Staff Drop Out from MFIs:
Trends Patterns Causes and Consequences

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Executive Summary

1.0 Introduction

Dropout of staff from the microfinance sector can generally be of two types on different counts. The reasons for dropout from the perspectives of the staff can be positive or negative, and voluntary or involuntary both. After being dropped out from a particular MFI, some staff finds employment in the microfinance sector and some gets it outside, and few remains unemployed. From this emanate another categorization of dropout to provide absolute dropout and intra-sector dropout.

Involuntary dropout is mainly manifested in the exclusion or termination of staff. Though smaller in percentage, this type of dropout is menacing. Practically positive reasons prevail in voluntary dropout and negative reasons in involuntary dropout. Microfinance sector, directly or indirectly, may suffer if there is a large exodus of effective staff, because human resource is synonymous to capital in business.

Under the present study, the net or absolute dropout from the sector has a relationship with the country's thriving private sector where the microfinance staff found lucrative outlets of employment. Having entrepreneurial spirit, some staff had quit their jobs for self-employment.

There was, as if, no reliable statistics on staff dropout from the sector. Thus, it was important to know what was rate of staff dropout, and what were the trend and pattern of dropout. A clear understanding of the types and patterns of dropout of staff, identifying factors or reasons for staff dropout from an MFI and the overall sector, determining at what levels dropout rate was high or low; consequences of dropout at different levels — program, institution and the dropped out staff; and what strategies should be taken up to reduce dropout for retaining the human capital, was essential. PKSF, the trend setter in microfinance sector (Mosharrof 2005) in many ways has decided to delve into these matters to help institutionalize the microfinance sector.

2.0 Rationale of the Study

There were certain gaps in the domain of knowledge in the relevant areas. No study was done on staff dropout from MFIs in the country, particularly none on the dropout of staff from the POs of PKSF. No study earlier dealt with consequences on the stakeholders at a time – supplier (MFI/PO) and the dropped out staff; no earlier study even had covered net dropout

or absolute dropout of staff from the micro-finance sector. No earlier studies in the country had specifically focused on dropout for voluntary and involuntary reasons in any sector of employment or that for positive and negative reasons. This study has enabled PKSF to know trends, patterns, causes and consequences of dropout of staff from the POs and helped the apex body PKSF to provide the POs with needed guidance towards staff retention. The national policy makers dealing with poverty alleviation, wherein microfinance is a proven tool of poverty alleviation, can be helped by its findings. The academicians of this field can also get insights from this study about the condition of the workforces in the microfinance sector.

3.0   Objective of the Study

The general objective of the study was exploring patterns, causes and consequences of dropout in the microfinance sector towards drawing effective remedial strategies to lessen dropout and increase retention of staff.

The general objective was fragmented into some specific objectives. These were, to:

1. determine types, trends and patterns of dropout of microfinance staff of the POs at different positions;
2. identify reasons for or causal factors of dropout, in reverse retention, and have a comparative analysis of dropout from information collected from the staff dropped out and retained;
3. assess the consequence of dropout at different levels — institution, participants, and the dropped out staff; and
4. formulate strategies towards reducing dropout of staff for ensuring greater staff retention in the microfinance sector in general and in the POs in particular.

4.0   Scope of the Study

The study dealt with staff of the POs directly involved in microfinance operation at the household level. It focused on the dropout of the key staff. Only data on staff dropout over a period of five years, June 2009 – June 2014 and only the active POs of PKSF were brought under its purview.

The areas of investigation were confined to objectives, indicators and variables delineated in the proposal approved by the authority and the consequence of dropout was investigated on the POs and the dropped out staff. The consequence was examined on program performance in term of influences on time recovery (OTR) and portfolio at risk (PAR).

5.0   Method of the Study

1.   This study used data and information from primary and secondary sources. Basically, the study was conducted on the basis of data collected from two different surveys. *Firstly*, on the population of the dropped out staff in 2014 from secondary sources and *secondly,* on the sample staff in 2015 through field survey.

2.   Secondary data were collected by an (indirect) survey on all the POs to know the exact number of the dropped out staff. Information related of staff dropout from four levels was tried to be collected from 165 POs. Through scrutiny information from 119 POs could be considered for deriving the sample.

3.   In the investigation of rate of dropout the population of staff dropped out from the POs was used as level of analysis, while for knowing reasons and consequence of dropout and remedies for a statistically accepted number of sample was used.

4.   Flowing an established statistical formula, size of sample of this study was determined and that for both the treatment and control groups contained 380 i.e. a total of 760 staff.

5.   Different positions of the staff, different levels of offices they belonged to and overall, the POs were used as levels of analyses.

6.   The selection of respondents of control group was done in a way that they had similar characteristics to that of the 'treatment' group.

7.   Sample size of respondents — current and dropped out — was determined from population. To know the population, information through a primary survey was collected from all the active POs. After scrutiny information from 119 POs could be used.

8.   Eight percent error margin with 95 percent confidence was accepted so that the sample size did not become very large.

9.   Allocation of sample respondents was made in proportion to population of the dropped out staff at each level.

10.   A current staff was picked from a level (PO/branch/staff position) exactly from where a dropped out staff was picked.

11.   Then in proportion of population the sample 380 staff was allocated to the staff at all stipulated levels.

6.0   Methods of Data Collection

Addresses and mobile phone numbers of the dropped out staff were at first collected from the POs and other sources and their location was identified by talking with them.

A structured questionnaire was administered for the survey on the dropped out staff and current staff. Case studies were done using semi-structured questionnaire or checklist.

7.0   Analyses of Quantitative Data

1.   In the analysis of quantitative data collected about dropped out staff and financial statements of the POs, descriptive statistics consisting of number, mean, percentage and proportion were adopted.

2.   To determine the factors contributing to dropout and knowing consequence of dropout on the microfinance program regression analysis was done.

3.   The rate of dropout was calculated following an established formula in the relevant field.

8.0   Major Findings

8.1   Trend of Staff's Total Departure from the POs

Departure of the staff on completion of tenure of the job was retirement while their premature leaving or becoming excluded before completion of the tenure of the job referred to dropout. The average rate of total departure of staff over the five-year period from the POs was 18.45 percent.

The highest 23.65 percent staff left the B Category POs and the lowest 15.86 percent left the C Category POs. The rate of staff departure from the A Category POs was 2.16 percentage points greater than that of from the C Category POs. The five-year trend of staff's departure showed that the overall trend of departure of staff remained unchanged.

8.2   Trend of Staff Departure from the Microfinance Program

Overall, annual rate of departure of staff from microfinance program over the five-year period was 19.60 percent. The highest rate of this departure in a single year was 21.55 percent in 2011 and the lowest 17.21 percent in 2014. From the A Category POs, the highest rate of departure from the microfinance program was 22.02 percent in 2010 and the lowest 16.42 percent in 2014; from the B Category POs the highest departure was 25.68 percent in 2011 and the lowest 17.31 percent in 2010, while from the C Category POs the highest 19.47 percent in 2012 and the lowest 16.69 percent in 2014.

8.3 Overall Dropout of Staff

Overall, the annual rate of dropout of staff i.e. dropout of staff irrespective of their areas of activities in the POs was 18.73 percent. The highest rate of dropout 20.54 percent was in 2011 followed by 1.20 percentage point lower dropout rate in 2010. The lowest dropout rate, 3.93 percentage points lower than the highest rate was in 2014. The overall highest rate of staff dropout was from the B Category POs and the lowest dropout from the C Category POs in 2014. The highest rate of dropout from the C Category POs was 18.78 percent in 2012, followed by 18.64 percent in 2011. The lowest rate of dropout from this category POs was 16.17 percent in 2014.

8.4 Dropout of Staff in the Microfinance Program

Over the five year period the total number of dropout of staff from microfinance program was 31,264 under 119 POs. The average rate of dropout was 27.83 percent; the highest 40.24 percent from the B Category POs and the lowest 23.92 percent from the C Category POs.

8.5 Difference in the Rate of Dropout of Microfinance and Other Staff

The rate of dropout of the staff directly involved in implementing the microfinance program was higher than the staff not involved in the program. In the five year period, the rate of dropout of the microfinance staff was 27.83 percent, while that of others was less than one-third of it. Overall, the highest percent of dropout was in the microfinance program from the B Category POs and the lowest percent from the C Category POs. The highest rate of dropout of other staff was from the A Category POs and the lowest was from the C Category POs. It was seen that the highest difference between the percentages of dropout of these two types of staff was in the initial year 2010, while the lowest was in the end year 2014.

8.6 Dropout of Core Microfinance Staff from Different Categories of POs

Over the five-year period the average rate of dropout of core staff i.e. directly involved in program implementation, from different categories of POs was 20.50 percent. The highest average rate of dropout of such staff was from the A Category POs followed by that from the B Category POs, while the lowest 18.84 percent dropout of these staff was from the C Category POs. The highest average rate of dropout of core staff from all categories of the POs was 21.17 percent in 2010 followed by 20.82 percent in 2012. The lowest rate of dropout of core staff from all categories of POs was 18.77 percent in 2014.

8.7   Trend of Dropout of Field Workers

Overall, among the staff the highest rate of dropout was of the Field Workers. Over the five-year period the average rate of dropout of the Field Workers was 24.84 percent. The highest rate of this dropout was 26.72 percent from the A Category POs followed by 22.82 percent dropout from the B Category POs. The lowest 20.89 percent dropout of Filed Worker was from the C Category POs. Overall, the highest rate of dropout of the Field Workers was 26.96 percent in 2011, 25.79 percent in 2010 and 22.94 percent in 2014.

8.8   Dropout from the Selective Positions

The highest percentage of dropout was of the Field Workers followed by that of the Credit Coordinators or Program Managers. As a symptom of demonstration of *status que* mentality of the senior staff or eagerness to retaining their senior (and experienced as well) officers by the POs, dropout from the position of the Credit Chiefs was the lowest.

8.9   Voluntary Dropout from the Microfinance Sector

Overall, among the 380 sample dropped out staff voluntary dropout was 78.42 percent and the rest involuntary. The voluntary dropout was the highest 81.43 percent from the B Category POs followed by 77.13 percent from the B Category POs, and the lowest 78.42 percent from the C Category POs.

8.10   Involuntary Dropout from the Microfinance Sector

Overall, 21.58 percent dropout from microfinance was involuntary. The highest 22.87 percent involuntary dropout was from the A Category POs, followed by 19.23 percent from the B Category POs, and the lowest 18.57 percent from the C Category POs.

8.11   Absolute Dropout from the Microfinance Sector

Absolute dropout from the microfinance sector refers to the absolute deserting of the sector. The staff dropped from the POs 65.93 percent of them went out of the sector by employment, self-employment, unemployed and being not-fit for employment. The rate of deserting or departing the microfinance sector from a single position was the highest by the Branch Office Accountants followed by those of the Chief Accountants, Field Workers and Branch level Monitoring Officers or Supervisors.

8.12   Intra-MF Sector Dropout from the Microfinance Sector

Intra-sector dropout from the microfinance sector refers to mere change of loyalty of staff from one MFI or PO to another. About 34 percent staff dropped out remained in the sector

with employment and self-employment. The staff retained in the sector the highest 55.91 percent of them got employed in the POs, and 36.56 percent switched to non-PO MFIs. A significantly low 5.38 percent of these staff switched to the Quasi Formal MFIs working under the rubric of cooperatives or such associations. The lowest 2.15 percent dropped out staff got involved in informal lending or any concerns dealt with microcredit though did not have any license for dealing with such activities.

8.13   Retention of the Dropped out Staff in Different Category POs

Among the staff dropped out from the B Category POs but later were employed elsewhere, the highest 84.21 percent of them was retained in the POs followed by 55.91 percent staff retained in the POs that dropped out from the A Category POs and the lowest 31.82 percent staff was retained in the PO job that were dropped out from the C Category POs. Notably no staff dropped out from the B Category POs switched to any non-PO, while the highest 59.09 percent staff dropped out from the C Category POs joined them.

8.14   Overall Category of Reasons for Dropout of Staff

As the informant dropped out staff responded to multiple questions most of the staff while giving their choices about reasons of dropout had chosen 'both' positive and negative reasons. A few of the dropped out staff picked up 'exclusively positive' reasons or 'exclusively negative' reasons. A greater percentage of staff identified negative reasons for their dropout from the POs than those that identified positive reasons for their dropout. Notably, the difference in percentage point between these two groups of dropped out staff was big. The mentioning of exclusively positive reasons for dropout voluntarily was straight one-fifth of that for exclusively involuntary dropout.

8.15   Overall Category of Reasons for Dropout from Different Category POs

The staff dropped out voluntarily from the C Category POs in the highest percent dropped out for 'positive reasons only', but for this reason a very small percent of the A Category PO staff did dropout. About equal percent of staff dropped out for 'negative reasons only' in all category POs. A similar trend was also in 'both positive and negative reasons'.

In involuntary dropout, the highest percent of the staff dropped out from the A Category POs and the lowest percent of the B Category POs dropped out for 'exclusively' positive reasons. Quite inversely the lowest percent of the staff was dropped out from the A Category POs for 'negative reasons only'. Furthermore, the highest percent of the A Category PO staff was dropped out for 'both positive and negative' reasons and about one-third of such staff

dropped out from the C Category POs those had mentioned 'both positive and negative reasons' for involuntary dropout.

8.16   Positive Reasons for Voluntary Dropout

Voluntary dropout occurred mainly due to positive reasons of the staff. The overall joining a superior position, getting a job in a better position, getting an equivalent job with greater financial benefit, and scope of better communication with the family were leading positive reasons for voluntary dropout.

8.17   Negative Reasons for Voluntary Dropout

The most hated reason in the context of voluntary dropout was hazardous undefined job responsibility (48.25 percent), while the second such reason was work stress that was somehow connected with the first one. The third most hated reason was bad relation of the staff with the authority. Irregular appointment or promotion and 'interest link' of microcredit were the other two important reasons. In case of the current staff dropped out from any MFIs earlier, the highest about 72 percent of the staff mentioned deprivation of promotion as the reason of their dropout. The other reasons included inadequate remuneration, bleak career prospect, job insecurity, gender discrimination in incentives, etc.

8.18   Reasons for Involuntary Dropout

Though very rare in the literature of this relevant field of knowledge, this study has found a few positive reasons for involuntary dropout. The highest percent of the staff dropped out involuntarily with positive reasons from the A Category POs was for going back to study followed by engagement in income generating activities of their own family. The prominent negative reasons for which the staff mainly got dropped out from the POs included strained relations with the authority and allegation or pretext of financial corruption. The strained relations with colleagues, lack of skills in performance, disciplinary grounds and ill-health or physical inability also were important negative reasons for involuntary dropout.

While the highest percent of staff serving or had served the B Category POs mentioned their strained relations with the authority for their dropout from the POs, for the C Category PO staff the reason was lack of skills in performance, and in the A Category PO staff disciplinary reasons.

8.19   The Age and Experience Factors

The highest 37.63 percent of the dropped out staff belonged to a group of 25-30 years of age. The rate of dropout of the staff on completion of seven years in service was only 3.16

percent, while the rate on completion of seven years was 6.84 percent and the percentage of dropout was double the as the staff had crossed seven years of experience in the jobs.

8.20 Gender Factor to the Dropout of Staff

The women who have been dropped out from the POs 5.26 of them face gender discrimination in incentives and 51.64 percent of them mentions indecent behave to women in the work place. Gender discrimination in incentives and indecent behave to women are both far less in the POs than those in overall microfinance sector. Gender discrimination faced by the staff attached to the B Category POs by a way or the other is high, more than double in percentage to that of the A Category PO staff and much more than that of the C Category PO staff.

8.21 Causal Factors of Dropout: Findings from Regression Analysis

A logistic regression analysis showed that the year of schooling had a positive contribution, while length of service, age and sex (female) had negative contributions to the staff dropout. Size of the POs played a significant role in determining the staff dropout — the larger POs had on average 0.53 times lower probability of dropout of the staff of the medium and small POs. The coefficient indicated that work load did not increase staff dropout, rather it significantly decreased it because generally the POs were keen to retain hard-working staff by offering better incentives and other such measures. The higher the efficiency of the staff the higher was the work load as more works are rewards of good works. The POs did not want to lose efficient staff and that indirectly reduced dropout.

8.22 After Effect of Dropout on Livelihood of the Staff

Dropout has a mixed influence or better to say aftermath on the livelihood of the staff. Overall, a positive effect on the livelihood of the staff was seen. It was positive in the sense that in 65 percent cases the dropout incidents helped the staff getting a better job or to start or run an income generating activity. However, the dropout also had negative effect directly in five percent cases, while in 30 percent cases it had no influence on their livelihood, either positive or negative.

8.23 PKSF Affiliation Acts as a Dissuading Factor to Dropout

It was seen that PKSF's affiliation with the MFIs had helped reduce negative reasons for involuntary and voluntary dropout, while stimulated positive reasons for involuntary and voluntary dropout out. The percentage of staff dropped out for negative reasons was smaller than the percentage of the current staff dropped out earlier from any MFIs, POs or non-POs.

8.24   Employment Condition of the Staff Dropped Out Voluntarily and Involuntarily

There was a significant difference in settling up with employment between these two groups of staff. From two major indicators, employment and unemployment, a conjecture could be made clearly that the staff dropped out voluntarily settled up better than the staff dropped out involuntarily. The difference in percentage points in both the 'wide' indicators was big. But, in the indicators of 'self-employment' and 'employment-self employment both' the staff dropped out involuntarily settled better.

8.25   Levels of Positions the Staff Joined Later

When the staff joined another job, overall the highest 48.86 percent joined a senior position, 43.56 percent an equivalent position and the lowest 7.58 percent joined a junior position. The staff dropped out from the A Category POs the highest 53.18 percent of them joined a senior position, 41.04 percent an equivalent position and 5.78 percent a junior position.

8.26   Difference in Later Positions of the Staff Dropped Out Voluntarily and Involuntarily

The staff dropped out voluntarily managed a senior position in 50.66 percent cases to 37.84 percent of the staff dropped out involuntarily. The involuntary dropped out staff were placed in the positions equivalent to their previous ones in 11.20 greater percentage points than those got dropped out voluntarily. While in the junior positions the placement of the involuntarily dropped out staff was 0.62 percent greater than their voluntarily dropped out counterparts.

8.27   Incentives in the Later Positions Compared to the Earlier Positions

The major incentives enjoyed by the staff in the jobs were gratuity, provident fund, festival allowance, house rent, medical allowance, education allowance, conveyance, overtime allowance, recreation allowance and leave encashment.

About half of the total dropped out and current staff (dropped out earlier from any MFIs) got greater festival allowance and house rent than that in the previous positions. Overall, more than one-third of the staff dropped out from the POs received greater medical allowance and provident fund. Another 10 to 26 percent staff received greater gratuity, conveyance, weekly leave with pay and allowances for education, recreation and overtime duty. About 11 percent staff received lower incentives in the current position than that in the one left for the present job. Except weekly leave with pay, about 23 percent staff received equal incentives in the

current position to that in the previous one. Overall, a higher percent of the dropped out staff serving currently got greater incentives compared to that in the previous positions.

For about 80 percent of the total dropped out staff the work and administrative environment in the current position was better than that in the previous one. About 16 percent of them had greater mental satisfaction in the current position because of greater financial benefit, less work stress, good behaviour of the authority, good relationship with other staff, regular financial incentives, greater job security and participation in the decision making, better scope for professional development and livelihood improvement.

8.28   Later Situation of Life and Livelihoods of Dropped Out Staff

About 75 percent dropped out staff, 82 percent current staff and overall 77 percent staff was in better condition of live and livelihoods compared to that of their previous condition. The condition of about 15 percent these staff dropped out staff was unchanged in the latter positions. But, the condition of around eight percent overall staff deteriorated. The deterioration was faced by 10 percent staff dropped out from the POs and seven percent current staff dropped out earlier from any MFIs.

8.29   Consequence of Staff Dropout on Program Performance of the POs

A regression analysis using Ordinary Least Square (OLS) method showed that the staff dropout had negative contribution to cumulative recovery rate (CRR) i.e. the higher the dropout rate the lower was the CRR.

There was also positive relationship between dropout of staff and portfolio at risk (PAR) i.e. the higher the rate of dropout of the staff the higher was the PAR. Since the dropout reduced the rate of recovery of credit, as such it also influenced increase the overdue loan. As a result, the dropout had significantly increased the PAR. Though the contribution of dropout of staff on on-time recovery (OTR) was negative, it was not statistically significant at 5 percent. Similarly, the regression coefficient of the staff dropout showed that it led increase of loan outstanding; but it was not statistically significant. Thus, it could be concluded that the dropout of staff had a significant negative influence on the financial performance of the POs.

9.0   Recommendations

9.1   Arresting dropout rate: short-term measures

1.   For better incentive and other advantages a staff switched towards a certain PO. Setting up harmonious financial incentives looking around at the peers by the POs should

resolute the problem.

2. Ensuring a financial security of the staff on retirement in the shape of gratuity or pension benefit might help remove the sense of insecurity on retirement of the staff. In regards of structure for this, the POs can follow that of the government or the POs from where the rate of voluntary dropout was smaller.

3. The POs should enhance skill of their staff through training and other such activities.

4. The POs must ensure a specified job responsibility for every staff so that they could be more productive utilizing the best of their merits.

5. The POs need to take immediate measures in relation to ensuring transparency, meeting pledges, equity participation of the staff and participatory decision making for improvement of relationship in the rank and file for ensuring a healthy atmosphere in the work place.

6. Ensuring transparency and good governance were must for enhancement of the institutional process in the POs.

7. The rate of exclusion (sacking) in involuntary dropout of staff from the POs on the pretext or ground of corruption was high. The POs must control it.

8. A PO job proved to having an antipathy with experience of the staff. PKSF had a motivational role to play to change this trend in the POs.

9. An action matrix for each category POs in line with the data of the surveys of the present study could be drawn for taking immediate actions in the respective category of the POs.

10. A task force might start working on the proposed matrix to brush aside anomalies in the ongoing human resource administration and the process therein. Team members of this study and officers of operations department of PKSF and representatives from the PO might compose the primary task force.

9.2   Increasing retention of the staff: long-term measures

1. The gap between the rates of dropout of the Field Workers and other officials from the POs was on an increasing trend. The gap has to be minimized.

2. The highest rate of absolute dropout is from the A Category POs. These quality POs should look back to see why the staff had left them and went out of the sector and should start work on improvement of sense of ownership, interpersonal relations amongst them, their relations with authority, and transparency and team work in the POs.

3. The highest rate of dropout, involuntary dropout and the rate of staff turning not fit for work after being dropped out, and incidences of sacking were attached with the B Category POs. These POs, wherein lie most of the potential POs of PKSF, should strengthen their tenacity for quality alongside devoting their attention to skill development and welfare of the staff.

4. The POs should ensure that none would face gender discrimination, particularly the women staff. For uprooting this problem by attaining a real corporate culture the POs could take on awareness campaign for enhancing mutual respect of the staff.

5. Negative attitude of the POs to the experienced staff should be removed. The POs should ensure that not a single staff had left them with a feeling of deprivation as those aged and experienced staff had contributed to the build-up and growth of the institution.

6. Redressing grievances by giving proper hearing to the staff was needed for retaining them. For this, the POs should deploy a counselor or set up other grievance redressing system.

7. Creating feeling of ownership and self-dignity of the staff was very important. The POs should practice norms of integrity in planning and sincerity to maintain pledges to that creation. In order to nurture a sense of ownership of the staff the POs must ensure their trust in the capacity, merit and mental attachment of the staff. By extending help to their professional performance and providing deserved incentives and recognition, and encouraging utilization of their innovativeness in an amicable environment the POs could achieve these crucial things.

8. The POs should strengthen their activities for staff welfare that would enhance the basis of long-term tonic for retention of desired staff.

9. The POs must overcome practices of non-professionalism and must ensure efficiency, predictability in all spheres to increase overall productivity. No ploy or irregularity, but ensuring good governance and sustainable growth would help attainment their causes, even retention of the staff.

10. The POs could take up short-term and long-term plans to arrest dropout to ensure

retention by constructing an action matrix depending upon the data and findings produced by this study.

11. Research and studies should be undertaken in the areas of overall human resource, skill development and incentive package of the B Category POs, as the highest dropout rate was from this category POs, the reasons for highest absolute dropout from the A Category POs; and a separate study on the dynamics of and remedies to the dropout of the Field Workers.