**Why is getting the right type of employee a challenge for the MSME sector?**

The MSME sector is the backbone of our economy. India has approximately 6.3 crore MSMEs. As per the MSME Ministry data, as of May 16, 2021, the Udyam Registration portal registered 30,00,822 MSMEs, which replaced the former process of filing for Udyog Aadhaar Memorandum (UAM). Registered micro-enterprises stood at ~ 28 lakh (93%), followed by small enterprises at 1.78 lakh (6%) and midsized enterprises at 24,657 (1%). The Indian MSMEs sector contributes about 30% towards the GDP through its national and international trade.

A large part of these MSMEs are based out of rural areas, which highlights the deployment of the major rural workforce in the MSME sector and is an exhibit of the vitality of these enterprises in promoting sustainable and holistic development as well as generating large scale employment, especially in the rural areas.

**Talent acquisition challenges faced by MSMEs**

Even though the MSME sector is the second-largest job creator after the agriculture sector and is expected to create around one crore jobs in the upcoming four-five years, hiring and retaining talent is among the crucial challenges for Indian MSMEs.

However, many factors such as lack of adequate funds, technical knowledge gaps, a dearth of training and skills contribute towards MSMEs' incompetence to attract the right kind of talent.

Employment in Indian MSMEs that stagnated during the pandemic has now started to gradually grow. MSMEs in Maharashtra, Gujarat, and Telangana were the largest job generators.

**Attracting great talent**

The most crucial challenge for MSMEs is to attract, retain, and develop talent. For the prosperity of any business, the availability of the right kind of talent can't be undermined. Many MSMEs owners agree that for a business to be consistently successful and grow, the ability to attract skilled and high-performing talent plays the most pivotal role.

Some of the major reasons for not being able to attract the right talent are:

* Lack of opportunities for career progression
* Lack of empowerment by the owner
* Micromanagement by the owner
* Lack of freedom to think and act

To overcome this challenge, the MSMEs owners have to attract the right kind of people at the right time at the right place and in the right manner and have detailed and structured processes for managing them.

**Missing accountability**

Most MSMEs are not performance-driven. Either everyone is doing everything, or no one is doing anything. The positions are mostly filled by family relatives, close friends, or low-budget employees. A lot of business owners feel that trustability is more important than merit. Family dynamics also play a vital role.

In a nutshell, there is no Performance Management System present.

Owing to the relationship between the business owners and the employees, disciplinary and forward-looking performance improvement discussions do not happen with low-performing employees, and as a result, complacency and lack of accountability infect MSMEs.

**Low output**

Most of the time, there is a feeling of not being heard or understood among the employees. Inequality in terms of salary and benefits, better job roles, and development opportunities are considered to be an indicator of being unfair on the part of the business owner.

This adversely affects engagement, retention, and productivity and also impacts the organization's image, and makes it further difficult to attract the right type of talent.

This challenge can, however, be overcome by clearly stating the expectations from the role and the employee. Ensuring that the Key Result Areas and Indicators (KRAs & KPIs) are explained carefully and understood.

The business owners must implement a process that makes the channel robust, exhibit patience, and support the employees to establish a system where the grains can be separated from the chaff.

**Centralized decision-making**

Another challenge with MSMEs business owners is that they rely on people who have been with them for a long time. However, sometimes they may not have the required expertise or knowledge. Decision-making generally is centralized.

This slows down decision-making.

The lack of authority for decision-making is usually seen as a lack of trust with the employees. This can be rectified by empowering the employees based on the hierarchy levels. This has to be created by the business owner by ensuring that the employees have the required decision-making skills, and if they lack anywhere, then the required training is continuously provided.

This ensures that the knowledge pool of the employees is always available and the over-dependence on selected people is greatly reduced, and a new pipeline of decision-making future leaders gets ready.

**Talent development**

It is one of the lowest priorities with MSMEs business owners. Undoubtedly, it is critical for the growth and success of the business.

Formulating and developing the talent for the next stage of growth, the complete new league of leaders who can successfully manage, lead, and grow the business taking all stakeholders together, is a must for MSMEs.

The Talent development process must be created with key insights from a 360-degree assessment, psychoanalysis tools, and guidance to provide an all-inclusive intervention that is highly tailored, keeping the individual needs in view.

**Tackling the situation**

Recruiting the right kind of talent will serve as a boon for these MSME and pave a way for the development and its growth. With the help of a substantial and effective talent management plan, most of these above-mentioned challenges can be controlled.

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