

ANALYZING EMPLOYEE TURNOVER ISSUES IN MICROFINANCE SECTOR: A STUDY IN INDIA

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ABSTRACT

Over the last decades, the microfinance sector has achieved worthy progress in India. So to be successful in competitive market organizations need to entice, train and engage individuals, who can manage the business operation, i.e. responsive to customers & opportunities in the market. This paper finds to study the current employee retention in the microfinance industry in India and to understand the problems of employee turnover faced by the industry. The importance of HRM has changed a lot in the past years due to the competitive environment and the need for new business requirements, the scope of HR activities has increased. The role of MFI is to give financial support through different services to low-income clients and thus businesses have to give importance to HR practices for retaining the employee in order to serve the needs of clients. This emphasizes the importance of personnel management. In this paper issues related to employee turnover faced by MFI are studied closely & gaps are identified from the observed data. It is found out that MFI needs to focus more on training assessment, better compensation structure & women-friendly policies for implementing in the Workforce.

JEL Classifications: G21,J63,M12,O15

KEYWORDS: Microfinance Institutions, Turnover, Personnel Management, Human Resource

INTRODUCTION

Microfinance Sector is regarded as the backbone of the economy because this sector is very significant to the process of attaining financial inclusion in India. There is an enormous gap sought after and supply in microcredit in India and that a huge piece of this gap is adjusted by casual sources including moneylenders. Microfinance industry in India has a huge business opportunity for growing rapidly. It is the integral of infrastructure technology and new types of service providers which defines whether the Microfinance industry is capable to help its customers in terms of hassle-free credit & effective services. Despite the slowdown in economic sentiments, the microfinance industry continues to witness growth in the rural area. The Most Major challenge faced by the industry today is the deficit of skilled management

This is due to the disorganized nature of the microfinance sector and lack of sufficient training institutions. Poor Management practices are the reason for a high level of the attrition rate.

OBJECTIVES

The objective of the study was:

- To measure the outcome and its impacts of HR practices on minimizing employee turnover.
- To study the satisfaction and expectations of employees towards SMFCS HR Practices & Reason for a turnover.

RESEARCH METHODOLOGY

The research design used for this study was exploratory. 100 samples were taken in convenience sampling from employees of smfc. Data were collected from both primary and secondary sources by interview through structured questionnaire and company websites, advertisements, brochures, journals respectively. Questions are framed in a way that answer reflects the thoughts & ideas of respondents with regard to usefulness & satisfaction of different schemes, policy & work culture of Smfc for their employees using Likert scale starting from strongly agree to strongly disagree.

LITERATURE REVIEW

Eisenberg and associates (1990) suggested that employee's discernment in regards to an association is unequivocally affected by their association with Supervisor. Successful organizations have a fundamental philosophy of valuing and investing in their individual employee growth (Maquire, 1995; Annam, 1997). According to Miller Erickson & Yust(2001) employees are benefited by working environment that provides a feeling of belongingness and getting success in retention of promising employees is considered as the primary way of getting competitive advantage amongst organization(Walker,2001). Work life adjust is progressively vital for engagement influences maintenance; Hyman et al'(2003) in their observational research in the UK found that mediations of work requests into the individual life came about into elevated anxiety and passionate weariness among the representatives.)

According to Sunil Ramlall(2003), location of the company and its compensation package are two major deciding factor for deciding to stay with the company or leaving it. Francis Kasekende(2013) has assessed a positive connection between hierarchical administration introduction, worker fulfillment, and representative maintenance, utilizing group and basic arbitrary sampling. From that exploration, they found that the more the association establishments proper authoritative administration introductions, the better the worker fulfillment level and the maintenance of its workers. Maqsood Haider(2015) found in his studies that effective HR practices such as Training & Development, Compensation management, and organization culture can decrease representative turnover and increment maintenance inside an association. Key workers are the instrument for generally speaking development and improvement of an association. However, in his research, there is scope for consideration of other HR Practices like Recruitment and selection, Performance management and information sharing. Anjali kalse & Mona Sinha(2016) emphasized in their research that roles and activities of human resource management have widened and they found that recruitment process, Training and Development, compensation, and benefit are the major aspect in HRM. But their study is limited to Mumbai region so cannot be generalised. The great enlistment program can give a positive impact on expanding worker responsibility, profitability and the nature of work including execution (Eddy Madiono, 2016). Lishani Letchmiah & Adèle Thomas

(2017) mentioned in their study that the Retaining high-potential employees is cost effective and can impact organizational success. In any case, there is an extension for additionally research to comprehend the complexities of maintenance procedures and how they may impact retention of high potential workers.

Company Profile

Samasta Microfinance is primarily engaged in giving money related administrations to the financially weaker segments of the general public with solid nearness in southern and western part in India financial services to the economically weaker sections of the society with a strong presence in southern and western part in India. Established in March 2008, Samasta microfinance is fundamentally engaged in giving money related administrations as far as advance and credit to the financially weaker areas in southern and western conditions of India. It as of now works in Tamilnadu, Karnataka, Maharastra, and Goa. It plans to bring microfinance administrations like smaller scale advances and credit connected protection to the doorstep of the rustic and semi-urban BoP families in India.

SMFC administration thinks about that maintenance procedures, which viably satisfy the requirements of all workers therefore improves the capacity for organizations to adjust all the more adequately to continuous hierarchical change.

Skill recognition: SMFC considers the importance of skill recognition of personal job accomplishments is an effective retention strategy for employees at any level.

Learning & Working Climate: Since learning and development opportunities appear crucial for the retention of talented employees (Arnold, 2005; Hytter, 2007; Walker, 2001), Smfc establishes a supportive learning and working climate.

Job Flexibility: Job flexibility is important to retain employees of any age (Boomer Authority, 2009). SMFC management gives the importance to employment flexibility such as flexibility timing in the shift that better adjust to individual's personal workloads, responsibilities, and place around family responsibilities
Training: Training is most important retention aspect for employees at any age. SMFC gives job training is a crucial factor for personal (behavioral) and professional (technical) development

Compensation: SMFC finds a relationship of benefits with retention so initiate a necessary step to make people stay and be satisfied with their pay and benefits and also motivated to work positively and constructively.

Superior-Subordinate Relationship: Representative advancement programs can't exist without a culture that backings them. SMFC's compelling project has solid help from individuals in senior administration positions, and these individuals likewise fill in as positive good examples to subordinates.

Communication: SMFC HR department considers that effective communications improve employee identification with their organization and build openness and trust culture.

DISCUSSIONS

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.814
Bartlett's Test of Sphericity	Approx. Chi- Square	2304.311
	Df	153
	Sig.	0.000

Table 2: Communalities

	Initial	Extraction
Your present company provides a best working environment in the industry.	1.000	.883
Your present organization is a place to work for a lifetime.	1.000	.949
You are clearly aware of the expectation from you by the management.	1.000	.919
You have all the opportunity to perform in the best way you can.	1.000	.924
You receive recognition or appraisal letter for your work from management.	1.000	.772
There are members in your team who care for you personally.	1.000	.869
Your manager or Supervisor encourages you to do more responsible jobs or task.	1.000	.728
Your opinion has importance in decision-making process.	1.000	.791
You are proud of your job role in the organization.	1.000	.904
Your Co-workers are doing quality work like you.	1.000	.657
You are satisfied with your pay package.	1.000	.820
You are getting same A package as compared to others in the same level.	1.000	.923
There is partiality from management in giving promotion or increment.	1.000	.941
Your manager has all potential to perform as the manager.	1.000	.759
Your company has fair performance measurement policy.	1.000	.795
There is enough fairness in Rewards and Recognition programme.	1.000	.856
You have a good relationship with your immediate boss.	1.000	.855
There are transparency and open communication in sharing information from management.	1.000	.887
Extraction Method: Principal Component Analysis.		

Communalities indicate the amount of variance in each variable that is accounted for. Starting communalities are appraisals of the fluctuation in every factor represented by all parts or factors. The communalities in this table are altogether high, which shows that the separated parts speak to the factors well.

Table 3: Total Variance Explained

Component	Initial Eigen Values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.126	45.144	45.144	8.126	45.144	45.144
2	3.666	20.367	65.512	3.666	20.367	65.512
3	2.074	11.523	77.035	2.074	11.523	77.035
4	1.366	7.591	84.626	1.366	7.591	84.626
5	.666	3.699	88.325			
6	.516	2.865	91.190			
7	.319	1.774	92.964			
8	.279	1.553	94.517			
9	.226	1.256	95.773			
10	.214	1.186	96.959			
11	.158	.875	97.834			

12	.100	.555	98.390			
13	.082	.455	98.845			
14	.064	.358	99.203			
15	.054	.301	99.504			
16	.036	.200	99.704			
17	.032	.176	99.880			
18	.022	.120	100.000			

Extraction Method: Principal Component Analysis.

The above table is naturally named and reports the change clarified by every segment and also the aggregate fluctuation clarified by all parts. When we discuss change disclosed as to this table, we are alluding to the measure of fluctuation in the aggregate gathering of factors/things which are clarified by the component(s). For example, part 4 clarifies 7.591% of the difference in the things; particularly, in the things' fluctuation covariance network. We could likewise say, 84.626% of the difference in our things was clarified by the 4 extricated segments.

Table 4: Component Matrix

	Component			
	1	2	3	4
Your present company provides a best working environment in the industry.	.879	.247	.166	.147
Your present organization is a place to work for a lifetime.	.901	.307	.206	-.039
You are clearly aware of the expectation from you by the management.	.875	-.143	.315	.185
You have all the opportunity to perform in the best way you can.	.836	.316	.351	.041
You receive recognition or appraisal letter for your work from management.	-.547	-.389	.562	.080
There are members in your team who care for you personally.	.474	-.535	-.531	.277
Your manager or Supervisor encourages you to do more	.464	-.532	.350	.327
Responsible Jobs or Task				
Your opinion has importance in decision-making process.	.712	.007	.294	-.444
You are proud of your job role in the organization.	.785	-.425	-.232	.231
Your Co-workers are doing quality work like you.	.369	-.607	-.098	-.377
You are satisfied with your pay package.	.017	.795	-.336	.273
You are getting the same package as compared to others in the same level.	.854	-.387	-.114	.176
There is partiality from management in giving promotion or increment.	.820	.349	.243	.295
Your manager has all potential to perform as the manager.	-.544	.038	.379	.564
Your company has fair performance measurement policy.	.758	.253	.003	-.396
There is enough fairness in Rewards and Recognition programme.	.755	.500	-.160	-.106
You have a good relationship with your immediate boss.	-.467	.420	.666	-.128
There are transparency and open communication in sharing information from management	-.134	.852	-.337	.174

Extraction Method: Principal Component Analysis.

Table 5: Components Extracted

ANOVA ^a						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26.941	4	6.735	9.619	.000 ^b
	Residual	67.217	96	.700		
	Total	94.158	100			

All the questions in the questionnaire were grouped separately according to its values in the Rotated Component Matrix table with respect to its factors. A common name is given to each group of question which is shown the following diagram after analyzing, 4 factors (work culture & Package, Transparency in communication, Supervisor relation & Reward recognition, competent mapping) were chosen for the highest valued factor was chosen for each of the questions.

Overall Analysis

In reliability test for society, it is observed that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.814 (more than 0.5) which shows that factor analysis is useful with data. In Bartlett's test of sphericity tests, significant level is 0.00 (less than 0.05). It indicates that factor analysis further useful with data. In communalities tests in the table are all high, which indicates that the extracted components represent the variables well.

Findings and Suggestion

The Microfinance Industry, which is likely to cross the \$100 billion figure by 2020, is struggling in terms of inadequate Human Resources having knowledge about rural micro-credit Management in India. The real explanations behind this could be an absence of context wise courses and Training Programs in great establishments, unforgiving workplace for individuals working in the segment or more all the moderately bring down remuneration they get. An absence of satisfactory supporting foundation is a noteworthy reason. Further, the emphasis on satisfactory preparing and advancement of the existing workforce and different partners is obvious nonattendance. The representatives of SMFC are content with HR arrangement of organization however by one means or another they feel nonappearance of open correspondence.

CONCLUSIONS

Employee Retention is directly linked with the feel-good factor and growth of the company. SMFC has started taking an interest in the development of the Employee through different programmers. It is clear from the above data and graphs that the practices of HR Policy in SMFC are the effective one. There are a different kind of schemes in the field like training, flexibility in work, good compensation, are provided by the company to the employee to retain them. Understanding of employee need is also an important part which is to be taken care of by the top management of SMFC. An employee has some other expectations from SMFC like the arrangement of more benefits, transparency in communication, adopt more safety work culture.

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