

A STUDY ON FACTORS AFFECTING EMPLOYEE RETENTION THROUGH HRM PRACTICES IN SME

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Abstract

Small and Medium Scale industries play a vital role in economic development. The Government looks to this sector for alleviating the problems of poverty, rural unemployment, attainment of reliance, reduction in disparities in income and regional imbalances, because of its shorter gestation period, adaptability to semi urban and rural environment where infrastructure is undeveloped and capacity to attract small savings and divert instrument in the development of backward and rural areas. More importance is attached to this sector since more employment can be created per unit of investment at a comparatively shorter period than the medium & large scale sector. Retaining essential workers is critical to an organization's existence and success. The main purpose of the study is to study the nature of the sample respondents and to analyses the factors affecting employee retention through HRM practices in SME. The study is designed as descriptive based research. The descriptive research study is used for the defining and analyzing the research problem effectively. A descriptive study may help the researcher to describe various characteristics associated with the subject population. The study has attempted to explain the reality prevailing among SMEs in terms of their HRM practices. The present study is mainly based on the primary data collected from the sampled employees of SMEs. Simple random technique is used for the study with sample of 300 respondents. It is imperative to select the area of study since the concept of HR practices is growing in all fields of economy. Nowadays, small and medium scale investment is growing in all sectors of Indian economy. Even though it increases the national per capita income of the nation, the well-being of the SMEs are affected by lack of scaling techniques in HRM practices.

Key words: Employee retention, HRM Practices and SME

HRM in SMEs- Introduction

HRM, or human resource management, is the practise of carrying out all of the managerial activities involved in preparing for recruiting, selecting, developing, using, rewarding, and maximizing the potential of an organization's human resources. Employees who work in human resources (HR) provide assistance and guidance to management, advocate for employees, solve issues, and execute company policies. It is common practise for small companies and big organizations to design and put into effect policies and procedures linked to certain functional areas in a manner that is distinct from one another. This is generally the case because of the size and nature of the company. There is often a disparity in the amount of resources, money, and time that big and small enterprises have. In spite of this, it is necessary for each company, regardless of its size, to recruit workers in order to carry out its day-to-day activities. Different workforce needs and/or a lack of awareness of HRM concerns on the part of small company owners may result in small businesses using HR practices that are distinct from those of bigger businesses¹. Because they are both the most precious and the most intricate resource, employees need the most careful management possible. Only employees who satisfy an organization's existing requirements are eligible for retention consideration. According to Workforce Planning, in order for the company to be successful in retaining its personnel, it has to take a methodical approach to developing an atmosphere that caters to the myriad of needs that come from those workers.

Small scale enterprises play a significant role in economic growth. Because of its shorter gestation period, adaptability to semi-urban and rural environments where infrastructure is undeveloped, and capacity to attract small savings and divert instrument in the development of backward and rural areas, the government is looking to this sector to alleviate the problems of poverty, rural unemployment, attainment of self-reliance, reduction in disparities in income, and regional imbalances. This is because of the sector's ability to achieve self-reliance, attainment of self-sufficiency, reduction in disparities in income, and industry is given a higher priority since it has the potential to generate a higher number of jobs with a given amount of investment in a shorter amount of time compared to the medium and large size industries.

A strategy known as community-based education (CBE) has proven that when small company owner-managers take part in a management skills programme that is specifically designed for them, significant improvements are realized that contribute to both their personal and professional growth. These advantages may have long-term repercussions, not just for the company but also for

¹ Kaur Mahal, Prabhjot(2012) , "HR Practices as Determinants of Organizational Commitment and Employee Retention *The IUP Journal of Management Research*, Vol. 11, (4), pp. 37-53.

the community in which it does business. Both the economy and society as a whole benefit greatly from the contributions of small businesses. If they lack appropriate managerial abilities, small businesses have a greater chance of failing. Therefore, the creation of a strategy for management training that can both engage small company owner-managers and create good results for both the person and the firm is of immense significance (Janice Redmond and Elizabeth A. Walker, 2008)². In many different areas of the global economy, the lines between cooperating with one another and engaging in cutthroat rivalry have become hazier in recent years. This tendency has not ignored the smaller scale industries such as the tourist industry. In fact, there are several instances of businesses in the transportation, hotel, and telecommunications sectors coming together to form new partnerships. Integration has the potential to play a supporting role in the development of SMEs (PeterWilliams 1992)³.

Employee Retention through HRM Practices in SME

An organization's ability to maintain its long-term success, the retention of their staff is the most important factor. An organization that does a good job of planning its succession can keep its best employees, and in exchange, it will receive a significant amount of customer satisfaction. Additionally, the organization's performances will result in a high sales volume, which will satisfy both the employees and the organization. Employee retention may be thought of as the practise of encouraging current workers to remain with the company for an extended period of time. Because firms want to avoid employee turnover as much as possible, strategic and long-term planning for staff retention has become more important in today's cutthroat business environment⁴. In order to keep an employee and maintain the organization's competitive edge, human resources departments often use a variety of retention methods. Because employees of this calibre are likely to switch jobs if offered better opportunities elsewhere, it has become more difficult for managers to keep high-performing workers on staff.

Effective human resource procedures are essential to facilitating workers' bonding with a business, as was said in a prior statement. A variety of important HR practices, such as P-O fit (person-organization fit), remuneration programme, recognition, and as possibilities of completing work projects which are hard, seem to have a beneficial impact on organizational commitment. The author brought a fresh perspective to the way HR practices and commitment are related to one another. A research that was carried out not too long ago in the Middle East came to the conclusion that there is a substantial link between two HR practices, namely recruiting and selection, as well as training and development, in relation to workers' commitment. A research that was done that was quite similar to this one discovered that the investment in HR practices in a company may increase the potential of commitment from the workers of that firm. The most successful human resource management methods contribute to the overall success of a business as well as its strategic effectiveness⁵. Many academics have reached the conclusion that good human resource management methods are able to function successfully within a competitive environment. Organizations have the ability to lessen the amount of unneeded employee turnover by implementing HR practices and policies⁶. In addition, it was supported that HR practices contribute a lot of opportunities to achieve competitive advantage in terms of employee retention, which in turn increases SME performances. Additionally, it was opined that SMEs management staff should enhance the HR practices scope because it will increase the satisfaction, competencies, and commitment of their employees, which in turn will increase the retention rate among employees.

The use of effective HR strategies is critical to maintaining employee commitment and retention within a firm. According to the results of a research that was carried out in Ghana SME, HR methods such as recruiting and selection, as well as training and development, do not have a direct association with retention, however incentives seem to have a good relationship with retention. It is essential to have a good understanding of the goals and requirements of workers and to adapt HR strategies appropriately⁷. In the same vein, a study that was carried out on Malaysian SMEs proposed that the theories of Maslow's Hierarchy of Needs, Alderfer's ERG theory, and McClelland's Learned Needs be incorporated into HR practices in order to improve the effectiveness of those practices, which in turn would lead to improved employee retention. According to the results of the study, there is a negative correlation between the effectiveness of a company's incentives programme and the likelihood that the firm would be able to keep its personnel. The outcomes of the research suggested that investment on HR practices contributes to workers remaining in a company, which was determined to have a low turnover intention. This conclusion indicates that expenditure on HR practices contributes to employees remaining in an organization. It was discovered that HR policies, particularly training and development, enhance job security, which in turn leads to them feeling like they belong in the company, which in turn leads to a reduction in employee retention⁸.

² Janice Redmond and Elizabeth Walker, (2008), "A new approach to small business training: community based education", *Education ,Training*, Vol.50, (8/9), pp.697-712

³ Peter Williams, (1999), "Strategic partnership development in small and medium sized tourism enterprises", *The Tourist Review*, Vol.54 (4), pp.20-35.

⁴ Mat Zin, Ahmad Ngah, Ismail, Ibrahim Abdullah, and Ahmad Tajuddin (2012). "Motivation Model for Employee Retention: Applicability to HRM Practices in Malaysian SME Sector". *Canadian Social Science*, Vol. 8(5), pp.1-5.

⁵ Chew and Chan, C. (2008). "Human resource practices, organizational commitment and intention to stay". *International Journal of Manpower*, Vol.29(6), pp.503-522

⁶ Aladwan Bhanugopan and Netto,(2015). "The effects of human resource management practices on employee's organizational commitment". *International Journal of Organization Analysis*, Vol.23(3), pp.472-492

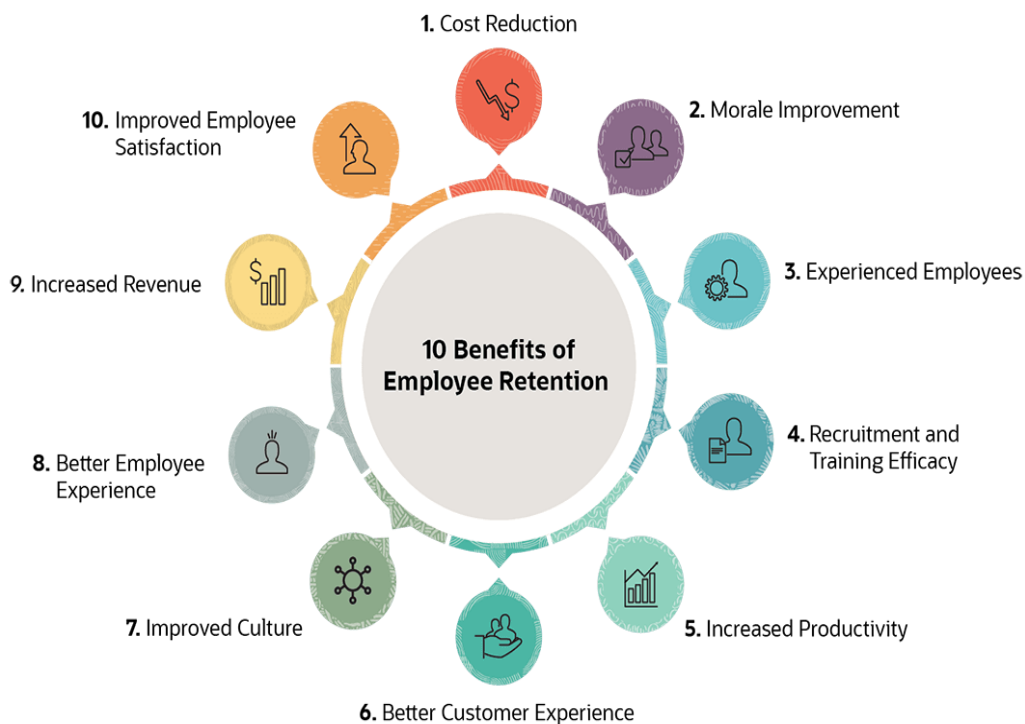
⁷ Saleem, M. and Affandi, H. (2014). "HR Practices and Employees Retention, an empirical analysis of Pharmaceutical sector of Pakistan". *IOSR Journal of Business and Management*, Vol.16 (6), pp.111-116.

⁸ Kadiresan Mohamad Selladurai and Kumar (2015). "Performance Appraisal and Training and Development of Human Management Practices (HRM) on Organizational Commitment and Turnover Intention". *Asian Social Science*; Vol. 11, pp.24-25
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Profile of the SMEs

The higher monthly turnover is noticed in medium enterprises (SMEs) compared to small enterprises (SEs). The higher number of employees per unit is seen in MEs compared to SEs. The most dominant organizer in SEs and MEs are owner and managing director respectively. The important activities organized at SEs and MEs is „manufacturing“. The dominant ownership in the units is sole proprietorship. The most dominant ownership in SEs and MEs are proprietorship and limited company respectively. The higher years of experience is noticed in MEs compared to SEs. The higher number of departments per unit is seen in MEs compared to SEs. The higher numbers of training programmes are provide by the MEs per year compared to SEs. Most of the SEs are not having separate HR department whereas most of the MEs have separate HR department. The dominant supervisor of employees in SEs and MEs are owner and supervisors respectively. The lesser working hours per day is seen in SEs compared to SEs. The higher rate of implementation of HRM practices have been noticed in the units with higher number of departments in SMEs compared to the units with lesser number of departments. There is no significant association between the number of departments in SMEs and its“ rate of implementation of HRM practices. There is a significant association between the number of training programmes given by SMEs and the rate of implementation HRM practices at there.

The higher rate of implementation is noticed in the units with more number of training programmes given by the SMEs. The higher rate of implementation of HRM practices is seen in the units with the existence of HR department. Whereas the lesser rate of implementation is noticed in the units without the existence of HR department in the SMEs. The significant association between the nature of existence of HR department in SMEs and its rate of implementation of HRM practices. The units with the owners“ supervisors on the employees have a higher rate of implementation of HRM practices compared to other units. There is a significant association between the working hours per day in the SMEs and its“; rate of implementation of HRM practices. The higher rate of implementation of HRM practices is seen in the units with eight hours as working hours whereas the lower rate of implementation is seen in the units with more than 10 hours as a working hours. The units with participative management have the higher rate of implementation of HRM practice compared to other units. There is a significant association between the nature of existence to participative management in SMEs and the rate of implementation of HRM practices at there. The significant discriminant HRM practices among the SEs and MEs are motivation and training practices which are higher in MEs compared to SEs.



Theoretical Frameworks

Small Medium industries play a key role in the industrialization of a developing country. This is because they provide immediate large-scale employment and have a comparatively higher labour-capital ratio: they need a shorted gestation period and relatively smaller markets to be economic; they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location

This research details the elements and reasons that have a significant impact on employee retention. These elements may be material in nature – monetary and non-monetary – or immaterial. Certain unique tactics including these aspects are developed and applied in order to sustain an employee's level of performance over a prolonged length of time. The research is conducted on the IT and banking industries in order to perform comparative analysis and gain a better understanding of the elements that influence workers'

decision to quit or stay in a firm. These characteristics are also taken into account while designing strategies for staff development and meeting growing demands⁹.

The essential criterions that contributes to employee retention in SME which was exploited through literatures are organizational commitment and Human resource practices¹⁰. These reviews was used in terms of viewpoints and eventually to bring its concepts as in the aim of this research. The most significant theoretical contributions that this study has made to organizational commitment is through social exchange theory (SET) and motivational theories. Employees reciprocate accordingly, in their level of commitment to the organization.¹¹ It is said that the level of commitment exhibited can be seen through the employees' commitment in return. The study reported that high performance human resource practices can be viewed as the demonstration of organization to express commitment to their employee which concern about their wellbeing and development and desires to invest in them. The discussion on organizational commitment has resulted that thorough understanding of the factors in human resource practices plays an important role to the employees of SME which also leads to retaining the employees.

In the 21st century, human resources are the most important resources an organization can boast of since it ensures the efficient and effective utilization of other types of resources. Therefore, organizations must continually engage in attracting and retaining human resources (Ibikunle, 2014)¹². The term HRM is widespread, the definition of the term has remained varied and elusive. HRM is a unique approach that seeks to achieve competitive advantage through the strategic deployment of the highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques". Human Resource Management (HRM) is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. Boxall and Purcell (2008)¹³, HRM is the management of work and people towards desired ends. Som (2008)¹⁴ described HRM as carefully designed combinations of such practices geared towards improving organizational effectiveness and hence better performance outcomes. Human resource management has been defined as all management decisions and actions that affect the relationship between the organization and employees. HRM practices are activities of the organization that aims at efficient and effective management of human resources to facilitate and achieve the fulfilment of organizational goals. In most organizations, human resource management is grouped under several functions namely Human Resource Planning, Recruitment, Selection, Placement and Induction, Training and Development, Performance Appraisal, Employee Compensation, Welfare Services and Benefits, Industrial Relations.

Factors affecting Employee retention

In the current economic climate, maintaining a happy and productive workforce is critical to the success of any firm. The adoption of new technology in the manufacturing sector is very critical and necessary for any firm if they want to maintain their position at the forefront of industry competition. It is equally crucial to discover, train, and retain the proper people while simultaneously implementing the new technology that are necessary to maintain the sector. This is turning out to be more difficult than I anticipated. This analysis investigated how well small and medium businesses are able to keep their employees on board (SMEs). The capacity of these companies to keep their personnel is being evaluated since they lack the resources, both financial and human, that are available to larger firms. This paper examines the many elements that might aid to affect the retention rates in an organization as well as whether or not these aspects are applied in small and medium-sized enterprises (SMEs). Because of the constraints involved, it is not always able to put into practise the important components that are necessary for keeping staff. This study investigates whether or whether this has an influence on the retention rates of small and medium-sized businesses (SMEs). In addition to this, it addresses the advantages of running a small business when it comes to keeping staff members on board.

Compensation: According to the research, pay is one of the most important factors in determining whether or not an employer will keep an employee on staff. Compensation plays a significant role in attracting and retaining good employees, particularly those employees who give outstanding performance or unique skills that are indispensable to the organization because the company invests a significant amount of money on their training and orientation. In particular, those employees who give outstanding performance or unique skills are more likely to stay with an organization. Lawler (1990)¹⁵, a corporation will embrace the strategy of cheap pay if the task is easy and needs little training, but enterprises that are competing in labour markets with a huge supply of workers would adopt the strategy of high salaries. According to the findings of certain experts, a competitive remuneration package is not only the sole kind of strong commitment, but it also builds strong commitment on the part of the employees.

⁹ Samuel and Chipunza (2009). "Employee retention and turnover: Using motivational variables as a panacea". *African Journal of Business Management*, Vol.3 (9), pp.410-415.

¹⁰ Redman (2010). "HRM Practices, Organizational Citizenship Behaviour, and Performance: A Multi-level Analysis". *Journal of Management Studies*, Vol.47(7), pp.1219-1247

¹¹ Tahere, M., Zahra, G., Fateme, D. & Asma, Y. (2012). Investigating the Effects of Job Experience, Satisfaction, and Motivation on Organizational Commitment Case Study: (The Nurses of Ghaem Hospital in Mashhad, Iran). *Research Journal of Recent Sciences*, Vol. 1(7), pp.58-67

¹² Ibikunle (2015), "Performance Appraisal: Methods, Processes and Problems in Aremu", *Contemporary Issues in Human Resources Management*. pp.97-110,

¹³ Boxall, P. (1996). "The Strategic HRM Debate and the Resource-Based View of the Firm", *HRM Journal*, Vol.6(3), pp.59-75

¹⁴ Som, A. (2008). "Innovative Human Resource Management and Corporate Performance in the Context of Economic Liberalization in India". *The International Journal of Human Resource Management*, Vol.3(2), pp.12-17.

¹⁵ Lawler, Edward (1990), "Compensation management; Strategic planning; Pay for-knowledge systems, Jossey-Bass Publishers (San Francisco)

Rewards: Agarwal found in published works, the term "reward" may be understood as "anything that is delivered by the organization to the employees in response to their performance and contributions which are anticipated by the workers". That total amount of compensation, benefits, or other equivalents that an employee got in return for the services that employee rendered to the company in exchange for that total amount. A reward may be either intrinsic or extrinsic; it can take the form of cash (e.g., bonuses), or it can take the shape of recognition or a certificate (e.g., worker of the month award, commendation certificate, etc.). A reward can also take the form of either cash or recognition. In the world of business, there are many different kinds of incentives that may be given out, including recognition, monetary bonuses, awards, free vacations, and free items, etc. Nevertheless, a reward is anything that a business gives to an employee in any form as a reaction to the employee's effort. The goal of giving workers rewards is to inspire them to perform well and exhibit good behaviour in the future. A reward is highly significant since it leaves a lasting impact on workers and helps employees have the sense that they are appreciated (Silbert, 2005)¹⁶.

Training and Career Development: The organization has the motivation to make investments in the form of training and development solely on those employees, from whom the organization expects to return and deliver output on its investment (Messmer, 2000)¹⁷. ClarkE (2001)¹⁸, indicated that firms are ramping up their development efforts to attract and retain outstanding workers. These efforts include proficiency analysis, feedback on employee interests, need development, multisource capability evaluation, and the formulation of plans for action. According to Wetland (2003)¹⁹, companies and individuals both invest in human capital by way of training and other forms of education. Training helps workers improve their existing abilities. It is necessary for the business to start a training programme as soon as possible when new personnel are employed (Goldstein, 1991)²⁰

Supervisor Support: The leadership approach is an important consideration in the staff retention process. The connection that exists between a worker and their supervisor has a critical impact in the desire of the worker to leave their current position. The supervisors are the "human face" of the company. The company's leaders are the company's public face. Eisenberger and colleagues' (1990)²¹ research, an employee's perspective about an organization is greatly influenced by the quality of their working relationship with a supervisor. If supervisors provide assistance, encourage open communication, and maintain positive working relationships with staff, then it is probable that workers will be less inclined to leave the business and more involved in their work (Greenhaus, 1994)²². Interactions between leaders serve as a connection to execute application between objectives that have been established and expectations.

Work Environment: Numerous studies have been carried out in an effort to explain the working environment by looking at a variety of factors, including job satisfaction (Laffaldano & Muchinsky, 1985), employee retention (Martin 1979), employee turnover (Employee Turnover), organisational commitment (and job involvement), and so on (Sjoberg & Sverke 2000)²³. The work environment is often regarded as one of the most critical variables in determining whether or not an employee will remain in their position (Zeytinoglu & Denton, 2005)²⁴. Hytter (2008), defined the topic of work environments is often approached from an industrial viewpoint, with an emphasis on aspects such as noise, exposure to harmful chemicals, and heavy lifting, among other things. The intriguing aspect of the work environment is that the features of the work environment in the services sector are different from those in the production sector. This is because the services sector deals directly with customers and clients. (Normann 1986)²⁵

Skill recognition: Employees of any age may be effectively retained via the use of a retention plan that provides skill acknowledgment of personal work successes (Yazinski, 2009)²⁶. According to a number of studies, one way to ensure an employee stays employed for a longer period of time is to satisfy their desire for acceptability by publicly recognizing their professional achievements (Redington, 2007). According to the findings of a study conducted by Yazinski (2009), there has been a recent trend toward an increase in the number of job applicants looking for companies that, in addition to providing traditional compensation and benefit packages, encourage employee input, growth, education, and teamwork.

Related Review of Previous Studies

¹⁶ Silbert, (2005). "The effect of Tangible Rewards on Perceived Organizational Support". Management Sciences.

¹⁷ Messmer,(2000). "Orientations programs can be key to employee retention. In Strategic Finance. Vol.81 (8), pp.12-13.

¹⁸ Clarke, (2001)."What businesses are doing to attract and retain employee becoming an employer of choice. In Employee Benefits

¹⁹ 15Wetland, D. (2003). "The strategic training of employee's model: balancing organizational constraints and training content. In S.A.M". *Advanced Management Journal, winter, Cincinnati*. pp: 103-107

²⁰ Goldstein, I. (1991). Training in organizations. In Handbook of Industrial and Organizational Psychology. Ed. M.D. Dunnette and L.M. Hough, (2nd edition).Vol. 2: pp.507-619

²¹ Eisenberger, R., Fasolo, P., & Davis-LaMastro, V. (1990)."Perceived organizational support and employee diligence, commitment, and innovation". *Journal of applied psychology*, 75, 51-59

²² Greenberg,(1990) "Organizational justice: yesterday, today, and tomorrow". *Journal of management*, Vol. 16(2), pp.399-432.

²³ Sjöberg and Sverke, M. (2000). "The interactive effect of job involvement and organizational commitment on job turnover revisited: A note on the mediating role of turnover intention". *Scandinavian Journal of Psychology*, Vol.41(3), pp.247-252

²⁴ Zeytinoglu, and Denton (2005). "Satisfied workers, Retained Workers: Effects of work and work environment on Homecare workers' Job satisfaction, Stress, *Physical Health, and Retention*, pp.36-39.

²⁵ Normann, R. (1986). Service Management. Strategy and Leadership in Service Business. Chichester: Wiley

²⁶ Yanadoria (2010) "Work and Family Practices in Japanese Firms: Their Scope, Nature and Impact on Employee Turnover". *The International Journal of Human Resource Management*. Vol.20 (2), pp.439-456.

Henemon (2001)²⁷ et al showed an evaluation of academic publications with a comparable amount of coverage but some minor differences. Since most HRM research has been conducted on bigger companies, it is clear that more in-depth studies need to be conducted on smaller and medium-sized businesses (SMEs). There was a lack of awareness about different perspectives that may assist small businesses in competing and making the most of the worldwide exposure that has been accessible to them in recent years. The purpose of the research is to be of assistance to small and medium-sized enterprises (SMEs) by offering benchmarks in the company of best practices applicable to them that may be followed from within the small Industries sector.

Alpay et al.(1998)²⁸ analyzed the process of institutionalization that was place among Turkey's 138 family-owned SMEs. Interpersonal harmony within family ties was shown to be connected with more transparency, fairness, and professionalism in the model that was suggested and evaluated in the research. This, in turn, led in superior company performance as assessed on both qualitative and quantitative indices. Formalization is not connected with firm success in the same way that it is not in the case of India.

Saini and Budhwar (2001)²⁹ presented case studies pertaining to HRM practices, including recruitment, skill development, employee involvement, and Law enforcement in two Indian SMEs. The authors of this article suggested that paternalism, kindness, and authoritarianism are necessary components of efficient management of a workforce with low skill levels. The informality of HRM rules and practices, which is an extension of paternalism, enables these organizations to have more freedom in their overall administration. Employee engagement is also made easier by a company culture that prioritizes trust and camaraderie. It is demonstrated that trust and interpersonal harmony are connected to institutionalization and organizational performance in Turkey in the article titled "Performance Implications of Institutionalization Process in Family-Owned Businesses: Evidence from an Emerging Economy."

Need for HRM in SMEs

These days, a growing amount of emphasis is being paid to the relevance of the individuals who are a part of an organization. This is combined with the finding that the quality of a company's human capital may provide reliability and quality in all of the company's other resources. Both of these discoveries are related to each other. This is something that occurred at the same time as everything else. It has always been more important for smaller firms than it has been for bigger organizations to enhance their HR procedures because of the former's lack of resources. This is due to the fact that smaller organizations are more prone to being affected by both external threats and internal weaknesses. When it comes to being competitive on a global stage and fighting for their very survival, small and medium-sized enterprises (SMEs) are experiencing a need like they have never felt it before. This is the battle for their very existence. In this setting, the study inquiry was carried out so that it could be compared to its backdrop. It is quite likely that none of these actions will be recorded nor studied in the absence of an all-encompassing study effort. Because of the way the research was carried out and the findings that it produced, it is anticipated that a greater awareness of developing patterns and cause-effect links among the many sub-functions of Human Resource Management in SMEs will be brought about. This is because of the way that the research was carried out and the findings that it produced. As a result, it is very necessary to carry out the study in order to broaden one's knowledge base about HRM in SMEs. This will make it possible to identify the ways and means that may be used to increase the level of expertise, dedication, and work culture among the human resources used by SMEs.³⁰ Gunnigle et al (1997)³¹ completed the human resource planning, at the recruitment and selection stage the organization develops a range of procedures and practices that facilitates retention. These involve the following- training for the required skills to meet the technology involved, Continuous monitoring of the performance (appraisal); facilitating continuous improvement (employee development); determining the scope of the effort-reward bargain (reward practices); designing an effective system of work (job design); and finally managing employee relationships (employee relation).

Statement of the Problem

The researcher comes to the conclusion that there is a paucity of genuine and trustworthy research-based data that may provide a practical recipe for efficient people management in SMEs. In the context of a general slowdown in the world of business, there is an urgent requirement to institutionalize viable human resource management practices that accommodate the peculiarities of the small and medium-sized enterprises (SMEs) as a sector of employment. This requires the extensive collection of both common and rare practices, the collation of the knowledge resulting from experiences by the existing firms, and the bringing out of patterns of successful efforts in such a way as to extrapolate them to suit emerging SME firms. In the absence of any documented source of comprehensive Indian SME experiences with regard to their HRM practices, it is necessary to fill the prevailing void by generating and sharing new knowledge in the field in order to overcome the powerful challenges of a period witnessing recessionary tendencies. This can be accomplished by generating and sharing new knowledge in the field.³² In addition, small and medium-sized enterprises (SMEs) almost never have a department of human resources that oversees recruiting and selection, training and development,

²⁷ Henem€in , Tansky and Camp, (2000), "Human Resource Management practices in small and medium-sized enterprises: unanswered questions and future research perspectives", *Entrepreneurship theory and practice*, Vol. 25(1), pp 21-26.

²⁸ Alpay, Bodur, Yilmaz, Boyvada and Arikan (1998), "Managing Human Resources in Small and Mid-Sized Companies, New York" American Management Association

²⁹ Saini and Budhwar (2001), "Small Business, From Hiring to Firing: The Legal Survival Guide for Employers

³⁰ Vasanth Desai, (2006) "Small scale industries and Entrepreneurship" New Delhi *Himalaya Publishing House*, pp. 92,

³¹ Gunnigle (1997) "Personnel and Human Resource Management: Theory and Practice in Ireland". Dublin: Gill & Macmillan.

³² Gupta (2005) "Development of Small Enterprises: Challenges and Opportunities" *Sultan Chand publisher, New Delhi*, pp.60-61

compensation and incentives, and performance monitoring. As a result, the managers and the owners are the ones who are responsible for bearing all of this duty.

Research Objectives

The main purpose of the study is

1. To study the nature of the sample respondents
2. To analyse the factors affecting employee retention through HRM practices in SME

Research methodology

The study is designed as descriptive based research. The descriptive research study is used for the defining and analyzing the research problem effectively. A descriptive study may help the researcher to describe various characteristics associated with the subject population. The study has attempted to explain the reality prevailing among SMEs in terms of their HRM practices. The present study is mainly based on the primary data collected from the sampled employees of SMEs. Simple random technique is used for the study with sample of 300 respondents. It is imperative to select the area of study since the concept of HR practices is growing in all fields of economy. Nowadays, small and medium scale investment is growing in all sectors of Indian economy. Even though it increases the national per capita income of the nation, the well being of the SMEs are affected by lack of scaling techniques in HRM practices.

Findings and Results

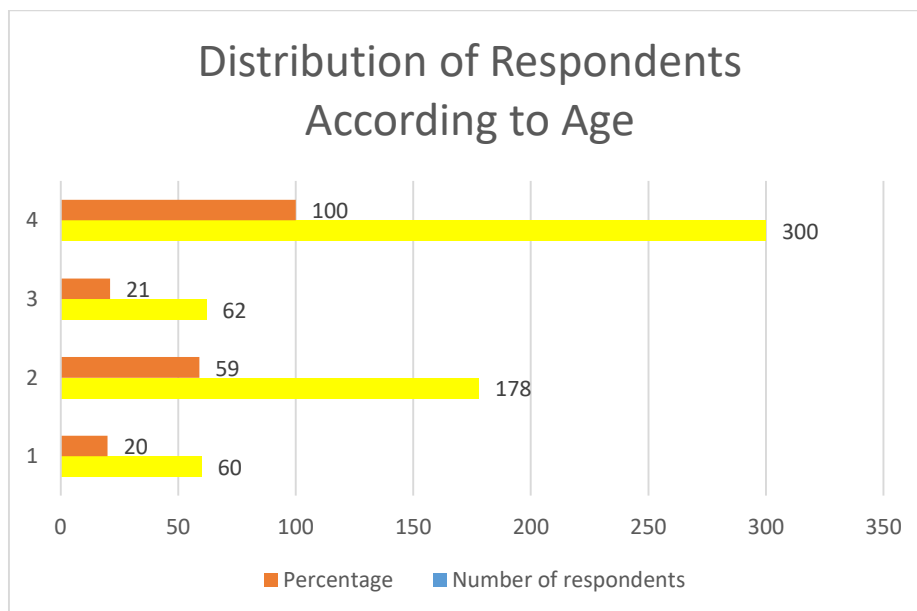
1. Demographic nature of the respondents

The demographic nature of the employees is considered as these strongly influence on their behaviour and attitude. In this study, the age, gender, income and experience are taken. The distribution of the respondents according to the demographic natures is given below.

TABLE 1
Distribution of Respondents According to Age

Nature	Age group			Total
	<30	30-45	>45	
Number of respondents	60	178	62	300
Percentage	20	59	21	100.0

GRAPH 1



The age of the employees is playing crucial role to identify their promotion and the consequences. It is considered as a useful demographic variable to segment the employees based on their perception of the organizational culture. The above table shows that 178(59.0%) respondents are from the middle age group (between 30 to 45 years), 60 (20.0%) are from the young age (less than 30 years) and 62 (21.0%) are belong to the old age group (more than 45 years).

TABLE 2
Distribution of Respondents according to Gender

Nature	Gender		Total
	Female	Male	
Number of respondents	97	203	300
Percentage	32.3	67.7	100.0

The Table 2 depicts the distribution of the respondents based on their gender. It is found that out of 300 sample respondents, 97 (32.3%) respondents are female and 203 (67.7%) are male.

GRAPH 2

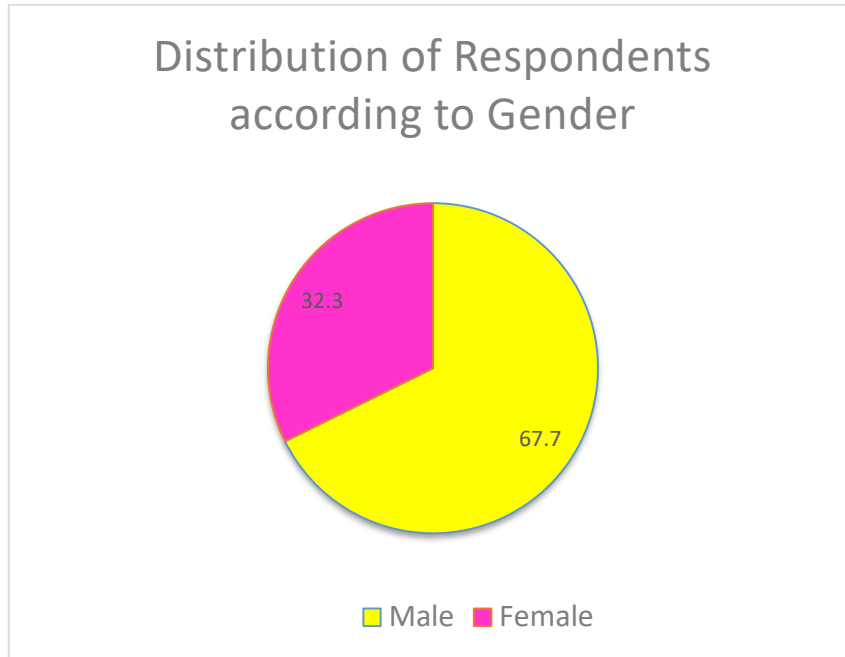
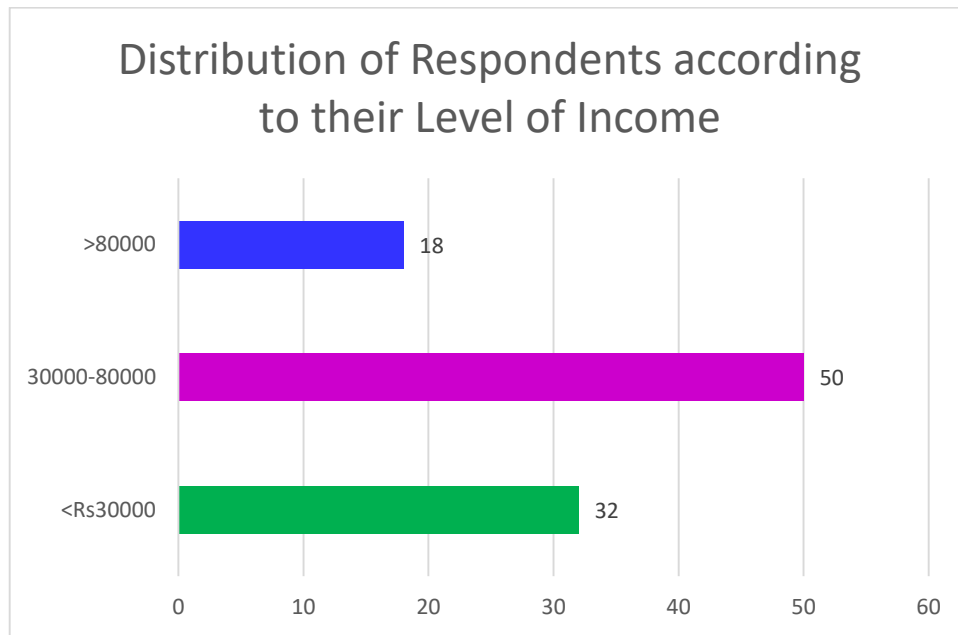


TABLE 3
Distribution of Respondents according to their Level of Income

Nature	Level of income			Total
	<Rs30000	30000-80000	>80000	
Number of respondents	96	149	55	300
Percentage	32	50	18	100.0

149 (50%) respondents are earning moderately (between Rs. 30000 and Rs. 80000 per month), 96 (32%) are earning less (less than Rs. 30000) and 55 (18%) respondents are earning more than Rs. 80000 per month.

GRAPH 3



2. Factors affecting the retention of employees

Based on the previous studies and experts' opinion, 12 factors are considered as they affecting the employees' retention attitude. They are related to their monetary, physical, psychological and future career oriented measures. These are important from the employees' point of view to continue their service with the existing company. By keeping this mind, the employee respondents are asked to give their choice over the various factors which is affecting the retention with their organization. The factors are ranked with the help of non-parametric test as below.

TABLE 4
Factors Affecting the Retention of the Employees

Factors	Mean	Std. Deviation	Mean Rank
Benefits	3.24	1.091	6.65
Career development	3.32	1.353	7.24
Communication	2.94	1.152	5.62
Compensation	3.39	1.154	7.07
Cost effectiveness	2.82	1.431	5.66
Employee motivation	3.12	1.173	6.54
Job flexibility	3.24	1.101	6.19
Learning and working climate	3.54	1.285	7.34
Organizational commitment	3.10	1.055	6.29
Skill recognition	3.34	1.126	7.53
Superior and subordinate relationship	3.13	1.201	6.24
Training	2.89	1.187	5.37

The Table 4 shows the ranking result among the 12 factors considered in the study. According to the employees Skill recognition is ranked as most important factor (7.53). It shows that the employees are expecting to recognize their skill and contribution which is also successful in the retention policy. Learning and working climate is also considered as most important factor (7.34). The employees are also focusing on their career development (7.24). Compensation (7.07), benefits (6.65) and employee's motivation (6.54) are ranked in third, fourth, fifth and sixth among the selected factors.

TABLE 6
KENDALL'S COEFFICIENT OF CONCORDANCE

N	300
Kendall's W	0.053
Chi-Square	174.100
df	11
Sig.	0.000

The result of the Kendall's W test indicates that calculated Chi-Square value (176.100) for the degree of freedom 11 is above the expected value. It is cleared that the significance in the ranks are tested positive. The value of probability is 0.000 which denotes significance at 1% level.

Discussions and Conclusion

Employees are becoming more aware of their rights and responsibilities in today's society. When given the chance, they will produce the outcomes that are expected. Not only have they been successful students, but they have also risen to the very top of their class. In a similar vein, many have shown outstanding success in the workplace and in business. Even in more rural parts of India, workers who have received schooling have shown improved performance. Providing workers with educational opportunities is vitally necessary in order to build up their personalities. The provision of an opportunity within a supportive environment that is devoid of gender inequalities is an immediate need in this day and age. The need for knowledge and drive to be an active member of society, as well as the fortitude to address the errors of male counterparts, are both significant issues in today's society. Opportunities are emerging from all over the globe for India's small and medium companies (SMEs), which are now in a position to expand internationally. Following in the footsteps of small and medium-sized enterprises (SMEs) from Germany and the United Kingdom, those from the United States have signalled their desire to invest in Indian SMEs and investigate the potential of technology transfer. SME associations, such as the Federation of Indian Micro and Small and Medium Enterprises (FISME), are of the opinion that the growth of Indian SMEs will be fueled by competitive pressures and the push for technological advancement. With all of these opportunities on the horizon, FISME and other SME associations are optimistic about the future of Indian SMEs.

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