

# Obstacles Faced by Small Medium Enterprises in Imparting Training: An Empirical Study on Textile Industry

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## Abstract

In this growing globalized environment where a fast innovative and technical changes entering into markets, products and processes somewhere affecting the sustainability & growth of SME's. Therefore, most of them are either closed or are on the verge of closing. Thus, it becomes imperative for SME's to refocused on their factors of production especially skill set of labour and training is the best medium for enhancing and updating skills of human resource. But in SMEs there are so many reasons that create hurdles in the path of organizing effective training for SMEs employees. So, the aim of his paper is to focus on relevant constraints faced by SME's in conducting effective skill enhancement programs. For this purpose, a survey questionnaire method was used to gather data from 76 small medium enterprises owners located in Bhilwara district of Rajasthan .Several descriptive statistical analysis method like central tendency, percentage etc were used. Further, factor analysis method (Principal component method) was applied to get factors from set of observed variables which constraint the training. Moreover, Bartlett's test and KMO test was applied to know the applicability of Factor analysis. Further, it was found that after applying factor analysis on 13 obstacles, there are three major reasons: Manpower risk, scarcity of resources and training awareness which actually create obstacles for SMEs in imparting training.

**Keywords:** Human Resource Management, Training and Development, Small Medium Enterprises, Textile Industry, Skills.

## Introduction

In today's environment, Effective management of human resource is a key for the survival of every kind & size of organization because this is the only resource which can't be copied by competitors and it creates differences in organization worldwide. (Prahalad, 1983) Therefore organization gives keen focus on HRM practices and continuously review whether they are properly thought out & successfully implemented or not.

Despite, SME's has long been recognized as economy's engine room &crucial for long term growth, dynamism &employment still facing big challenges to meet their demand for more highly skilled & trained employees and giving prominent concern to HR issues . In this support Barrett and Mayson (2005) revealed that many of the significant issues faced by small firms were related to human resource like unavailability

of suitable manpower, finding the right staff, finding skilled staff & retaining good staff.

In this knowledge based economy; it is necessary for SME's to gain new knowledge and capabilities to compete in a global market. According to Storey (2004), SME's can develop their international capabilities and human resources through effective training sessions as it enhance competitive advantage, facilitates firm growth and increase profitability. Furthermore training is a useful means of coping with changes forced by technology innovation, market competition, organizational structuring and demographic shift. (Knoke and Kalleberg 1994)

Hence, SME's need to focus on their human asset and enhance their skills as per the requirement of competitive environment through effective training program.

### Review of literature

Lange et al. (2000) undertook a number of qualitative and quantitative studies to investigate the attitude of Scottish SMEs towards learning and skills. In this study, they elaborated and reviewed major skill development barriers like culture, awareness, finance, access, skill development opportunities & provision of training.

Huang (2001) investigated the relationships between training program and their effect on business performance to determine whether training programs produce real benefits for SME's or not. Researcher used a comprehensive measurement of training include training organization, expenditure, duration, process and delivery methods. Data revealed that those which had superior training system and strong support of management for training was most successful in maximizing the effectiveness of their training programs.

Dulipovici (2003) studied various CFIB surveys completed by 6740 business owners across Canada on training and found that SMEs were facing a problem of labour shortage as SMEs were trying to find alternatives within their reach to deal with hiring difficulties. Among these alternatives, the most common ones were hiring under qualified people, passing responsibility on to the other employees within the firm or hiring temporary help. In this regard, training was found as a solution for labour shortage. Furthermore, it was found that training in a small firm was conducted in the diverse way but the most often seen type is informal training/ mix of informal & formal training. Data also exposed that SMEs were very ready to provide training as they think that it was their responsibility to train and upgrade the skills of their workforce. Therefore, government, educational institution and employee should play an important role towards training.

Kuanui & Dang (2004) investigated the impact of training on SME's performance in Vietnam. They studied 200

randomly chosen SMEs operating in Hanoi and found that both formal and informal training had a positive impact on SMEs performance. Furthermore, they also revealed that an employee training paid huge benefits in those areas which subject significant to a firm like financial stability & growth, product quality & innovation and market development. Therefore, SMEs should have knowledge that giant budget for training does not generate a positive impact on the firms overall performance.

Beaver & Hutchings (2005) went through enormous literature reviews to examine the importance of strategic human resource development in SMEs with specific indication to key issues like training, development and education. They revealed that those SMEs, who take a strategic approach to training and development of their human resource, not only get profit from a competitive position in their marketplace but also be well placed to adjust to changing and unsure external influence of the business environment. They also suggested that SMEs should make alteration in their current practices and adopt more strategic approaches for the development of their people.

Rabemananjara & Parsley (2006) used the Workplace and Employee Survey of Statistics Canada 2001 to reveal that small businesses were less interested to provide training activities to their employees than medium-sized and large businesses. However, it was clear that once they commit to invest time and money in employee training, small businesses did so as intensively as medium-sized and large firms. Moreover, the decision of whether or not to train their employees was clearly related to the business strategies employed by the firm. In addition, firms that have incentive schemes use technology intensively and try to become more innovative.

Jones et al. (2009) analyzed the relationship between training, workplace performance and job satisfaction. They used data set of workplace employment relations survey (WERS) 2004. The survey covered establishments from all industry sectors except primary industries and private households with domestic staff. In totality, there were around 2300 workplaces in dataset and 22500 associated employees. They well thought-out 5 different measures of performance-the absenteeism rate, the quit rate, financial performance and product quality. It was found that training was definitely and extensively associated with job satisfaction and that job satisfaction was also positively associated with the workplace performance. Furthermore, study also revealed that having a high percentage of over skilled workers somewhere not only improved the financial performance, but also show high quit rate. If training could ensure that skills are using at their best place with optimization then this might reduce the tendency to quit. In this continuity, it was suggested that employer could

improve establishment performance by increasing the level of training and taking action to raise the job satisfaction of the workforce, but at the same time they need to pay attention to the quantity and type of training offered.

Almedia & Aterido(2010) had explored a unique firm level data set across 99 countries in the developing world to analyze not only the link between firm size and investment in job training by employers but also had investigated the reason behind the large differences in the investment in job training. They revealed that SMEs were less likely to invest in job training because of three reasons: First, the expected return from the investment in job was smaller for SMEs. Second, SMEs had lacked of financial resources to invest. Third, SMEs had worse access to information, face greater uncertainty. Furthermore, it was also found that there was a strong and positive correlation between the investment in job training and firm size which was a strong observed finding within and across countries with different institutions & income level. Therefore, the finding demands for care when designing pro small and medium enterprise's policies which foster the investment in on-the-job training.

Chidi & Shadare (2011) investigated several challenges confronting human capital development in SMEs in Nigeria. A total of 165 questionnaires were distributed in the target population using judgemental sampling technique. It was found that many SMEs had negative training philosophy and paid less service to human resource development. They had no policies governing training and development programmes. Moreover, SMEs were engaged in human capital development irregularly, without focusing on need analysis. Furthermore, authors recommended that SMEs should adopt the investor in people criteria. These criteria were to review the human capital development needs of all employees with a view to determining the best way of meeting the needs. Moreover, an investor in people has to make an effort to train and build up employees as well as evaluate the investment in human capital development to assess achievement and improve future effectiveness.

Pandya (2012) focused on the strategic importance of small & medium enterprises and its role in the growth of economy, both in developed & developing countries. Furthermore, researcher also studied various parameters like financial aspects, human resource, marketing, research and development, technology and corporate governance which were responsible for sustainable development of SMEs. It found that SME sectors in developed countries not only rely on credit availability but also on technological innovation.

### **Research Gap**

Small and Medium Enterprises (SME) sector is seen as a priority amongst economic development goals in both developed and developing economies. SMEs are considered to be primary driver for job creation and GDP growth. Their contribution to economic diversification, exports and social

stability is significant. According to World Bank (1994) earlier it was believed that large enterprises are the key contributor in industrial development. But, in 1980s, SMEs had emerged as the key agent for industrialization. Worldwide, the Small and Medium Enterprises (SMEs) are considered as an "engine of growth". In India, The National Common Minimum Program (NCMP) of the Govt. has described the Micro and Small Enterprises as "the most employment intensive segment". Since independence, SME sector has played significant role in India's economic planning through fostering entrepreneurship and promoting employment. They have flourished as ancillary to large industries and popularized for robust export sector.

With the above discussion, it may be stated that SMEs are crucial component for long term and sustainable growth of any country. Same as, for the growth and development of SMEs human capital is very imperative element because well trained and highly educated skilled workforce always considered to be essential for the maintenance of organization's competitive advantage. In order to make workforce trained and educated, training is the method and practice through which organization can update skill and knowledge set of their manpower according to the demand of knowledge based economy.

Various literature reviews shows that SME still facing big challenges to meet their demand for more highly skilled and trained employees and giving prominent concern to HR issues. Many of the significant issues faced by small firms are related to human resource like unavailability of suitable manpower, finding the right staff, finding skilled staff and retaining them.

Looking at the contribution of SMEs in the development & their approach towards human resource as well as training, it is necessary to examine what factors creating problem in the way of SME's towards imparting effective and requisite training. So, this paper would help in to identify various obstacles faced by SME's in imparting training for employees.

### **Method**

#### **Participants**

The research was conducted in South- Eastern Rajasthan in India covering mainly Bhilwara district. The district is recognized as the textile city of Rajasthan. There are more than 400 manufacturing units are running in spinning, weaving and processing area. For this research the owners of Small-Medium Enterprises considered as participants.

#### **Sampling Procedure**

For the purpose of survey, researcher has used two techniques: simple random sampling and purposive sampling. At stage I: Researcher has used simple random sampling for selecting 76 Textile SMEs from the target

population. At stage II: Researcher has used purposive sampling to select sample subject (Owners) from these specified 76 Textile SMEs.

### **Sample Size**

For the purpose of the study, the researcher has contacted SMEs specified in the Mewar Chamber of Commerce & Industry. Out of which 76 SMEs have given the permission for the conduct of the study. Thus, the researcher has taken 76 Textile SME's owners.

### **Method of Data Collection**

Self administered questionnaire method was used for the collection of primary data. The research instrument was pretested on 15 SME's Owners. This helps the researcher to find out improvement areas in the questionnaire and make necessary adjustments in the questionnaire.

### **Research Design**

This study used the quantitative research approach especially descriptive research in gathering data from SME's owners. The analysis involved descriptive statistics such as frequencies, mean, mode, median, percentage. Further, factor analysis was applied through which the study made an attempt to identify the underlying variables or factors which explained the pattern of correlations within a set of observed variables.

### **Result**

Factors have been derived through the responses provided by 76 SME's Owners. Thus, on the basis of statistical values, total 14 obstacles are represented in order of their severity as shown in Table 1 and Figure 1.

Further factor analysis was applied on these obstacles to see whether these obstacles can be grouped and define a common factor representing these obstacles. The techniques used for this analysis was Factor Analysis technique using Principal Component Method. The result of analysis is shown in Table 2, Table 3 and Table 4

KMO value for present data is 0.687 which explain that sample is adequate for conducting factor analysis and significant value of chi square for Bartlett's test shows that data do not produce Identity matrix and thus approximately multivariate normal and acceptable for factor analysis as shown in Table 2

In all total three factors were extracted which explaining 64.40% variances with Eigen value of 1 and more than 1 which is achieved through factor analysis shown in Table 3.

Further, on the basis of the analysis these factors were grouped into three broad categories viz Manpower Risk, Scarcity of Resources, Training Awareness along with their factor loading. The detailed analyses of these three factors are shown in Table 4.

### **Discussion**

This study adds to our knowledge of factors that constraint in conducting effective training in SME's. The discussion centres on the three most important finding uncovered in the study that affects the training in Small Medium Enterprises. These factors are – Manpower risk, Scarcity of resources and training awareness. The majority of owners surveyed in our research indicated that due to shortage of manpower they did not give training to their employees. They think that because of unavailability of labour, they have pressure to complete the production so that rather than focusing on training, they bring the labour directly into the production department. Further, they also said that when employees get trained they leave and go elsewhere where they get more money and less work that's why they were not interest in giving training to employees. Moreover owners also revealed that in training, there is no guarantee of return on investment as workers turnover is high in textile industry, if they invest money in training and after that worker leaves the company then it is a big loss. Lack of resources is another important constraint. The biggest resource in any enterprise is finance. Textile is suffering from lack of proper fund for investment in training which actually need huge amount of cost. Further due to lack of proper training facility, most of employers don't provide training and even they are not getting proper assistance and support from government. Negative attitude towards training is also a problem in textile industry as employees think that training is not useful concept. It's nothing more than waste of time. On other side, owners don't want to stop their production which shows that they are not more aware about significance of training in present as well as future scenario.

### **Qualitative Implications**

Every research starts with the intention to contribute in society through sharing new knowledge. It will also help in improving social and organization condition. In the same way, this research also has some implications. It reports the finding of number of obstacles responsible for non-execution of effective and systematic training in SMEs. This research benefitted not only industrialist but also the employees in several ways. Through this research, industrialists can find out where are they lacking in imparting training, what they need to improve and which obstacle is most urgent and most important to focus. Moreover, this research would help them to fill the gap which is arising due to mismatch between demand and supply of training. So, once industry overcomes all these real obstacles it will help them to achieve improved and quality outcomes. From industry point of view, their manpower would be fully updated, trained and highly skilled which will contribute in high productivity and high profit. Through sharing profit and incentives they can retain the employees in organization which will somewhere remove the problem of shortage of manpower and

encourage the industrialist to invest more in training. From employee point of view, after getting training, employees will enjoy their work at workplace as now they understood the demand of job and how they have to perform. Later on, they would take more interest in job and give their full contribution. Further, they will be comfortable to adopt new changes in their working which make them updated and challenging. This research also suggests that government has launched various employment guarantee scheme which provide unskilled work. Most of the labours are attracting towards such scheme where they get wage for no work. So, firstly it is important that government should divert that fund towards skill development so that labour market can provide readymade skilled labour. Secondly, SMEs should fix the wages for all category of work as well as for all category of labour. Company should develop promotion, wage policy and welfare facility so that employees can retain. In order to overcome the problem of scarcity of resources, small business owners should source cheap, low-interest loans from banks and other financial institutions, borrow from friends and relatives with the intent to pay the money back, negotiate advance payments from customers, and seek loans from micro-financing organizations. Moreover, Government training centres should give more focus on their infrastructure, training facilities, training courses and trainers. They need to update their tools and techniques. They also need to install latest machines which are used by company in their production. Further government training centres should provide complete information about training courses and programs to SMEs Owners and employees. For better communication, they can give advertisement in newspapers, establish canopies, play nukad act in prime location, distribute pamphlets and conduct seminars in colleges, schools and companies so that people get known with the importance and benefits of training as well as aware about the courses and programs.

### **Limitation and Future Research**

SMEs have been established in almost all major sectors in Indian industry such as food processing, agriculture inputs, chemical & Pharmaceutical and so on. Researcher took Textile industry in the research so finding does not necessarily apply to other industry in SMEs. Secondly, researcher took Bhilwara district (Rajasthan) as a research area so this research is not applicable to other state of country. In addition, the sample is not a representation of the entire SMEs in India; therefore, the results cannot be generalized to small businesses that were not part of this study. In this study, researcher included only small and medium sized enterprises and excluded large enterprises. So, further studies can be taken up large enterprises in future.

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**Table 1**  
**Obstacles in Training faced by SMEs Owners**

S. No.	Obstacles	Percentage	Rank
1.	Shortage of man power	94.74	1
2.	When employee get trained they leave and go elsewhere that's why , we are not interest in giving training to them	85.53	2
3.	Workers give more preference to earn money	81.58	3
4.	No guarantee of ROI (Return on investment)	78.95	4
5.	Workers are not interested in Trainings	69.74	5
6.	High cost of training	55.26	6
7.	Lack of resources	52.63	7
8.	Lack of proper training facilities	47.37	8
9.	Workers do not consider trainings useful	44.74	9
10.	Lack of good trainers	38.16	10
11.	Lack of funds	32.89	11
12.	Impossible to stop production	25.00	12
13.	It's a waste of time	23.68	13
14.	No apparent benefit of training	20.08	14

**Table 2**  
**KMO value and Bartlett's test of obstacles in training**

KMO value	Bartlett's test: Chi square	df	p value
0.687	233.096	66	p<0.001

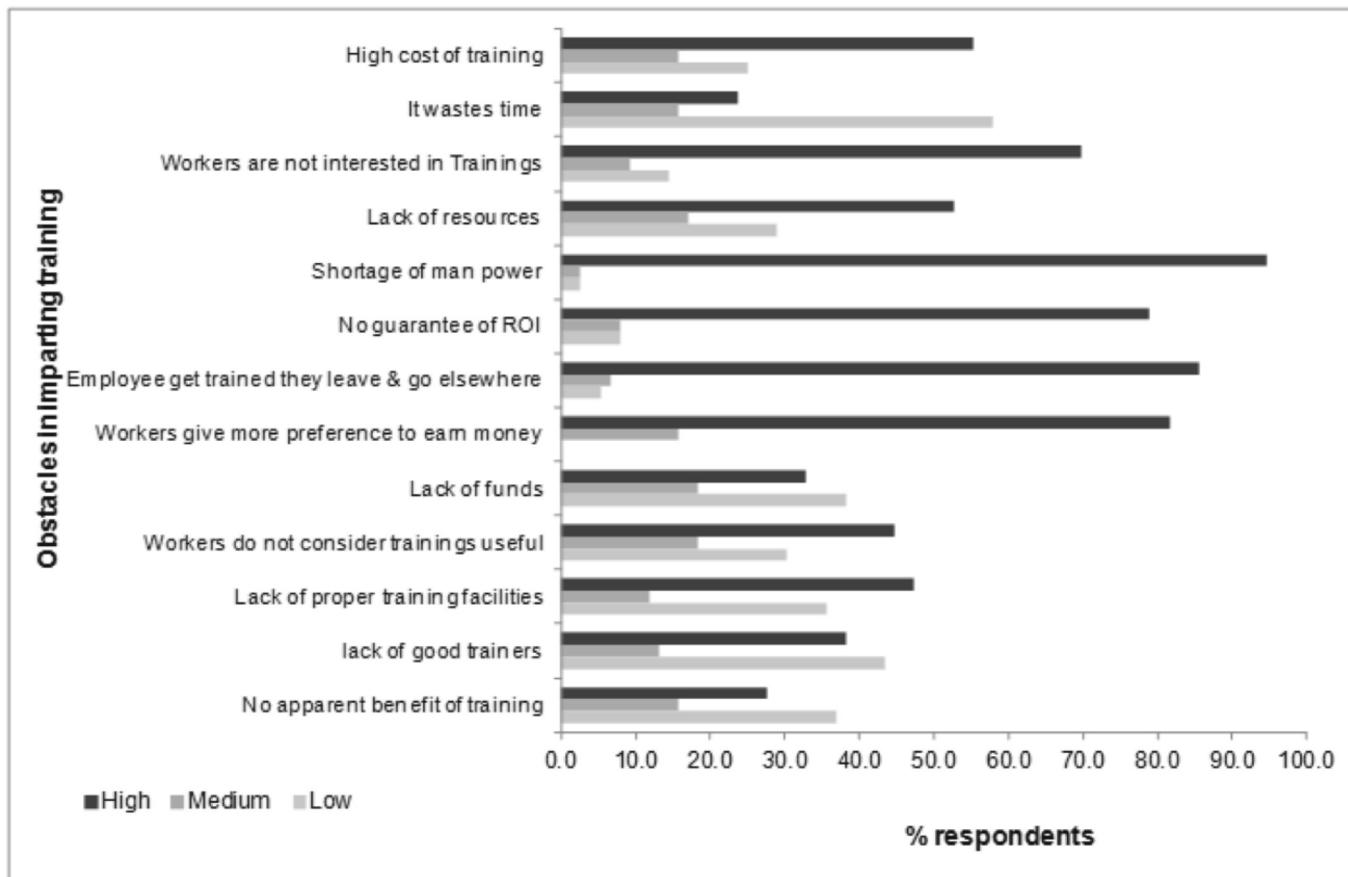
**Table 3**  
**Factor Analysis of obstacles faced by SME's owners in training**

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.671	30.594	30.594	3.125	26.040	26.040
2	2.423	20.195	50.789	2.648	22.067	48.107
3	1.633	13.607	64.396	1.955	16.289	64.396
.	.	.	.			
.	.	.	.			
.	.	.	.			
12	0.107	0.894	100.000			

**Table 4**  
**Factor and factor loadings**

Factor	Statement	Factor Loading
Manpower Risk	When employee get trained they leave and go elsewhere that's why , we are not interest in giving training to them	0.921
	Workers give more preference to earn money	0.919
	No guarantee of ROI (Return on investment)	0.894
	Shortage of man power	0.665
Scarcity of Resources	Lack of resources	0.858
	Lack of funds	0.829
	High cost of training	0.787
	Lack of proper training facilities	0.677
Training Awareness	Workers do not consider trainings useful	0.858
	It wastes time	0.829
	No apparent benefit of training	0.787
	Impossible to stop production	0.677

**Figure 1: Responses of SME's Owner on various Obstacles faced by them in imparting training**



Every obstacle is further divided three categories: High, Medium and Low which represent the level of severity.