

Human Resource Challenges and Solutions in Microfinance

Survey Report

APRIL 2008

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Microfinance Insights magazine ran an online survey on *Human Resources Challenges and Solutions* from February through March 2008. We published the highlights of the survey findings in the recently released Vol. 6, March 2008 issue of the magazine.

Ninety respondents from 31 countries participated in the *Human Resources Challenges and Solutions* survey.

This detailed survey report presents a rigorous analysis and brings out some insightful perspectives on human resources in microfinance.

Microfinance Insights will continue to launch more surveys to coincide with every new issue. You can take our latest survey on our website www.microfinanceinsights.com.

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Introduction

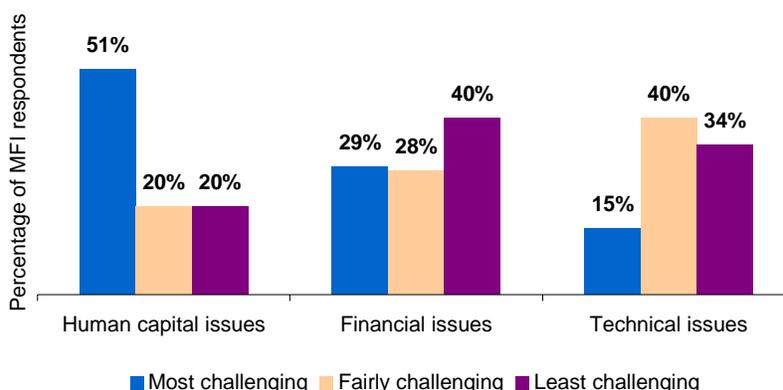
From February through March of 2008, *Microfinance Insights*, the quarterly print magazine conducted an online survey of organizations in the microfinance sector to find out more about the human resources challenges and perceptions. We received ninety responses from firms in 31 countries including varying types of institutions from different regulatory environments that utilize different delivery mechanisms. The majority of our respondents (64) are microfinance institutions (rural banks, large financial firms, microcredit-focused NGOs) and the remaining (26) respondents were microfinance-focused consulting firms, recruiters, and venture capitalists. Our inquiries related to training, recruitment, incentive schemes and the gender gap in staffing and management positions.

We published an abbreviated version of the survey findings in our March 2008 issue of *Microfinance Insights: Human Resources-Finding the Key to Your HR Challenges*. The full report, enriched with first-person responses and supplementary analysis, follows.

The Most Challenging Issues

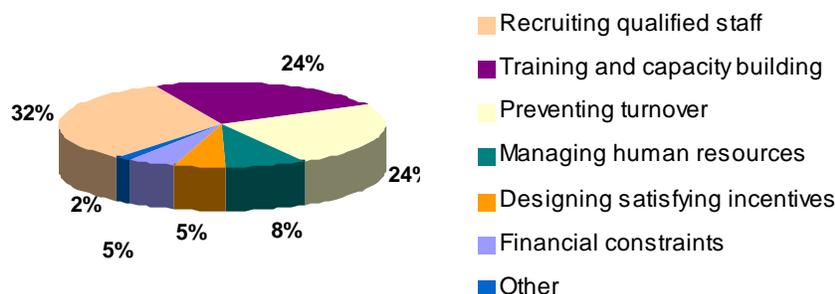
The *Microfinance Banana Skins*¹ report, published in March 2008 as our survey was underway, revealed that “management quality” is the most pressing concern for microfinance institutions (MFIs) today. Echoing this finding (Fig. 1), respondents to the *Microfinance Insights* survey rated human capital issues as the most challenging, with 51% of MFIs labelling it their most challenging issue in comparison to financial issues, technology issues and turnover issues. Surprisingly, financial issues were not as highly ranked as one might expect in today’s microfinance market, which is increasingly competitive and requires more sophisticated knowledge and faster scaling than ever before.

Fig. 1 - Challenging Issues in Microfinance



Respondents who described their most pressing human resources challenges explained that recruiting qualified staff, preventing turnover, and offering relevant training and capacity building initiatives are the most difficult (Fig. 2). Kibukuna Samuel from the Association of Microfinance Institutions of Uganda said that “mobilising resources for programme implementation and promoting industrial standards” is their association’s greatest HR challenge. Malini Eden from KOPSA, an NGO in Bangalore, India said, “The staff are lured by banks to work as agents and they poach our groups without any qualms.”

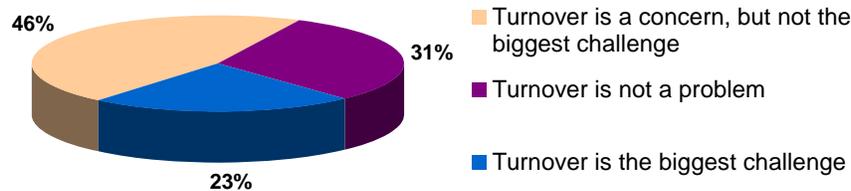
Fig. 2 - Most Challenging Human Resource Issues for MFIs



Similarly, nearly half of consulting firms’ within the microfinance space responded that recruiting qualified staff is their most challenging human resource issue, echoing the responses of MFIs.

¹ Sponsored by the Consultative Group to Assist the Poor and Citi Foundation

Fig. 3 - MFIs Ranking the Turnover Issue

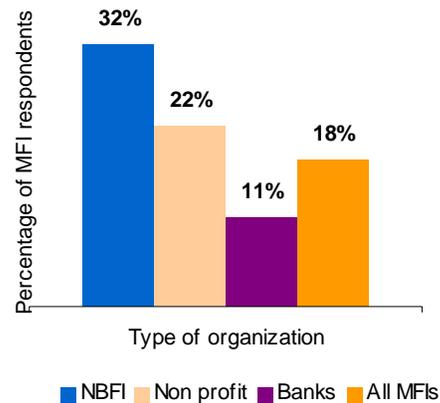


Addressing the turnover issues faced by MFIs (Fig. 3), 46% of all MFIs said that turnover is a concern, but not their biggest concern. In fact, 31% revealed that turnover is not a problem. However, in a *Microfinance Insights* roundtable discussion about human resources issues held in February 2008, almost all of the MFIs in attendance said that turnover is a significant problem during the initial phase of recruitment. Comparing these results with consulting firms in the sector, reveals that the latter enjoy a more stable environment when it comes to turnover. Only 13% of consulting firms cited turnover as their biggest challenge and nearly half do not consider it a problem.

Human Resources Growth Rates and Turnover

When charting the growth of MFI staff over time, we discovered that non banking financial institutions (NBFIs or regulated MFIs) are experiencing the fastest growth. This could relate to their increased ability grow to scale through outside investments after becoming an NBFIs. NBFIs are considered investable entities, which could explain why their staff size is expanding quicker than nonprofits (22%) or banks (11%). The average periodic growth rate of microfinance institutions overall is 18% per year (Fig. 4).

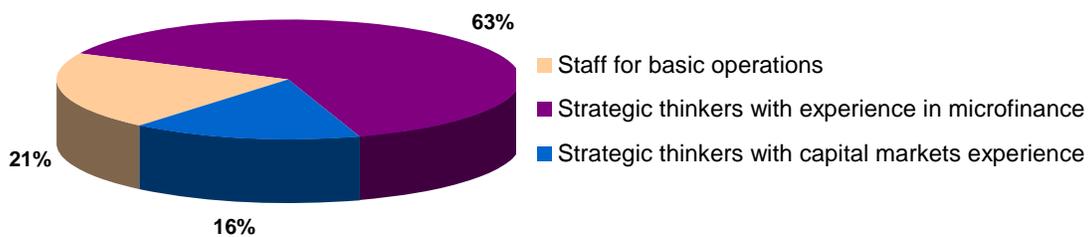
Fig. 4 - Average Periodic HR Growth Rates (2004-2008)



Recruiting the Right Kind of People

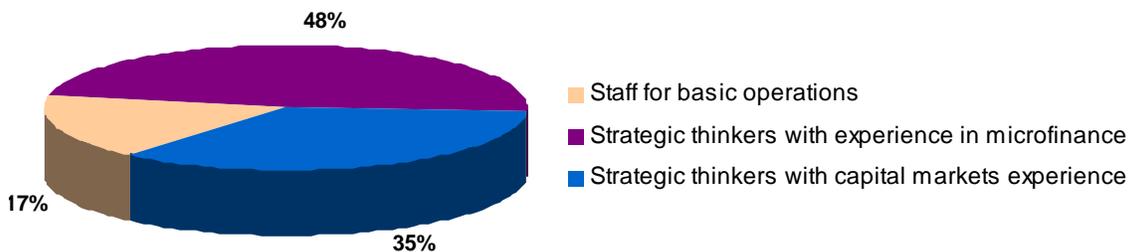
In a competitive market, where MFIs are competing with other NGOs and commercial banks for talent, it is necessary to lead targeted recruitment searches for specialized talent. For MFIs and consultants working in microfinance, finding strategic thinkers with experience in microfinance is the most challenging. Filling basic operations positions follows on the list of needs for MFIs and finding staff with capital markets experience ranks second for consultants (Fig. 5 & 6).

Fig. 5 - Challenging Positions to Fill for MFIs



Other candidates cited by respondents as challenging to find are those with backgrounds in finance and technology, social science and economics, and a willingness to work at the grassroots level.

Fig. 6 - Challenging Positions to Fill for Consultants in Microfinance



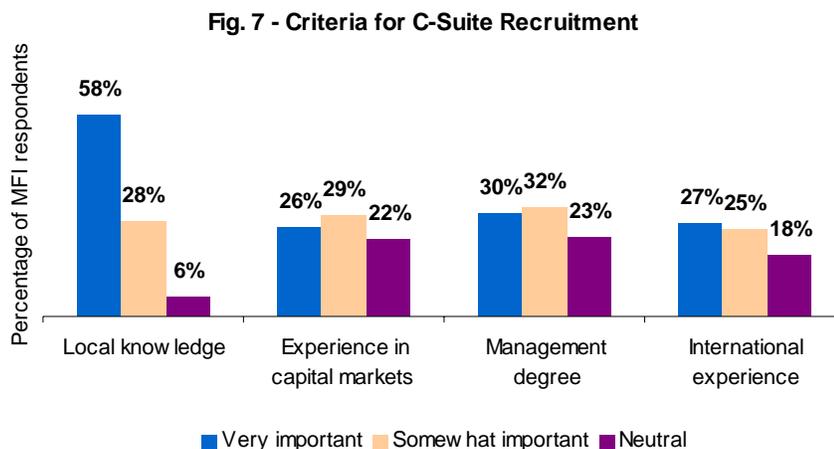
What MFIs Look for During Recruitment

Recruitment Criteria

Across the board, MFIs revealed that from the highest levels to the lowest levels of staff, the most important criteria in recruiting is local knowledge. It ranked higher than international knowledge, management degrees, capital markets experience and local language proficiency for all levels of staff.

C-suite Recruitment Criteria

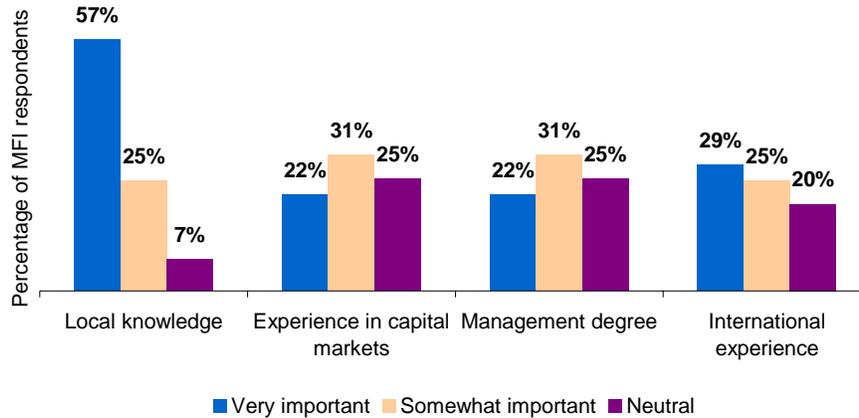
Filling high-level positions like CEO, CFO, CIO and COO can be difficult because of the complex skills required in each position. For MFIs, it is just as or even more important for the leadership team to know about the regions of operation as it is for lower level staff. This criterion eclipsed the need for capital markets experience, a management degree or international experience (Fig.7).



Director Level Recruitment Criteria

Questions about high level staff recruitment or director level criteria yielded similar results to those needed for hiring C-suite officers. After local knowledge, international experience was ranked as very important by 29% of MFIs. Only 22% viewed having experience in capital markets as a very important criterion.

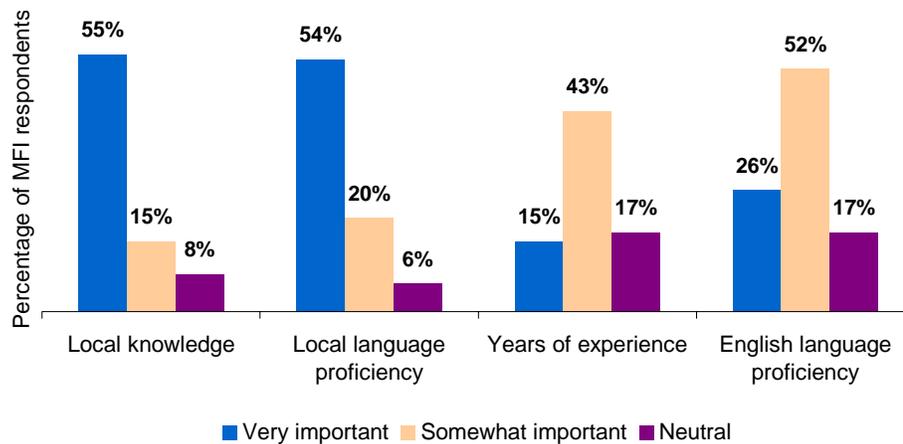
Fig. 8 - Criteria for Director Level Recruitment



Staff Level Recruitment Criteria

For staff level positions, like branch managers and credit agents (Fig. 9), local language proficiency (54%) was the most important qualification after local knowledge (55%). English language proficiency also ranked fairly high, with 52% of MFIs ranking it “somewhat important”.

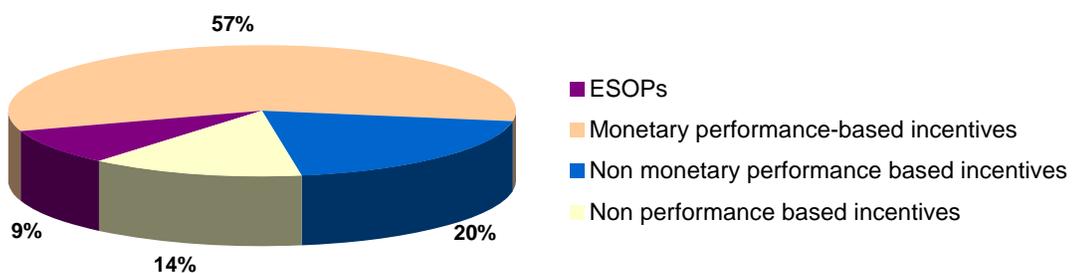
Fig. 9 - Criteria for Staff Level Recruitment



How to Motivate

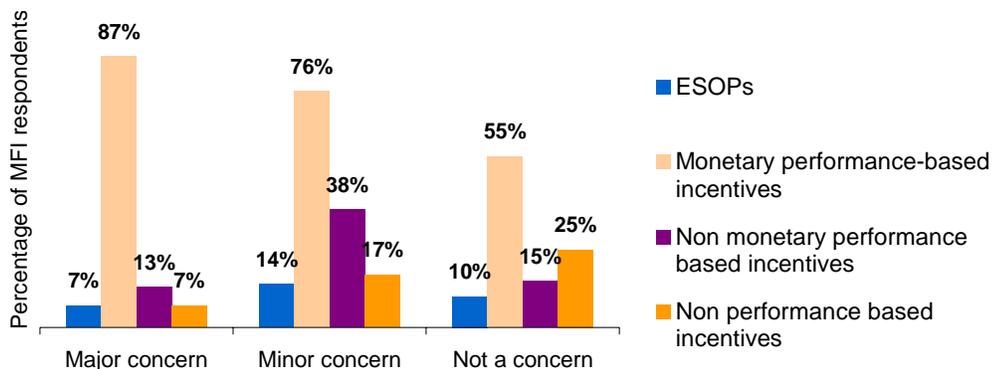
Incentives are one means to reduce high turnover rates at companies, so it was no surprise that all of the responding organizations use some kind of incentive scheme (Fig. 10). Monetary performance-based incentives are used by a majority (57%), whereas 20% use non-monetary performance-based incentives, such as public recognition for achievements or increased vacation days. Only 9% of MFIs offer Employee Stock Option Plans (ESOPs) as incentive schemes, which is likely a result of their complexity and a lack on knowledge on the part of MFIs in administering them. The March 2008 issue of *Microfinance Insights* covers this topic.

Fig. 10 - Types of Incentives



To find out more about the effects of incentive schemes on turnover, types of incentives were cross-referenced with the organizations that cited turnover as their major concern. In this analysis, it was revealed that 87% of organizations most concerned about turnover utilize monetary performance-based incentives. On the other hand, for MFIs that view turnover as a minor concern or not a concern at all, there is a higher utilization of non-monetary performance based incentives, non-performance-based incentives and ESOPs (Fig. 11). This may indicate a need for MFIs using monetary performance-based incentives to rethink their incentive scheme strategy.

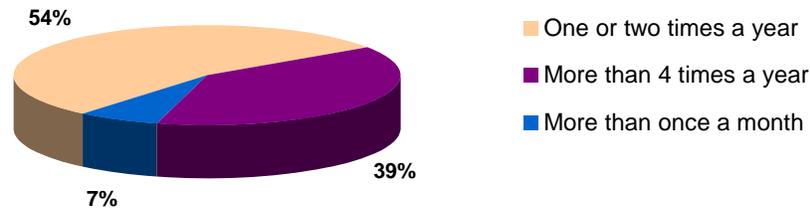
Fig. 11 - Turnover Perception Vs. Incentive Schemes



Capacity Building and Training as a Retention Tool

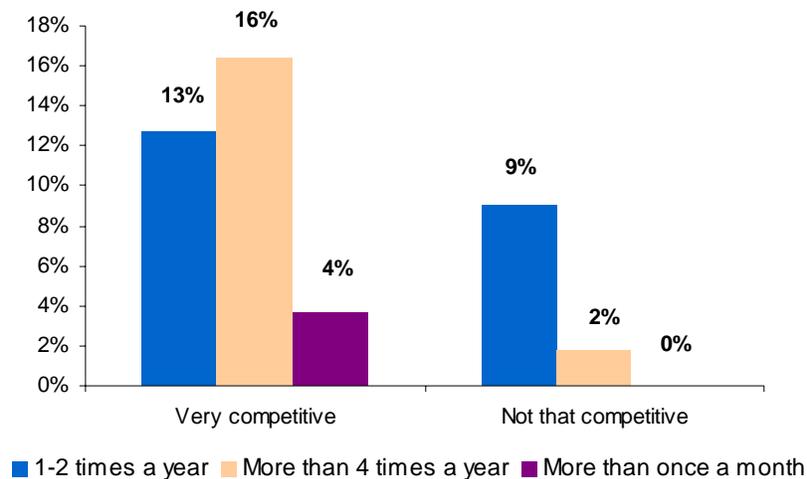
Ongoing training for employees can be an important way to keep them engaged and build their skills. A majority of MFIs offer training one or two times a year and 39% of them offer it more than four times a year (Fig. 12).

Fig. 12 - Frequency of Training Programs



Relating the frequency of trainings with the perceived competitiveness of the hiring environment shows that an increasingly competitive hiring environment results in a higher frequency of trainings (Fig. 13). Sixteen percent of MFIs that considered their environment “very competitive” offered trainings more than four times a year, and 4% offer trainings more than once a month. Most MFIs that perceive their hiring environment as not that competitive offer trainings 1-2 times a year, and only 2% of that subset offer trainings more frequently.

Fig. 13 - Frequency of Trainings in Relation to Competitiveness



Types of Trainings and Induction Programs

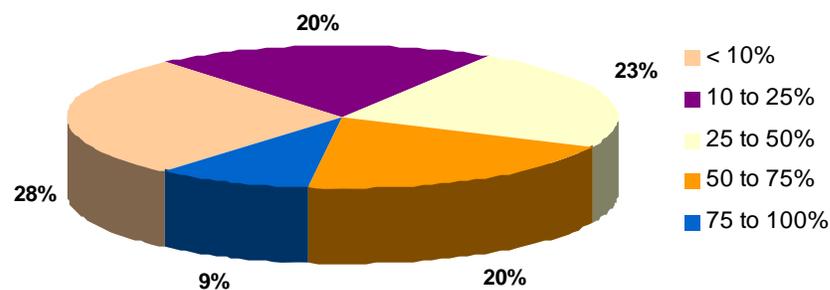
Many microfinance institutions prefer to offer basic in-house training for new joinees to provide general information about the institution and product knowledge. Usually these include classroom sessions along with field training in the form of shadowing loan officers as a means of learning the delivery methodologies of the institution. More in-depth induction programs include field monitoring, MIS tutorials, accounting basics for branch managers, needs assessment and monitoring methodologies, as well as finance and human resources for management level staff. Some MFIs organize visits to established MFIs as part of their training programs.

Addressing the Gender Gap

Women Staff and Management at MFIs

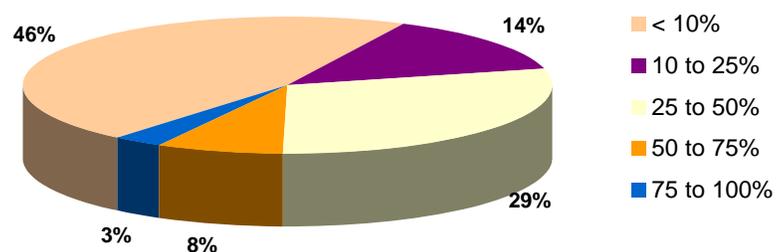
Although microfinance has been promoted as a tool to empower the women clients who are involved, the presence of women in staff and management positions is not reflective of the client base. More than a quarter of all MFIs have less than 10% women on staff. Only 9% of all MFIs have a staff comprised of more than 75% women (Fig. 14). Consulting firms in microfinance outperform MFIs (graph not shown), with over a third of consultancies employing women in at least a quarter and up to a half of staff roles.

Fig. 14 - Women in MFI Staff Positions



Unfortunately, the evidence is no better in terms of gender parity at the management level. Nearly half of all MFIs (46%) have less than 10% women in their management team. Only 3% of MFIs have more than 75% women in management (Fig. 15). Consulting firms in microfinance appear to perform just as poorly as MFIs, as more than half have less than 10% women on their management team (graph not shown).

Fig. 15 - Women in MFI Management Positions



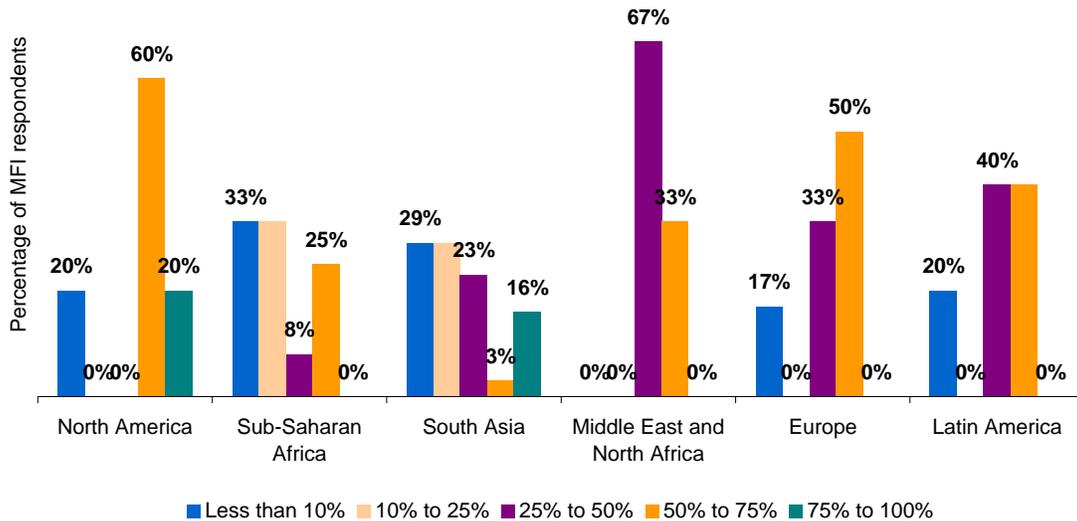
Regional Comparisons of Women in Staff and Management

When comparing MFIs across region, it is difficult to label any one country as a top performer with regards to the gender gap, because each positive indicator seems to be coupled with a negative one. For example, while 80% of microfinance institutions responding from North America had over 50% women on staff, nearly a quarter of MFIs there have less than 10% women on staff.

A majority of respondents from the Middle East and North Africa, Latin American and Europe

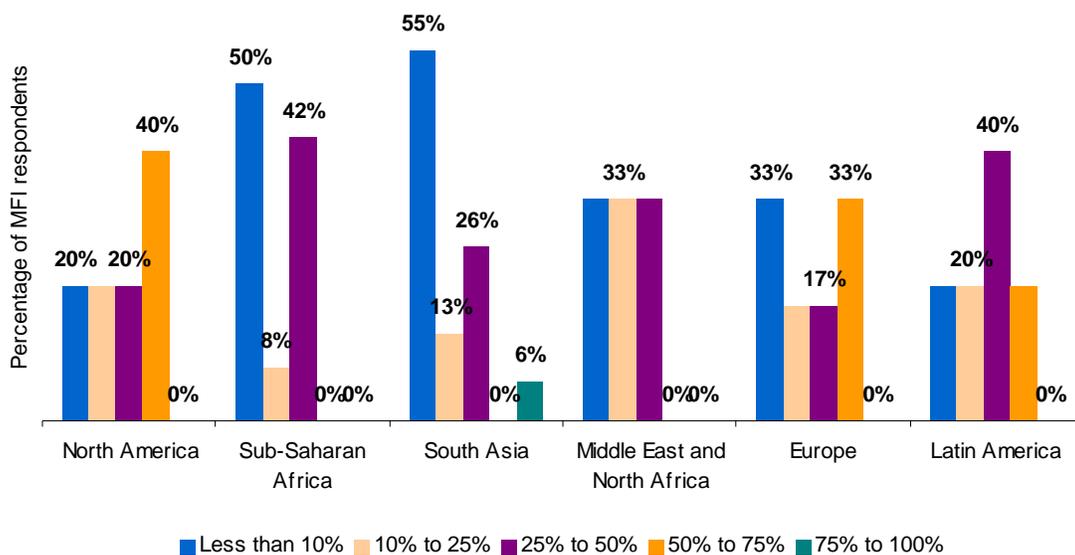
have more than 25% women on staff, but less than 75%. Two-thirds of the Sub-Saharan Africa respondents have less than 25% of women on staff. A surprisingly large number (81%) of institutions in South Asia reported having less than 50% women on staff (Fig. 16).

Fig. 16 - Women MFI Staff by Region



In terms of the gender gap at the management level (Fig. 17), South Asia has the unusual distinction of having the most respondents with nearly 100% women managers (only 6%, but still greater than other regions), and the most organizations with less than 10% of women managers (55%). Sub-Saharan Africa performed reasonably well, with nearly half of all organizations reporting 25-50% women managers.

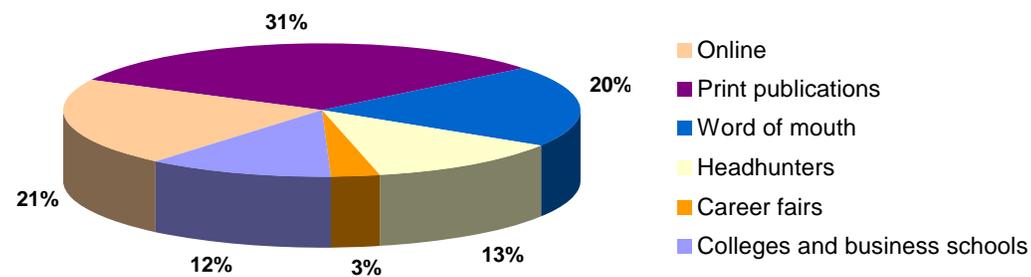
Fig. 17 - Women MFI Managers by Region



Job Service Providers

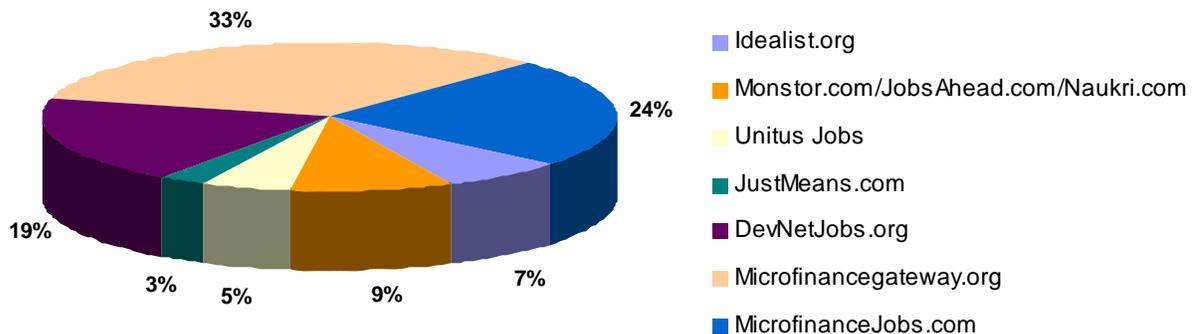
The primary methods to advertise job openings employed by MFIs include print publications (local magazine and newspapers) (32%), online job sites (21%) and word of mouth (20%). Only about a quarter of the MFI sample attracts employees through headhunting firms, colleges and business schools, and career fairs, which may result in more productive searches as it is more specialized and focused (Fig. 18). A majority of MFIs stated that there are insufficient job service providers with appropriate knowledge in their region. This reveals there is a demand for more effective job matching facilities.

Fig. 18 - Where MFIs Advertise Job Openings



The second most popular method of advertising job opportunities is online, and 33% of MFIs rated Microfinance Gateway as the most successful. The Microfinance Gateway's weekly Jobs Bulletin has 6,000 subscribers and features job postings from all over the world. Following Microfinance Gateway's success is MicrofinanceJobs.com, which has 1,000 people joining the site on a monthly basis. DevNetJobs.com is the next most popular site with 19% of MFIs rating it the most used (Fig 19).

Fig. 19 - Rating of Online Job Sites by MFIs



Conclusion

The *Microfinance Insights* survey on human resources challenges within the microfinance space reveals some of the most pressing issues related to human capacity building in the sector. The changing landscape of the sector has made it difficult to hire resources with the right combination of qualifications, but MFIs seem to know what they're looking for. While many organizations offer training and incentive schemes for their employees, they are still facing serious turnover issues, and an alarming gender gap.

It may be prudent for MFIs to reconsider the ways in which they train and recruit staff as a way to prevent high rates of turnover. And, as NBFIs grow, they may want to consider investing some of their newly gained capital into training and capacity building.

Overall, the gender gap among management level employees and staff at MFIs is concerning and should be addressed with dedicated policies to ensure that the sector maintains a balance.

Human resource challenges of MFIs are not all that different from those of mainstream companies; hiring the right people, finding the organizational fit, and retaining employees were key issues. However, working with populations at the Bottom of the Pyramid, in countries with varying cultural, political and economic climates is bound to generate challenges unique to particular areas.

ANNEX I – List of Participating Institutions

Below is the list of all the institutions that participated in the Survey.²

1. Aajeevika
2. Appui au Développement Autonome (ADA)
3. Agency for Accelerated Regional Development (AFARD)
4. Agricultural Development Bank Nepal
5. Ajiwika Society
6. Alabama-Quassarte Tribal Town
7. Al-thiqua MFI
8. Association of Microfinance Institutions of Uganda (AMFIU)
9. Amhara Credit & Saving Institution
10. Aranya
11. Assiut Business Association (ASBA)
12. Asmitha Microfin Ltd
13. Bajaj Allianz Life Insurance Co. Ltd
14. Banco Multisectorial de Inversiones de El Salvador
15. Community Development Society (CDS)
16. Center for Empowerment and Development (CED)
17. Child Fund Indonesia
18. Careers India
19. Community Partners Group
20. Compartamos
21. Conecta Finanças
22. Cordaid
23. AFIRMA Project USAID - DAI Mexico Delisys Delivery System Inc.
24. Delisys Delivery System Inc.
25. Each B.V.
26. Edpyme Credivision SA
27. Fashoda Youth Forum (FYF)
28. Fullerton India Credit Company Limited
29. Financiera El Comercio
30. Formerly EML Consultants Sri Lanka.
31. Asia Development Bank
32. Gaura Womens Agricultural Org.
33. Global Innovation Consulting (GIC)
34. Goodwin-Groen Consulting
35. Grameen Foundation
36. Grameen Koota
37. ICICI Venture
38. International Financial Services Centre (IFSC)
39. IMPACT- MFI of World Vision India
40. IndusInd Bank
41. International Association of Microfinance Investors
42. Jan Chetna Sansthan
43. Khushhali Bank of Pakistan (KB)
44. Karimangalam Ondria Pengal Semippu Amaippu (KOPSA)
45. KPMG India
46. Kraban Support Foundation
47. Manab Sewa Sangha

² One respondent registered as self-employed. His name has been withheld.

48. Microenterprise Development Fund Kamurj (MDF)
49. Micro Development training and Consultancy Services (MDTCS)
50. MedPlus
51. MFDAQ.com – The Microfinance Capital Market
52. Microfinance Management Institute
53. Microfinance Innovation Center for Resources and Alternatives (MICRA)
54. Microfin Society
55. MicroFinance Network
56. Mindanao Microfinance Council
57. Microfinance Organization MI-BOSPO
58. MSAconsu International
59. National Association of Cooperative Credit Unions of the Gambia (NACCUUG)
60. National Bank of Pakistan
61. National Institute of Financial Management
62. Nirantara Community Services
63. Organisation Pour La Promotion d'Initiatives Communautaires au Togo (OPIC-TOGO)
64. PlaNet Finance
65. Planet Finance
66. Planet Finance India
67. Pragathi Gramin Bank
68. Promotion of Rural Initiative and Development Enterprises Limited (PRIDE)
69. Philippine Rural Reconstruction Movement (PRRM)
70. Punjab Rural Support Programme (PRSP)
71. Centre for the Co-operatives of Credit Insurance Bekatigade Ende-Ngada
72. Quality Finance International (QFI)
73. Rural Education and Action Development (READ)
74. Sabujabiplav
75. Saharda DCC Bank Ltd
76. Savannah Farmers Cooperative
77. SEEDFINANCE Corporation
78. SEON Foundation
79. SKS Microfinance Pvt. Ltd.
80. Social Enterprise Development Partnerships, Inc.
81. Society for Professional Action in Development (SPADE)
82. Sasyasmalam Society for Research & Training for Sustainable Rural Development (SSRTSRD)
83. Sudan Microfinance Institution (SUMI)
84. SYSTEAM
85. The Rural Development Society
86. Third Sector Partners
87. University of Cape Coast
88. Women's World Banking (WWB)
89. World Vision Uganda

ANNEX II – About Microfinance Insights

Microfinance Insights, an Intellectap³ initiative, was launched in November 2007 as a way to build knowledge in the sector. The quarterly print magazine provides a platform for debating critical economic, financial and social issues in microfinance. Although published from India, the magazine is global in scope and content and filled with perspectives of key industry players from around the world.

To date, *Microfinance Insights* has over 5,000 readers from around the world and its website receives visitors from over 140 countries. Each issue of the magazine focuses in-depth on a single theme in order to provide readers with comprehensive, consolidated coverage.

Past themes include:

Volume 1 – Focus on Governance Challenges

With microfinance institutions' increasing asset bases, their balance sheets are attracting greater attention from the lender and investor community. Effective governance structures, accountable management, and robust operational systems and processes could be the key variables that differentiate the more successful institutions in the long run. This first issue highlights perspectives from many industry visionaries.

Vol. 2 – Focus on Urban Microfinance

The issue spanned the jigsaw that makes up the urban microfinance landscape including various urban environments, investor perspectives, key drivers of growth, and products and services tailored to the realities of urban areas. Many industry leaders, including a representative from the Michael and Susan Dell Foundation, the CEO of microfinance technology leader FINO, and many other industry leaders contributed to this edition.

Vol. 3 - Tapping Capital Markets

Microfinance operations around the world are attracting an increasing amount of attention from the capital markets. These investors, banks, and other financial actors play a crucial role in facilitating the growth of the microfinance industry and some very large recent deals, specifically in India, have attracted even more attention. This issue discussed investors' perspectives, various valuation methodologies, and recommendations for MFIs and investors.

Vol. 4 - Innovations in Financial Service Delivery

Globally, the microfinance sector is standing at a juncture where new and innovative mechanisms, to take financial services delivery to the last mile, are emerging on a regular basis. The fourth issue merely reveals the tip of the “innovations” iceberg as it highlights several big and small examples of innovative delivery mechanisms that have made a difference, challenged established norms and reached out to the millions of poor.

³ Intellectap, the parent company of *Microfinance Insights*, is one of the fastest growing strategic consulting services firms in the international development sector. Intellectap aims to build intellectual capital dedicated to facilitating investments into socially motivated businesses and to assist these businesses in becoming more profitable and achieving greater scale through consulting and advisory inputs.

Intellectap works in both indirect strategic advisory roles and direct design and execution modes. Intellectap leverages its understanding of mainstream, profit-oriented business models to create unique solutions that generate both financial and sustainable social returns. Intellectap connects to the social space through its constant field interaction, as well as by ideating and incubating innovative adaptations of mainstream, profitable solutions to address the broader challenges of social businesses. Read more at www.intellectap.net.

Vol. 5 - Focus on Microinsurance

With the success of microfinance as a viable finance option for the poor, the issue of protecting them and not merely giving them a leg-up has also started gaining currency. Microinsurance is recognized as a terrain for innovation in this sphere. A strong drive to understand microfinance stems from the realization that insurance is an essential tool to provide protection against financial losses due to illness, economic activity, environmental and political issues. This issue provides insight into the trajectory and growth potential for microinsurance and reveals how it can mitigate risk for the poor.

Vol. 6 - Focus on Human Resources

Building human capacity to make the microfinance wheel spin faster is cited as the biggest challenge for MFIs. This volume draws from global perspectives to highlight ways to solve issues such as recruitment practices, staff training and innovative incentive systems. Inside you will find a provocative commentary on the Forbes Top 50 MFIs List, our HR survey results which include information from over 90 MFIs around the world, and international voices from Pakistan to Bolivia and Tanzania to Tunisia. This issue brings viewpoints from Morgan Stanley, IFCI Foundation for Inclusive Growth, HDFC, ACCION, and Women's World Banking.

Vol. 7 (to be released in July 2008) – Mainstreaming Microfinance