEs have helped to expand entrepreneurial culture. The distinctive characteristics of MSMEs include their widespread distribution across economic sectors, diverse product and service offerings to meet both local and global market demands, and close proximity to the agricultural sector in terms of job creation. As a result, the MSMEs sector has the potential to encourage people to participate in economic activity through self-employment. Small Scale Industries are prominent in the global industrial sector. It makes a significant contribution to industrial production, employment, and unit production in both developed and developing nations. In every nation, and notably in India, a strong micro, small, and medium-sized enterprise (MSMEs) sector is the cornerstone of broad-based economic growth. A framework for small-scale industry policy was established by the second industrial policy of the government. It is essential to support SMEs' survival and expansion because they greatly increase the GDP of developing countries and employ a huge number of people. Failure of SMEs could result in a country's GDP declining, a larger unemployment rate, and resulting societal unrest. Due to the crucial role that SMEs play in achieving balanced and sustainable economic growth, the Government of India has given this sector significant emphasis and given SMEs in India a unique identity. It is regarded as the growth engine of our economy and is

essential to the process of economic development by adding value, creating jobs, encouraging entrepreneurship and entrepreneurial skills, distributing national income fairly, and dispersing industries across regions, giving priority depth to the industrial base, raising capital, and boosting exports. The sector has consistently registered higher growth than the rest of the industrial sector. Different categories of products and services are supplied by this sector and their range is more than 8000 in different types. MSMEs census data estimated that the sector employed about 60 million people in 26 million enterprises in 2006-07. According to Confederation of Indian Industry (CII) data released it was increased to 100 million employment opportunities through 46 million units across India. The Key objectives of the National Manufacturing policy are increasing the share of manufacturing in the country's GDP to 25% by 2022 and create 100 million additional jobs. UNIDO has identified textile, chemicals, basic metals, machinery and equipment's, and electrical machinery as sector in which leads among developing countries. The Structural equation model which narrates the HR Practices and interrelationship between the HR variables as the estimated values.HR practices in SMEs are able to have significant impact useful to increase employee efficiency, organisational efficiency, productivity and profitability.

Definitions of Human Resource Management:

MICHALE ARMSTRONG in a handbook of HRM practice, describe the HRM as the "The strategic and coherent approach to the management of an organization most value asset- the people working there who individually and collectively contribute to the achievement of the objective of business.

REVIEW OF LITERATURE:

Deepak K. Datta, James P. Guthrie, and Patrick M. Wright's analysis from 2005, there is growing interest in the extent to which human resource systems influence organisational effectiveness, but little research has focused on the contextual factors that affect how effective these practises are. The author of this study looked at how industry traits affect the relative worth and importance of high-performance working systems. The study's conclusions showed that the employment of high-involvement work practises is positively correlated with employee retention and firm productivity, and that the impact of these human resource systems on productivity is influenced by industry capital intensity, growth, and differentiation.
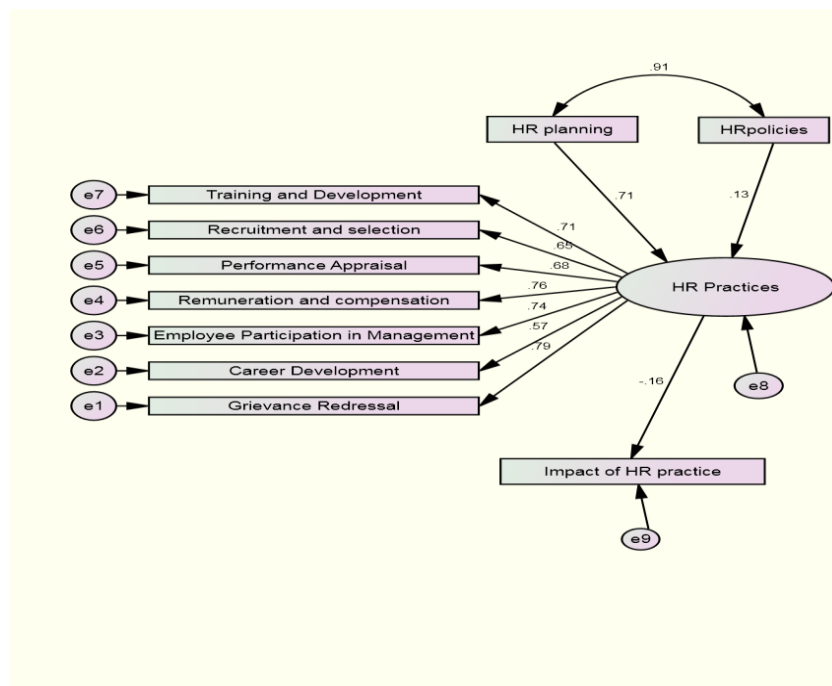
METHODOLOGY

The research's methodology is based on Indian conditions. 467 employees of small and medium-sized businesses in Chennai were interviewed and given questionnaires about HRM performance and practise. To interview the manager for a critical role, a format for the questionnaire is being developed. In addition, direct interviews were conducted to get the perspectives of the employees and subordinates. The 101-item questionnaire was created to assess the HRM performance and practises of SMEs in Chennai. These 101 Items are categorised under the eleven primary components of employee human resource practises.

OBJECTIVES OF THE STUDY:

1. To give suggestion and recommendation for the effective Human Resource Practices in SMEs

A Model of Human Resource Practices in SMEs

After reviewing national and International literature pertaining to Human Resource Practices in SMEs the Researcher identified seven Human Resource practices viz.Training and Development, Recruitment and Selection, Performance Appraisal, Employees Remuneration and Compensation, Employees Participation in Management, Career Development, and Grievance Redressal. Beside these practices the literature revealed HR planning and Policy are always at the point of inception to implement the effective HR practices. HR planning and Policy create momentum over all HR practices under successive implementation. In the due course , HR Practices in SMEs are able to have significant impact useful to increase employee efficiency, organisational efficiency, productivity and profitability. Considering this conceptual frame work, the Researcher applied Structural Equation Model (SEM) for best model fit relating HR policy and Planning, HR Practices and Impact of Human Resource in SMEs. The following model describes the parametric relationship.

Structural Equation Model

From the above diagram Researcher clearly under pinned all Seven HR Practices Training and Development (.71), Recruitment and Selection(.65), Performance Appraisal(.68), Employees Remuneration and Compensation(.76), Employees Participation in Management(.74), Career Development (.57), and Grievance Redressal(.79) are highly significant for SMEs. In order to

achieve successful implementation SMEs should organise HR planning and policies to accelerate and Implement HR Practices fruitfully. The Variable loading for HR Planning (.71) HR policy (.13) are statistically significant at 5% level.

The model fit is further verified by CMIN 309.637, Goodness fit Index (GFI) .875, Comparative fit index (CFI) .904. Root means square error of approximately (RMSEA) .132 are statistically significant at 5% level. Therefore it can be concluded that relationship among HR policy and planning, HR practises and Impact of HR Practices are significant. The details of the table are given in the appendix.

CONCLUSION:

This paper discussed about the Structural equation model which narrates the HR Practices and interrelationship between the Human Resource variables as the estimated values.From this study it is discernible that the Effective Training will increase production and improve employee's morale. Recruitment and Selection practices are the key factors to the entry point of HR in any organisation and they also tend to determine the success and sustainability of SMEs. Performance Appraisal would reveal the employees strength and weakness. Compensation increases employees satisfaction .Reward encourages best performance and reduce employees turnover apart from enhancing employee's loyalty among SMEs. Employees participation in Management is a proven tool to motivate, retain and develop bonding with employees. Career planning help to improve the existing employees in SMEs and performance data is a must in Career planning. Employees have enough scope to approach authority to settle the grievance among SME employees.

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