



Evaluation of Human Resource Management Practices in SMEs of Bangladesh

Mohammad Sarwar Hossain Islam

Assistant Professor, Department of Business Administration
Atish Dipankar University of Science & Technology
Dhaka, Bangladesh
E-mail: shislambd@gmail.com

Mohammad Bin Amin

Lecturer, Department of Business Administration
University of South Asia, Banani, Dhaka, Bangladesh
E-mail: mbamin77@yahoo.com

Abstract

***Aim:** The objective of this study is to explore the previous history of formal application of human resource management practices in Small and Medium Enterprises (SMEs) of Bangladesh. Already this is well known to all of us that SMEs are the biggest employment creators along with accelerating global economic growth. Proper human resource management practices are required to increase the potentials in this sector. Although the opportunities and need of SMEs, there are inadequate number of researches has been concentrated on evaluation of human resource management practices in these units. Now it is significant for us to understand proper practices of human resource management at SMEs and upgrade some useful literature to help them increasing organizational efficiency.*

***Study Method:** The descriptive research method was used to conduct this study. A structured questionnaire was organized by self-designed questions for collecting demographic information of the respondents as primary data. Secondary data was collected from related books, previous studies, published articles, research papers and websites. For analyzing the impacts and relationship between variables SPSS 18.0 version was used.*

***Findings:** The findings of this study reveal that three interrelated variables such as employee demographic condition, recruitment & selection process and training & compensation benefits have been found and among them employee demographic condition and training & compensation benefits significantly influence evaluation of human resource management practices as well as recruitment & selection process did not make any significant relation. The findings also indicated absence of formalization and cost associated with organization contributing to the relationship between these factors.*

***Managerial Enforcement:** This Research has added the knowledge to the field of SMEs literature. It was a fascinating insight to monitor that while SMEs employ a large number of worker, most do not follow a systematic human resource management practice. Though there is an upgrading body of literature that considers people as a competitive benefit and advice investment in implementing human resource management practice for competitive advantage. It was found that practitioners do not follow that line of thinking.*



Originality: *This research investigates relations of organizational contexts and application of human resource management practices variables. This is an original empirical work.*

Limitations: *This study can be enlarged a variety of other area related to SMEs evaluation. There are other contextual variables which can also be studied. Time acted as a major limitation for exploring other variables in this paper.*

Key-words: Human resource management practices, SMEs, Recruitment & selection, Training & Compensation, Bangladesh.

1.0 Introduction

SME's are considered as an engine of financial development and employment creation for sustainable industrialization in both developed and developing countries of the globe (Cardon and Tarique, 2008). Bangladesh as a developing country, there is no effective and alternative way of quick industrialization and economic progress through low investment and employment creation without SMEs. A lot of initiatives were undertaken to increase the rate of industrialization in our country after the Liberation. Import substitution and consequently export-led economic growth strategy was practiced for industrialization at the early stage. A large number of industrial credits were taken to attain the objective but the required goal was not achieved. After that, Policy makers, of late, have come to identify the involvement of SME sector towards economic growth in the country (Davis, Renzulli, & Aldrich, 2006). Small and medium enterprises have been known as one of the most significant means for providing better economic opportunities for the people of least developing countries like Bangladesh.

As a small industry SME means an industrial enterprise or unit which is run mainly by hired labor and not using mechanical motive power but does not normally employ more than 50 workers and whose land, building and machinery does not exceed Tk.150, 00,000 in value in either case. Thus, the expansion of small and medium enterprises (SMEs) in developing countries is usually understood to be a desirable end in view of their perceived involvement to decentralized job creation and generation of desired output (Arthur M. and Hendry C., 1990). SMEs represent the leading source (80%) of industrial employment in Bangladesh, and about 90% of the industrial units fall into this group (Najmul, 1998). The authentic performance of SMEs, however, differs depending on the comparative economic efficiency, the macro-economic policy environment and the definite promotion policies pursued for their benefits.

A multitude of labor intensive goods including, consumer items, toys, garments, furniture, electronic products and restaurants for the domestic market are produced and traded in SMEs of the country. Further improvement of these industries requires different investment initiatives by local entrepreneurs as well as government which will speed up the economic growth of this area. So as a part of our growth strategy, we should strengthen our efforts to expand this sector to grow up industrial base and volume of foreign trade. It is impossible to stop the flow of foreign goods to any country in this age of globalization. Only quality



products can meet the challenges in global market. For meeting this situation, SMEs need to promote their technological capabilities and production facilities in order to produce quality products at a competitive price.

In SMEs, HRM practices include employee hiring, training, developing, retaining, motivating, rewarding etc. These are important in the new “knowledge-based” economy, as organizations face the double challenge of the need for more highly trained employees attached with a shortage of qualified labor. These challenges, coupled with the third trend toward smaller firms in general, reinforce the need for effective HRM practices in the small firm (Audretsch and Thurik, 2000). It is therefore not astonishing that research on HRM practices in small and medium-sized enterprises has captured increased attention in recent years.

Practices of human resource management are the core point for both small and large firms. But at early stage of the 1990's it was identified that the size of a business does influence the formality of human resource practices. Furthermore, it impacts the sophistication of the HRM practices used. Though Small firms do not require the same kind of resources to implement official human resource practices, but they have to keep employees satisfied and productive (Saru, 2007). Even though the significance of small business is well-recognized, academic researchers have only recently started to focus on particular issues within this sector. HRM in small businesses is an area that is quite ignored (Heneman et al., 2000; Matlay, 2004). Furthermore, it has been concluded that human resource practices vary highly between small business entities (Brand & Bax, 2002) and that there is some inconsistency in the existing literature regarding which human resource management practices are most useful to quality management (Chandler & McEvoy, 2000; Soltani, 2005).

2.0 Research Agenda

This research is the addition of the study done by Kok and Uhlaner (2001). The research agenda was formulated to find the effect of three contextual variables viz., employee demographic condition, recruitment and selection process and training & compensation benefits on formalization of HRM practices. The study was done with special reference to SME's based in Bangladesh.

3.0 Small and Medium Enterprises

3.1 Definitions and Facts and Figures

SMEs are defined on different ways in all over the world. There is variation in definition depending on the program, policy, purpose and industry. The first criteria in the definition being the number of people employed; net capitalization; assets; sales or turnover; and production capacity are also used by various economies. In Bangladesh, Small & Medium Enterprises classified in two classes:

3.1.1 Manufacturing Enterprises- Manufacturing or production organization engaged in producing goods relating to any industry specified in the first schedule to the industries. The manufacturing enterprise is defined in terms of investment in plant & machinery.



3.1.2 Service Enterprises: The enterprises involved in providing or rendering of services and are defined in terms of investment in equipment. There is a limitation of investment in plant and machinery/equipment for manufacturing/service enterprises.

3.2 Small and Medium Enterprises- Bangladesh

Some quantitative estimate of the significance of SMEs in Bangladesh economy is hindered by unavailability of inclusive statistical information about these industries at the national level. The most recent Bangladesh Small and Collage Industries Corporation (BSCIC) reports denote that there are presently 55,916 small industries and 511,612 cottage industries apart from handlooms. The number of cottage units shoots up to 600,000 units representing numerical superabundance of the Small and Collage Industries (SCIs) in Bangladesh including handlooms. The Small Medium Enterprise Foundation (SMEF) puts the number of medium enterprises (undefined) to be around 20,000 and that of SCIs to be between 100,000 to 150,000 quoting informal Planning Commission estimates. This wide difference in the BSCIC and Planning Commission calculation of the numerical, size of the SMEs might be due to at least two reasons: (a) different set of definitions of the SMEs and (b) different coverage of SME families. These numerical differences indicate the necessity for adopting and using a homogeneous set of definitions for SMEs by all Government agencies to help formulation of pro-active SME promotion policies. Whatever, the accurate magnitude, the SMEs is unquestionably moderately leading industrial structure of Bangladesh comprising over 90% of all industrial units. This mathematical prevalence of the SMEs in Bangladesh's industrial sector becomes visible in all available sources of statistics on them (Ahmed, M.U 2001). Mutually, the different sort of SMEs is reported to contribute between 80 to 85 per cent of industrial employment and 23 per cent of total civilian employment (SEDF, 2003). The major controversies between their relative contribution to Bangladesh's industrial output due to scarcity of trustworthy information and various approaches applied to calculate the magnitude. The most commonly quoted figure by different sources (Asian Development Bank, World Bank, Planning Commission and Bangladesh Institute of Development Studies) relating to value added contributions of the SMEs is seen to vary between 45 to 50 per cent of the total manufacturing value added.

A considerable proportion of SME establishments exist in the informal sector, for which there is no reliable data. In addition, the investigation summarizes the SME output based on a method that requires the use of data on profits earned by enterprises. This is why, it is extremely complicated to assemble and assess profits of establishments. Therefore, the abovementioned contribution of SMEs may be underestimated. The robustness of SME contributions to employment generation is a common phenomenon in most developing countries in that the magnitude varies between 70% to 95% in Africa and 40% to 70% in the countries of the Asia-Pacific region (Ahmed, M.U., 1999). Whenever, SMEs are typically extremely varied and heterogeneous, their conventional governance is in a few industrial sub-sectors such as food, textiles and light engineering and wood, cane and bamboo products. SEDF reported from ADB (2003), food and textile units including garments account for over 60% of the registered SMEs. A variety of recent studies (ADB 2001; Ahmed, M.U. 2001) denote that SMEs have undergone important structural changes in terms of product



composition, degree of capitalization and market penetration in order to adjust to changes in technology, market demand and market access brought by globalization and market liberalization. The criteria and present condition of SMEs in Bangladesh are given in **Table no. 01**.

4.0 Literature Review

Small and Medium Enterprises (SMEs) are generally considered as important engine to the world economies (Storey, 1994). Basically, it has been argued that SMEs make up the largest business sector in every world economy (Culkin and Smith, 2000). At this stage, governments in different parts of the world are gradually more promoting and supporting the growth of SMEs as a part of their overall national development strategy (Abdullah, 2000; and Lin Bakar, 2000). Apart from the fact that they control in terms of absolute members, SMEs are very significant because they are the key drivers of employment and economic growth (Wang, Walker and Redmon, 2008). Considering the macroeconomics level, SMEs are measured by governments as a foundation to regional economic and community regeneration because such firms absorb back into the workforce the employees that are made redundant by the restructuring, rationalizing downsizing and outsourcing taking place in large firms (Storey, 1994; Frank and Landstorm, 1998). SMEs provide income to region thereby stimulating local economic activity and driving wealth and further creation of employment (Walker and Webster, 2004). SMEs are also generally noted for contributing to economic growth through their innovative activities despite their generally limited capacity for research and development (R & D) investments (Acs and Andretch, 1990).

Small businesses in general have been considered as only smaller examples of large firms. According to Burns (2001) small business cannot be characterized as only scaled down versions of large firms since they show a number of fundamental differences. A quantity of these distinctions can be explained by lacking economies of scale and scope which amongst others is also caused by less provision for human resource management (Fitzsimmons & Fitzsimmons, 2003). Fundamental challenges facing SME's, whether family or non-family businesses, point to human resource aspects (Hoover & Hoover, 1999). A developing economy like Bangladesh suffers from many abnormal problems such as inconsistent pressure of population on agriculture due to lack of rural industrialization, unemployment and underemployment of human and materials resources, unbalanced regional development etc. The contributions of small and medium enterprises are the solution of these problems is beyond doubt, provided they are organized and run on scientific basis.

The rapid the expansion experienced by the small businesses, the higher the chances that human resource management problems will be resolved. Mazzarol (2003) reported that the owner-manager is usually burdened with the variety of HR functions for which he is generally inadequately organized. Little (1986) declared that as the number of staff employed increases the need for a formal HRM manager or process also becomes pressing. Caudron (1993) identified businesses with less than 100 employees as being able to manage without a full-time personnel or HR manager. However, once the employee base exceeds 150 a HR manager or department becomes a necessity.



Human resource Management (HRM) includes knowledge, skills, talents and emotions that are in human beings as well as any productive attribute that a worker holds in his head, hand and heart and also other parts of them. Usually, it concentrates on linking the knowledge, skills and ability of a person to job requirements (Bruystegem, Woestyne, Dewetticnck, 2008). Storey (1992) explains human resource management as a distinguishing approach to employment management, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. It is necessary to conduct more research into the links between HRM competitiveness and business success in the SME sector. More concentration should also be given to HRM as a management theory. At the present situation, managers had little understanding of HRM as a management theory. However, SME owners-managers are familiar with many of its practices (Bacon, Ackers, Storey & Coates, 1996). In order to ensure that employees are committed and capable therefore, the need to implement good HR practices to enhance goal attainment. Unfortunately, research on HRM practices has focused on large organizations which appear to suggest that HR issues are not important in small organizations. If we agree with scholars such as Armstrong (2004) that the human resources are the most important assets or key resource in any organization, then awareness has to be given to HR practices irrespective of the size of the organization and that organizations in trying to survive in a volatile environment must focus on the human resources that has the biggest potential to ensure organizational survival.

The study concentrates on how the HR practices of recruitment and selection, performance appraisal, training and development as well as retention strategies are applied in small and medium sized firms and also to recognize the HR challenges faced by these firms. Managing such issues as recruitment and selection, staff promotion and retention, wages and salary negotiations, training and development, tax insurance regulations, and other HR aspects can place an extensive burden on the average small business owner (Caudron, 1993). Our present understanding of HRM practices with SMEs is as yet insufficient to provide an answer to this question.

Particularly quantitative studies, in which specific hypotheses on HRM with small firms are tested empirically, those are lacking within the SME. The quantity of quantitative researches on HRM with SMEs is limited. Heneman et al. (2000) have conducted a literature review on this topic amongst 28 different publications. This resulted in 403 articles on HRM, of which only 17 articles used quantitative methods to test specific hypotheses on HRM with small and medium-sized enterprises. They wind up that 'the lack of information about human resources in SMEs is problematic for theory, research and practice'. Even with regard to HRM research, the tendency is to focus on larger businesses and to ignore the very significant small and medium-sized segments of the economy. For smaller businesses, resource constraints may mean that HRM may often be less formal and also limited in their scope and sophistication, but this does not imply that effective HRM is any less significant to firm performance and success (Heinemann, Tansky & Camp, 2000, Chandler & McEvoy, 2000).



5.0 Research Hypothesis

Evaluation of human resource management practices cannot be generalized as a homogeneous concept as wide variation has been found amongst practices in SME's. de Kok and Uhlaner's (2001) studied regularity of performance appraisal, written job description and the availability of a formal training program as dimensions of formalized HRM practices. They found that they are completely unrelated to each other. But, they measure some aspects of formalization. It was of utmost important to notice the absence of inter-relation amongst the various dimensions of formal HRM practice. Therefore, these dependent variables could be studied separately.

H1: Employee demographic conditions are positively related to implementing the evaluation of human resource management practices.

H2: Recruitment and selection process of SME organizations are positively related to implementing the evaluation of human resource management practices.

H3: Employee training program and compensation benefits are positively related to implementing the evaluation of human resource management practices.

H4: Employee demographic conditions, recruitment and selection process of SME organizations, Employee training program and compensation benefits are positively related to implementing the evaluation of human resource management practices.

6.0 Research Methodology

6.1 Research Design

The descriptive research methodology is used followed by quantitative analysis with the core objective of describing the evaluation of implementing human resource management practices. Primary and secondary data are used in this study. **Primary** data was gathered through a self planned structured research questionnaire (tool for the data collection) comprising only close ended questions based on survey design. **Secondary** data was collected from books, earlier research papers and articles from the research journals and from the websites related to this research.

6.2 Tools for Data Collection

Based on the literature review regarding human resource management practices a questionnaires had developed consisting sixty questions of two major segment. First segment was related to respondents' demographic information such as name, name of the organization, gender, designation and working experience, education, number of family members etc. Another segment had questions related to a. Recruitment & selection; b. Training & compensation benefits which are influencing the other factors for human resource management practices. The questionnaire was prepared according to 5-point Likert scale (1= Strongly Disagree, 5= Strongly Agree and 3= Neither Agree nor Disagree). Theoretically, '3' Neither Agree nor Disagree with the item. Thus, recording '4' & '5' represent agree, the



higher the score, the greater the level of being agree. Similarly, Yes=1, No=2 and No comment=3. On the other hand, some of the questions that have direct choice also sequentially arranged.

6.3 Sampling frame and Sampling technique

In a specific survey, we have selected 150 as convenience sampling and collected primary data (July, 2010) from a population and administered a standardized questionnaire to them. The primary data has been collected from interviewing Employees, Managers and workers of the SMEs. The analytical approach used in analyzing data in a quantitative method by means of tables, graphs, percentages, regression analysis table and based on other findings from the answers of questionnaire by employees of SMEs. The unit of analysis was the organization itself wherein owners or the person taking care of human resource functions was requested to fill the questionnaire. The respondents were met personally in their respective organizations and questionnaire will be filled in by one to one basis. The demographic, recruitment sources, recruitment process, training methods, present conditions of the employees of this study are given in **Table no 02**.

7.0 Analysis of data

7.1 Method of Measure

Analysis has been done using the SPSS 18.00. The scale has been adapted from previous studies and checked for scale reliabilities (coefficient α). The construct indicator variable and scale reliability values are given in **Table 03**. The descriptive values are given in **Table 04**.

Skewness is a measure of symmetry of a dataset describing the location whereas kurtosis describes the variability of a dataset. The value of skewness is within limits and hence the distribution of data can be said as symmetrical. Kurtosis value is less than 3 and indicates platykurtic distribution, i.e., flatter than a normal distribution with a wider peak. The values expected to be wide spread around the mean.

7.2 Result of the analysis

Hypothesis 1: Employee demographic condition is positively related to evaluation of human resource management practices. $EHRMP = \alpha_1 + \beta_{11}EDC + e_1$. **Table 05** shows employee demographic condition has a significant ($p < 0.05$) relationship with implementing the evaluation of human resource management practices.

Hypothesis 2: Recruitment and selection process is positively related to evaluation of human resource management practices. $EHRMP = \alpha_2 + \beta_{21}RSP + e_2$. **Table 06** shows recruitment and selection process has an insignificant ($p < 0.05$) relationship with implementing the evaluation of human resource management practices.

Hypothesis 3: Employee training program & compensation benefits is positively related to evaluation of human resource management practices. $EHRMP = \alpha_3 + \beta_{31}ETCB + e_3$. **Table 07** shows employee training program & compensation benefits has a significant ($p < 0.05$) relationship with implementing the evaluation of human resource management practices.



Hypothesis 4: Employee demographic condition, recruitment and selection process and employee training program & compensation benefits together are positively related with evaluation of human resource management practices. $EHRMP = \alpha_4 + \beta_{41} EDC + \beta_{42} RSP + \beta_{44} ETCB + e_4$. **Table 08** shows employee demographic condition, recruitment and selection process and employee training program & compensation benefits together has a significant ($p < 0.05$) relationship with implementing the evaluation of human resource management practices.

7.3 Discussion

The evaluation of human resource management practices is moderately correlated (Pearson correlation = 0.455; $p = 0.000$) with employee demographic condition (**Table 05**). The R-squared value of 0.207 implies that the predictor variable, i.e., employee demographic condition explained about 20% of the variance in the evaluation of human resource management practices.

A relationship between recruitment and selection process (RSP) and evaluation of human resource management practices (EHRMP) was tested using linear regression model (**Table 06**). The results revealed a weak negative correlation between the recruitment and selection process and evaluation of human resource management practices. Further, RSP was found not to have a significant impact on EHRMP ($F = 2.427$; $p = 0.121$). Therefore, the hypothesis was rejected.

The employee training & compensation benefit (ETCB) of SMEs was evaluated to find how it can affect their venture success. A positive correlation was found between the ETCB and the EHRMP ($r = 0.46$; $p = 0.000$). The results obtained from this study suggest that these associations have a significant impact on the EHRMP (**Table 07**).

A multiple regression was run to predict the impact of employee demographic condition, recruitment and selection process and Employee training & compensation benefit on EHRMP (**Table 08**). The assumptions of linearity, independence of errors, unusual points and normality of residuals were tested. The R-squared value of 0.319 indicates that the three predictor variables explain about 33% of the variance in the EHRMP practices used by the firms.

8.0 Implications

Growth and sustenance of any organization is with its employees. In any given business situation, all other things remaining constant, the firm with better skilled employees will eventually gain a competitive advantage. This study to this extent draws out significant insight on absence of formal human resource management practices in SMEs and also the factors that lead to implementing the evaluation. Using this insight government could draw this as an advocacy issue and to protect rights of laborers, encourage SMEs to invest in forming human resource management practice in their business unit.



9.0 Conclusion

Small-medium enterprises are important in influencing country's financial development, poverty alleviation, employment creation and speeding up of industrialization of the developing countries like Bangladesh. Thus; The Government of Bangladesh has highlighted the significance of SME in the Industrial Policy 2010 and taken a number of steps towards the expansion of SMEs. But SMEs in Bangladesh are handling an extreme competition from the international markets and a logical investigation of its human resource management practices. This is why; SMEs should be aware regarding HRM practices because of worldwide opportunities and competitive pressure have made the importance on skillful management of human resources than ever. At present, Human Resources Management practices have been core point to business operations in these ever-changing business surroundings. Now a day's most successful business organizations identify the bottom line influence of the emerging HR practices to lead the way on numerous strategic fronts- improvement of proper structure for creating a learning organization, effective deployment of human resources for maximum return to the company, and increasing the competencies of the workforce. In these ways, effective human resources departments are upgrading them every now and then to attract, develop and retain talents. The findings of this research will assist entrepreneurs to identify their efforts on the expansion and success of SMEs business in Bangladesh.

References:

01. Arthur M. and Hendry C. (1990). Human resource management and the emergent strategy of small to medium sized business units. *International Journal of Human Resource Management*, Vol. 1, No. 3, pp. 233-250.
02. Cardon, M.S. and Tarique, I. (2008), "Organisational attractiveness of small businesses", in Barrett, R. and Mayson, S. (Eds), *International Handbook of HRM and Entrepreneurship*, Edward Elgar, Cheltenham.
03. Najmul, H. (1998). Constraints to SME Development in Bangladesh. In job opportunities and business support (jobs) program. College Park, August 1998. University of Maryland: *Institutional Reform and the Informal Sector (IRIS)*. 2.
04. Davis, A. E., Renzulli, L. E., & Aldrich, H. (2006). Mixing or matching?: The influence of voluntary associations on the occupational diversity and density of small business owners' networks. *Work and Occupations*, Vol. 33 No.1, pp. 42-72.
05. Armstrong, M (2004). A Handbook of Human Resource Management Practice. Kogan Page: London.
06. Ahmed, M. U. (2001). Globalization and Competitiveness of Bangladesh's Small Scale Industries (SSIs): An Analysis of the Prospects and Challenges", Chapter 7 in *Rehman Sobhan (ed.)*.
07. ADB. (2001). "Best Practice in Creating a Conducive Environment for SME" Policy Discussion Paper No. 1, Prepared by GFA Management and Swiss contact services under the *ADB SME Development TA for Indonesia*.



08. ADB. (2001). "Improving the Regulatory Framework for SMEs: Streamlining Business Formalization Procedures and Facilitating One-Stop-Services" Policy Discussion Paper No. 7, Prepared by GFA Management and Swiss contact services under the *ADB SME Development TA for Indonesia*.
09. Ahmed, Momtaz Uddin. (1999). "Development of Small-scale Industries in Bangladesh in the New Millennium: Challenges and Opportunities." *Asian Affairs*, Vol. 21, No.1, Jan-March.
10. South Asia Enterprise Development Facility (SEDF/World Bank). (2003). *The SME Sector: Taking Stock of the Present Situation*, mimeo, Dhaka.
11. Audretsch, D.B., and Thurik, A.R. (2000), "Capitalism and Democracy in the 21st century: From the Managed to the Entrepreneurial Economy", *Journal of Evolutionary Economics* 10 (1).
12. Saru, E. (2007). "Organizational Learning and HRD: How appropriate are they for small firms" *Journal of European Industrial Training*. 31 (1): 36-51.
13. Heneman, R.L, Tansky, J.W., & Camp, S. M. (2000). "Human Resource Management practices in small and medium sized enterprises: Unanswered questions and future research perspectives." *Entrepreneurship Theory and Practice*, 25 (1): 11-26.
14. Matlay, H. (2004). HRD in Small Organizations: Research and Practice. *Journal of Small Business and Enterprise Development*, 11(4), 514.
15. Brand, M. J., & Bax, E. H. (2002). Strategic HRM for SMEs: Implications for firms and policy. *Education & Training*, 44(8/9), 451.
16. Chandler, G. N., & McEvoy, G. M. (2000). Human resource management, TQM, and firm performance in small and medium-sized enterprises. *Entrepreneurship Theory and Practice*, 25 (1), 43-57.
17. Soltani, E. (2005). Conflict between theory and practice: TQM and performance appraisal. *International Journal for Quality & Reliability Management*, 22 (8), 796-818.
18. de Kok J. and Uhlener L.M. (2001). Organisation context and human resource management in the small firm. *Small Business Economics*, Vol. 17 Issue 4, pp. 273-291.
19. Small and Medium Enterprise (SME) Credit Policies & Programmes 2015. SME. [ONLINE] Available at: <http://www.bangladesh-bank.org/sme/index.php>. [Accessed 27 April 2015].
20. Asian Development Bank (ADB). (2001). High Level Workshop on Strategic Issues and Potential Response Initiatives in the Finance, Industry and Trade Sector. November, Dhaka.
21. Asian Development Bank (ADB). (2002). Bangladesh, Strategic Issues and Potential Response-Small and Medium Enterprise Development and Export Expansion, Dhaka.
22. Storey, D.J (1994). *Understanding the Small Business Sector*, London: Routledge Kegan Paul.
23. Storey, D.J. (1985), 'Small firms in regional economic development', *Cambridge University Press*, Cambridge.



24. Storey, J. (1992), 'Developments in the management of human resources'. *Oxford: Blackwell*.
25. Culkin, N. and Smith, D. (2000). An Emotional Business: A Guide to Understanding the Motivations of Small Business Decision Takers, *Qualitative Market Research: An International Journal*, 3(3), 145 – 158.
26. Abdullah, M.A. and bin Bakar, M.I. (2000). Small and Medium Enterprises (SMEs) in *Asian Pacific Countries – Volume II: Linkages and Policy Support*, Nova Science Publishers Inc., Huntington, New York.
27. Wang, C., Walker E.A. and Redmon, J. (2008). Explaining the Lack of Strategic Planning in SMEs: The Importance of Owner Motivation. *International Journal of Organizational Behaviour*, Vol. 12(1), 1 – 16.
28. Frank, H. and Landstrom, H. (1998). 'Entrepreneurship and Small Business in Europe: Economic Background and Academic Infrastructure', in H.L. Landstrom, H. Frank and J.M. Veciana (eds). *Entrepreneurship and Small Business Research in Europe*, Ashgate Publishing Ltd., England, pp. 1 – 13.
29. Walker, E. and Webster, B. (2004). "Gender Issues in Home- Based Business", *Women in Management Review*, 19 (8), 404-412.
30. Acs, Z.J. and Andretsch, D.B. (1990). "Innovation and Small Firms". *The MIT Press*, Cambridge, Massachusetts.
31. Burns, P. (2001). *Entrepreneurship and Small Business*. Palgrave, Basingstoke.
32. Fitzsimmons, J. & Fitzsimmons M. (2003). *Service Management*, McGraw Hill, Boston, M.A.
33. Hoover, E.A & Hoover C.L. (1999). "What you see ahead" *Family Business Magazine*. 11(4) 31.
34. Mazzarol, T. (2003). "A model of small business HR growth management" *International Journal of Entrepreneurial Behaviour and Research*. 9(1): 27-49.
35. Little, B. (1986). "The performance of personnel dating in small Louisiana firms: A research note." *Journal of Small Business Management*. 10 (2): 53-63.
36. Caudron, S. (1993). "How HR keeps pace in growing companies." *Personnel Journal*. 72 (11): 56-58.
37. Bruystegem, K., Woestyne, M. and Dewettinck, K. (2008), 'Human resource challenges for growing SMEs. How Flemish Entrepreneurs Attract, Develop and Retain employee', *Vlerick Leuven Gent Management School*, Working Paper, 1-33
38. Bacon, N., Ackers, P., Story, J. & Coates, D. (1996). "It's a small world: Managing human resources in small businesses" *The International Journal of Human Resources Management*. 7 (1) 82-100.
39. Heneman, R.L, Tansky, J.W., & Camp, S. M. (2000). "Human Resource Management practices in small and medium sized enterprises: Unanswered questions and future research perspectives." *Entrepreneurship Theory and Practice*, 25 (1): 11-26.



Annexure:

Table 1: Criteria and Present Condition of SMEs in Bangladesh

Type of Enterprise	Number of Employees	Area of Business	Total value of Assets	Maximum no. of Employee
Small Enterprise	10 to 49	Business	50,000 – 5000,000	25
Medium Enterprise	50 to 99	Service	50,000 – 5000,000	25
		Industry	50,000 – 15000,000	50

(Ref: i. Bangladesh Bank ii. SME Foundation, Ministry of Industries, Bangladesh)

Table 2: Demographic, recruitment, training and benefit conditions of SMEs

			Frequency	Percentage	
Demographic Description	Gender	Male	137	91.33 %	
		Female	13	08.67 %	
	Age	Adult	108	72.00 %	
		Minor	42	28.00 %	
Educational Qualification		Below SSC	29	19.33 %	
		SSC Passed	67	44.67 %	
		HSC Passed	33	18.67 %	
		Undergraduate	13	08.67 %	
		Graduate	08	05.33 %	
Recruitment Sources		Internal Sources	Friends, Family, Recommendations	91	60.67 %
			Other Branches	09	06.00 %
		External Sources	Advertisement	19	12.67 %
			Agency	21	14.00 %
			Training Institute	00	00.00
Recruitment Selection Process		Educational Institute	10	06.67 %	
		Interview	23	15.33 %	
		Written Test	11	07.33 %	
		Practical Work Test	17	11.33 %	
Training Programs		Without any Test	99	66.00 %	
		Coaching class	29	19.33 %	
		Practical Lab	16	10.67 %	
Compensation and Benefits		On the Job Training	105	70.00 %	
		Monthly Salary	107	71.33 %	
		Daily basis & Overtime	43	28.67 %	
		Accommodation	07	04.67 %	
		Fringe Benefits	11	07.33 %	



Table 3: Construct indicator variables and scale reliability values

Measure	Label	Scale Reliability (Cronbach α)
R	Recruitment	0.875
S	Selection	0.857
C	Compensation	0.827
T	Training and development	0.916
A	Appraisal	0.873

Table 4: The Descriptive statistics for the studied variables

		EDC	RSP	ETCB	EHRMP
N	Valid	223	223	223	223
	Missing	0	0	0	0
Skewness		-.536	-.973	-.830	-.358
Std. Error of Skewness		.163	.163	.163	.163
Kurtosis		-.970	-1.063	-1.323	-.390
Std. Error of Kurtosis		.324	.324	.324	.324

Table 5: Regression results for employee demographic condition predicting evaluation of human resource management practices.

	Standardized coefficients			Collinearity Statistics	
	Beta	t	Sig.	Tolerance	VIF
(constant)		43.623	0.001		
Employee demographic condition	.455	7.588	0.001	1.000	1.000
R = 0.455, Adjusted R Square = 0.207					
Dependent Variable: EHRMP, N=223					

Table 6: Regression results for recruitment and selection process of SME organizations predicting evaluation of human resource management practices.

	Standardized coefficients			Collinearity Statistics	
	Beta	T	Sig.	Tolerance	VIF
(constant)		34.303	0.001		
Recruitment & selection	-.104	-1.558	0.121	1.000	1.000



R = 0.104, Adjusted R Square = 0.011
Dependent Variable: EHRMP, N=223

Table 7: Regression results for Employee training program and compensation benefits predicting evaluation of human resource management practices.

	Standardized coefficients			Collinearity Statistics	
	Beta	T	Sig.	Tolerance	VIF
(constant)		31.715	0.001		
Employee training & compensation benefit	.460	7.695	0.001	1.000	1.000
R = 0.460, Adjusted R Square = .211					
Dependent Variable: EHRMP, N=223					

Table 8: Regression results for Employee demographic conditions, recruitment and selection process of SME organizations, Employee training program and compensation benefits predicting evaluation of human resource management practices.

	Standardized coefficients			Collinearity Statistics	
	Beta	T	Sig.	Tolerance	VIF
(constant)		20.781	0.001		
Employee demographic condition	.352	6.089	0.001	.917	1.091
Recruitment & selection	.064	-1.155	.249	.990	1.010
Employee training & compensation benefit	.352	6.055	0.001	.908	1.101
R = 0.573, Adjusted R Square = .319					
Dependent Variable: EHRMP, N=223					

Table 9: One Sample Test for human resource management practices in SMEs

SL	Factors relating HRM practices	Mean	Std. Deviation	T	df
1	Appropriate compensation & benefits	3.8875	1.31746	37.325	148
2	Discipline and time table	3.6000	1.41510	32.179	148



3	Favorable & friendly working condition	4.1812	.89634	59.006	148
4	Qualified, skilled well behaved superior	4.2562	.65634	82.028	148
5	Competition and performance appraisal	2.3188	1.29037	22.730	148
6	Healthy understandable co-worker	4.5062	.59343	96.051	148
7	Influence of local politics & nepotism	1.6312	1.05581	19.543	148
8	Proper job security	3.2250	1.43167	31.722	148
9	Opportunity for promotion and innovation	4.1362	.66634	79.059	148
10	Overall Satisfactory Job Environment	4.4250	.59927	93.401	148