

# EFFECT OF HRM PRACTICES ON THE PERFORMANCE OF SMALL SCALE INDUSTRIES

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## Abstract

*Human resource management (HRM) is recognised as the productive use of people in reaching the organization's planned objectives. Human resource is required for an organization to conduct different business events and they need to be used very efficiently. The main objective of this research was to discover the effect of HRM practices on the organizational performance of the Small Scale Industries. The research used a structured questionnaire to collect the data. Target population of this study was the employees of small scale units of Hyderabad district. Quantitative data analysis was analysed by using SPSS. The findings of the study showed that HRM practices have significant effect on the organization performance of the small scale industries of Hyderabad district. This research also shows that employees' absenteeism has reduced and sales growth if the organization has improved due to the positive perception of employees regarding HRM practices.*

**Key words:** HRM Practices, Organization Performance, Small Scale Industries.

## 1. Introduction

Human resource management (HRM) is defined as the productive use of people in achieving the organization's strategic objectives. HRM practices enable the shaping of employee's skills, abilities, values, attitudes, beliefs and behaviours through hiring and developing a firm's pool of is very important and needs to be utilized efficiently for the success of the organization. The importance of manpower in business management is rapidly increasing and is getting accepted universally. Human resource is the most delicate factor of production and need to be treated very carefully as their performance influences the performance of the organization. Even though there is very close relationship among the owners/managers and the employee in small scale industries human resource management has become a very sensitive issue here. Human resource management includes different practices such as Recruitment, Selection, Training & development, Compensation, Performance Appraisal and Employee Welfare. If good human resource practices are followed an organization can reduce the employee turnover, and the overall performance of the organization can be increased.

## 2. Small Scale Industries:-

The small scale sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. The growth rate of small scale industries has been very impressive over the years. The SSIs accounts for about 40 percent of the country's industrial production 40 percent of industrial exports and 60 percent of employment opportunities. Various policy initiatives undertaken by the government helped the sector in acquiring the status of a major contributor of the growth process. The

Government is constantly giving importance to the small scale sector by framing a policy framework to human. The performance of an organization depends upon the effective use of its human resources. An organization has to forecast its manpower requirements and need to alter its manpower planning accordingly for the development of the organization. Human resource strengthen the economic performance of the sector which helps in building its international competitiveness.

### 3. Literature review:-

There is lot of literature which is in favour of HRM practices and its positive impact on organizational performance.

**Joshi (2016)** analysed the influence of HRM practices on the job satisfaction levels of employees in selected branches of State Bank of India (SBI) in Gujarat state in India. The sample size considered for the study was 100 using convenient sampling method. The results of the research indicated that HRM practices influence the job satisfaction level of the employees. The study concluded that SBI needs to make efforts to improve co-worker relations, work environment and compensation issues to achieve job satisfaction among the employees.

**Srivastava (2016)** examined the strategic role of skill development in leveraging employee engagement for competitive advantage in public sector banks in India using Canara bank as a case study. The research analysed the existing status of skill development programmes for employees in Canara Bank. Data was collected from 20 employees to analyse the perception of employees regarding various skill development programmes administered by the bank. The results indicated that Canara Bank undertakes satisfactory skill development programmes for its employees to increase their efficiency.

**Jain and Jain (2015)** presented an evidence of training effectiveness in Indian banking industry. The authors measured training effectiveness in public sector, private sector and foreign banks operating in India. Employee training was assessed through managerial perceptions regarding five dimensions – commitment to training participation; access to training opportunities; relevance of training; benefits of training and satisfaction with training. The sample included 318 managers belonging to State Bank of India, Bank of India, ICICI Bank, HDFC Bank, Axis Bank, YES Bank, Standard Chartered Bank and HSBC. The respondents belonged to the bank branches in three Indian cities namely Bhopal, Ujjain and Indore. Mean, standard deviation, t-test, correlation analysis and analysis of variance were the statistical tools used for the analysis. Among all the selected dimensions, commitment to training participation was found to exist in high levels in the banks selected for the research. Other dimensions were found to exist in moderate levels.

**Roy (2015)** investigated the various variables impacting employee retention among bank employees in Assam state, India. A total of 252 respondents participated in the research through a structured questionnaire. Respondents were selected from four private sector banks

(ICICI, HDFC, Axis Bank and YES Bank) and four public sector banks (SBI, UCO, UBI and PNB Bank) in Assam. The results of the research concluded that nearly 80 per cent of employees from public sector and 60 per cent of employees from private sector were satisfied with the HRM practices of various banks in Assam. The study concluded that there was a significant relationship between HRM practices and employee retention among bank employees.

**Sharma and Mehta (2015)** assessed the regional differences in employees' perception towards compensation practices in banks in Punjab state in India. Data was collected from 324 bank employees from three different regions (Majha, Mahwa and Doaba) in the state of Punjab. The results of the study concluded that there were significant regional differences in the perceptions regarding compensation practices of banks in different regions.

**Jeet and Sayeeduzzafar (2014)** studied the impact of HRM practices on employee job satisfaction among employees in HDFC bank using a case study approach. 52 respondents were contacted to obtain the information regarding HRM practices in HDFC bank using a structured questionnaire. Job satisfaction was considered as the dependent variable while training, performance appraisal, team work, employee participation and compensation were employed as independent variables. Results of regression analysis indicated that except performance appraisal, all the other independent variables exhibited a significant impact on job satisfaction of employees.

From the above studies it is evident that majority of the scholars have worked on effective implementation of HRM practices in small scale industries would enhance organizational productivity, reduces absenteeism and enhances sales growth of the organization and leads to increase the overall performance of the organization.

A lot of research has been conducted on HRM practices in different sectors and different parts of the world but there was less research about HRM practices in small scale industries in India and Hyderabad region in particular. Therefore this research aims at finding out the impact of HRM practices on the organization performance in small scale industries with special reference to Hyderabad region.

#### **4. Research Gap:-**

Various studies have been carried on Human Resource Management practices in relation to organization performance. While some studies showed the link between HRM practices and firm performance, few attempted to show the relationship between HR practices and employee job performance. Further, no such study has been carried out in the state of Telangana in general and Hyderabad Region in particular. Thus the present study sought to fill the above gap by examining the impact of HRM practices on employee absenteeism, employee productivity and sales growth with focus on the small scale industries of Hyderabad Region of Telangana State. The study would seek to answer the question: How

would be the impact of HRM practices on employee absenteeism, employee productivity and sales growth of the small scale industries?

**5. Objectives of the study:-**

- To assess the integration of HRM practices with perceived opinion on the rate of employee absenteeism, employee productivity and sales growth.
- To suggest for the improvement of HRM practices in Small Scale Industries.

The study primarily aims at HRM practices in SSIs. The key practices like Recruitment, Selection, Training and Development, Compensation, Performance Appraisal and Employee welfare have been taken for the study. The influence of the above factors on the performance of the organization is measured on the select SSI units.

**6. Hypotheses:-**

H<sub>01</sub>: There is no significant impact of HRM practices on Employee Absenteeism.

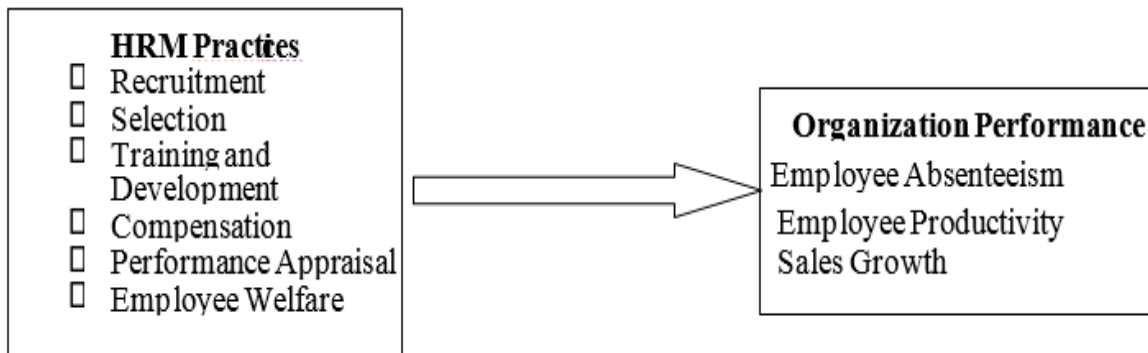
H<sub>02</sub>: There is no significant impact of HRM practices on Employee Productivity.

H<sub>03</sub>: There is no significant impact of HRM practices on Sales Growth.

**7. Research Methodology:-**

This study proposed a conceptual framework to analyze the relationship among HRM practices and organization performance.

**7.1. Conceptual Framework:-**



**7.2. Construct Measurements:-**

**7.2.1. Independent Variables:-** In this study the researcher has taken six different HRM practices. These are Recruitment, Selection, Training and Development, Compensation, Performance Appraisal and Employee Welfare. Five point Likert scale has been used for these practices ranging from strongly disagree (1) to strongly agree (5).

**7.2.2. Dependent Variable:** - The researcher has taken one dependent variable i.e. organization performance taking into consideration three items to measure them which are employee absenteeism, employee productivity and sales growth. The respondents were requested to judge the firms performance with respect to these three items through Likert scale ranging from very low (1) to very high(5).

**7.2.3. Design of Questionnaire and Sampling:-** As the population is large a sample of 15 SSIs units operating in the IDA Nacharam area of Hyderabad district were selected for the study. By using simple random sampling all the employees of these 25 SSIs (about 450) respondents were considered for data collection. Out of 450 questionnaires distributed 300 filled in questionnaires were returned, which comes to 67% which is identified as reasonable sample for the study. Questionnaires were distributed among common employees to know about different HRM practices exercised in their firms and its impact on the organization performance. A 46 –item questionnaire was developed to measure the HR practices on the organization performance. It is divided into two parts HRM practices and Organization Performance of the firm.

## **8. HRM Practices:-**

HRM practices included items about Recruitment (9 items), Selection (9 items), Training and Development (7 items), Compensation (9 items), Performance Appraisal (7 items) and Employee Welfare (5 items). The respondents were asked to respond to these items on five point Likert scale ranging from 1 to 5 (Strongly disagree to strongly agree). The combined Cronbach's alpha of these six variables was 0.837 which is satisfactory.

### **8.1. Organization performance:-**

Organization performance was measured taking (3 items) Employee absenteeism, employee productivity and sales growth and the respondents were to rate their opinion on five point Likert scale ranging from 1 to 5 ( Very low, low, undecided, high and very high). Pearson correlation was applied to know about the variables of HRM practices (above table) show positive inter-correlations between its different variables taken for the study.

For statistical purpose SPSS (version. 23) was used to test the hypothesis. Regression Analysis was applied to know the effect of independent variables on dependent variables. The study used primary data for analysis. A questionnaire was distributed among the employees of small scale industries to get the perception of employees about the prevailing HRM practices and its impact on the organizational performance of small scale industries.

## 9. Analysis and Results:-

**Table 1 Showing Regression Analysis conducted on three dependent variables**

No	R square	Independent Variables	Beta	Dependent Variables	F Statistic	Sig
1	.320	Recruitment	-.369	Employee Absenteeism	42.547	.000
		Selection	-.174			
		Training and Development	-.202			
		Compensation	-.033			
		Performance Appraisal	.122			
		Employee Welfare	.037			
2	.134	Recruitment	-.276	Employee Productivity	13.959	.000
		Selection	-.030			
		Training and Development	.192			
		Compensation	-.082			
		Performance Appraisal	.282			
		Employee Welfare	.034			
3	.075	Recruitment	-.010	Sales Growth	7.385	.000
		Selection	-.020			
		Training and Development	.237			
		Compensation	.148			
		Performance Appraisal	.019			
		Employee Welfare	-.149			

### 9.1. Employee Absenteeism

The above table shows that  $R^2$  (coefficient of determination or explained variance) is 0.320. It shows that 32.0 % variability has been caused in the employee absenteeism by the six items of HRM practices. It also shows that F statistic is 42.547 and significance level of 0. It means that there is significant relation between employee absenteeism and HRM practices.

### 9.2. Employee productivity

The above table shows that  $R^2$  (coefficient of determination or explained variance) is 0.134. It shows that 13.4 % variability has been caused in the employee productivity by the six items of HRM practices. It also shows that F statistic is 13.959 and significance level of 0. It means that there is significant relation between employee productivity and HRM practices.

### 9.3. Sales growth

The above table shows that  $R^2$  (coefficient of determination or explained variance is 0.075. It shows that 7.5 % variability has been caused in the Sales growth by the six items of HRM practices. It also shows that F statistic is 7.385 and significance level of 0. It means that there is significant relation between sales growth and HRM practices.

### 9.4. Impact on organization performance

The research showed that HRM practices have positive impact on organization performance of the small scale industries. There is significant impact of performance appraisal and employee welfare on employee absenteeism. The study concludes that effective implementation of HRM practices is likely to reduce employee absenteeism. It is also revealed the significant impact of some HRM practices on employee productivity. It was found that training and development, performance appraisal and employee welfare are having impact on employee productivity. The research has also found a significant impact of HRM practices on the sales growth. Among the different independent variables training and development, compensation and performance appraisal are having significant impact on organization performance.

### 10. Conclusion:-

The result of the above study concludes that HRM practices have positive impact on organization performance of small scale industries. Small scale industries need to implement HRM practices if they want to improve their performance. It should improve training and development, compensation, performance appraisal and employee welfare practices which are influencing organization performance significantly.

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