

Salary Trends in Microfinance Industry of Pakistan

By Anum Shakoor

ACKNOWLEDGMENTS

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INTRODUCTION

At the outset, one consistent trend throughout the microfinance industry is the lack of finding right people for the right jobs. The term “war for talent” was coined by McKinsey’s Steven Hankin in 1997 and popularized by the book of that name in 2001. It refers to “the increasingly fierce competition to attract and retain employees at a time when too few workers are available to replace the baby boomers now departing the workforce in advanced economies”.

Competitive compensation and benefits structures increase the chances of attracting and retaining high-performing employees in the knowledge economies. Organizations with competitive salaries are the first choice of employees both within and across competing industries. But in today’s world, high-performing employees are looking for more than compensation packages and benefits. So, the first step in attracting talent is to examine the institution’s strengths and determine if employees have benefits to sell. Potential employees today might move to another job for better compensation, but they are also looking for growing, successful companies which provide them conducive environment where they can advance their careers while being part of the team. This means that organizations need to improve and design better compensation and benefits packages, provide congenial work environments, and offer future career opportunities.

The microfinance sector in Pakistan is on a rapid growth trajectory. The figures quoted by Pakistan Microfinance Report 2017 show that the sector is progressively becoming a specialized industry. It appears to be a good sign that microfinance is to be closely associated with poverty reduction in the country. In the context of Pakistan, a combination of financial inclusion and social development strategy has mostly been successful. It is therefore imperative to have a financially viable and robust organizations and recruit and retain a good quality human resource for this industry to achieve its dual objectives of access to finance and doing social good.

This Micro Note is focused particularly on the salary trends in the Microfinance industry including Microfinance Banks (MFBs) and Non-Bank Microfinance Companies (NBMFCs). The note is based on the findings of the microfinance sector compensation & benefits survey administered by Pakistan Microfinance Network (PMN). The survey results aim to provide sector's management with reliable information on prevailing Human Resource (HR) practices in the industry. The survey findings present a comparative snap shot of remuneration levels for matching job levels. The reported data includes ten (10) job levels of nineteen (19) Microfinance Providers (MFPs) that participated in the survey, including data from eight (8) Microfinance Banks (MFBs) and eleven (11) Non-bank Microfinance Companies (NBMFCs). All findings are based on the data provided by these organizations. The compensation & benefits is divided into three parameters i.e. *Total Guaranteed Cash*¹, *Total Cash Pay*² and *Total Remuneration*³.

OBJECTIVE AND KEY FINDINGS

The top-level objective was to understand the various prevalent practices and confronted challenges for the HR of the microfinance sector and recommend measures to improve the situation. While at the tactical level the objectives of the study were to:

- Conduct a comprehensive salary survey and compare the results for the basic salary, allowances, other cash benefits, non-cash benefits (including car and retirement benefits) and variable bonus.
- Conduct an analysis of employee remuneration for ten (10) benchmark job grades comparable for nineteen (19) participating microfinance providers.
- Develop and implement methodologies that results in: comprehensive salary and benefit survey; accurately collects and illustrates comparison factors for each job; and illustrates the high, low, and median range of each comparison factor for each matching position of the microfinance providers.
- Ensure the data collected for each matching position from the employers is reliable, valid, and assertible.

The study has some common findings in both Microfinance Banks and Non-Bank Companies:

- HR practices are evolving along with business expansion, with larger institutions having better practices while the others are trying to catch up.
- Compensation and benefits (C&B) system in many of the institutions are less competitive. Therefore, efforts should be directed to match the market standards rather than the minimum wage. The C&B in the microfinance industry must be well structured and benchmarked with other related industries like commercial banking, insurance, Asset Management, FMCGs etc.

¹ The sum of Gross salary and Other Cash Payments

² The sum of Total Guaranteed Cash and Target Variable Pay / Sales Commission

³ This is the sum of Total Cash Pay· Car Benefits· Retirement Benefits· Non·Cash Benefits· giving the Total Remuneration Package of an employee

Other key finding for the MFBs in the survey report are as follows:

- 1.** The growth has also been accompanied by challenges such as higher cost of funds, increase in risks due to geographical concentration, increase in cash carrying costs, unavailability of quality technology solutions, rise in cases of fraud and high churn in human capital employed by these Banks/institutions.
- 2.** To maintain growth and reduce costs while overcoming the challenges, MFBs will have to develop a holistic strategy based on several external and internal factors. Externally, MFBs need to address customer requirements, navigate lenders and investors, build effective partnerships with financial and nonfinancial institutions for sales, and cross-sell and adhere to guidelines issued by regulators and self-regulatory organizations.
- 3.** On the internal front, operations, technology, risk management and human capital together play an integral role in all activities undertaken by MFBs. Institutes need to innovate their operations and develop products to add value to their customers' economic and social conditions while concentrating on unpenetrated markets in Pakistan. Technology needs to be leveraged not just to reduce costs but also to increase geographical reach and, thus, the top line.
- 4.** MFBs also need to adopt HRM best practices, thereby providing tools to help individuals remain highly motivated and contribute to their success.

Also, some other key finding for the Non-Bank Microfinance Companies in the survey report observed are as follows:

- 1.** Most of the NBMFCs faced high attrition at field-officer level while the larger NBMFCs faced attrition even at Supervisory and Head Office level. Some practices that could be reviewed are as follows.
 - a.** The policy of posting staff away from their village/hometown could be reviewed, as staff that was posted in home place was found to be more satisfied than those who were not. To begin with, a few of staff that have been with the MFI for long could be posted near their hometown.
 - b.** Analysis shows that the attrition rate is low in organizations employing more women. To attract and retain women, NBMFCs need to have enabling policies and processes such as postings in nearby branches, secured accommodation, suitable working hours etc. As a strategy, more women could be posted in those Branch Offices which have reached maturity level and where the major part of the work involves maintaining the clients. Men could be posted in new or expanding Branch Offices or for sales in established Branch Offices.
 - c.** The working hours and timings for the Branch Offices, just as that in Head Office, are defined and adhered to. With the use of technology, the support staff can enhance their ability of performing the routine functions more effectively and efficiently.

d. Attracting professionals at Head Office level was another challenge faced by the NBMFCs. However, as the industry is growing, professionals are supposed to be inclined to the Microfinance sector for career development. Initiatives from investors / development agencies for promoting more professionals in the sector would help NBMFCs to attract professionals and to expand their operations.

SALARY TRENDS IN THE SECTOR

The microfinance sector comprises of forty-six (46) institutions. Eleven (11) are regulated by the State Bank of Pakistan and are recognized as MFBs. The remaining are non-profit organizations recognized as Non-Banking Microfinance Companies (NBMFCs). NBMFCs are registered with the Securities and Exchange Commission of Pakistan (SECP). The staff count of the MFPs varies from a minimum of twenty (20) to a maximum of two-thousand (2,000) employees.

Salary Comparisons for Microfinance Banks (MFBs): Headline Results

A broad range of salary scales of the MFBs indicated a maximum annual salary of PKR 25 million at the job level 1 and a minimum annual salary of PKR247,000 at the job level 10. The difference between the highest salaries at level 1 and level 10 is sixty-one times and thirty-one times for the lowest salaries at level 1 and level 10. The standard deviation for level 1 salaries between lowest and highest percentiles is PKR 9 million and for level 10 salaries is PKR 87,000. It was observed that salaries for MFBs at job level 1 is significantly higher than job level 10 when compared to similar job levels of NBMFCs.

Figure 1.1: Market Comparison at Total Remuneration (TR) Level– MFBs

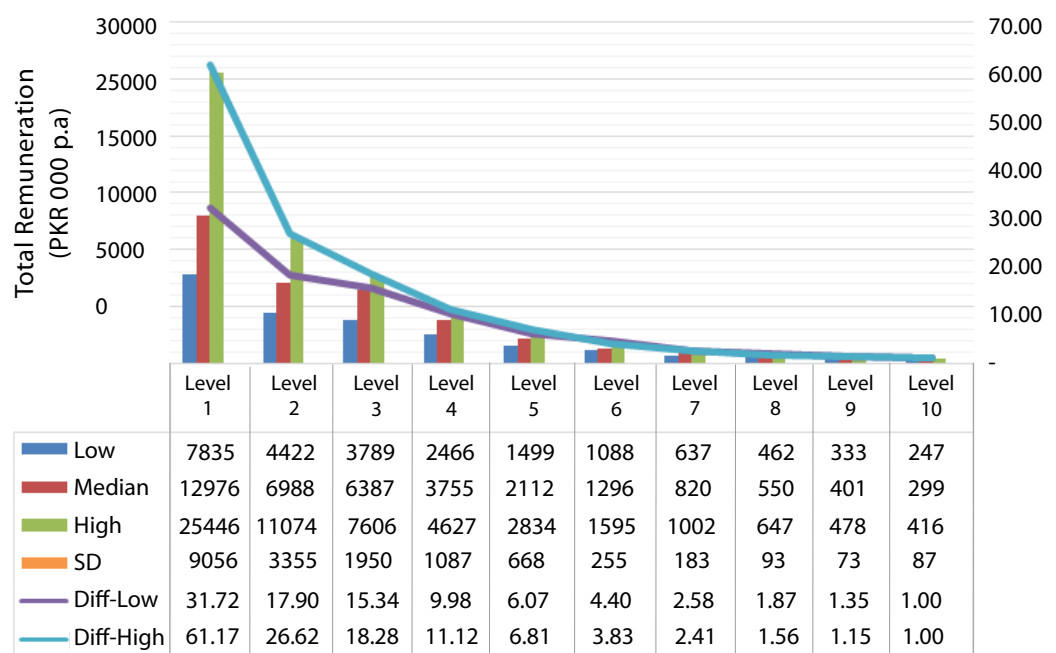


Figure 1.2: Market Comparison at Total Guaranteed Cash (TGC) Level - MFBs

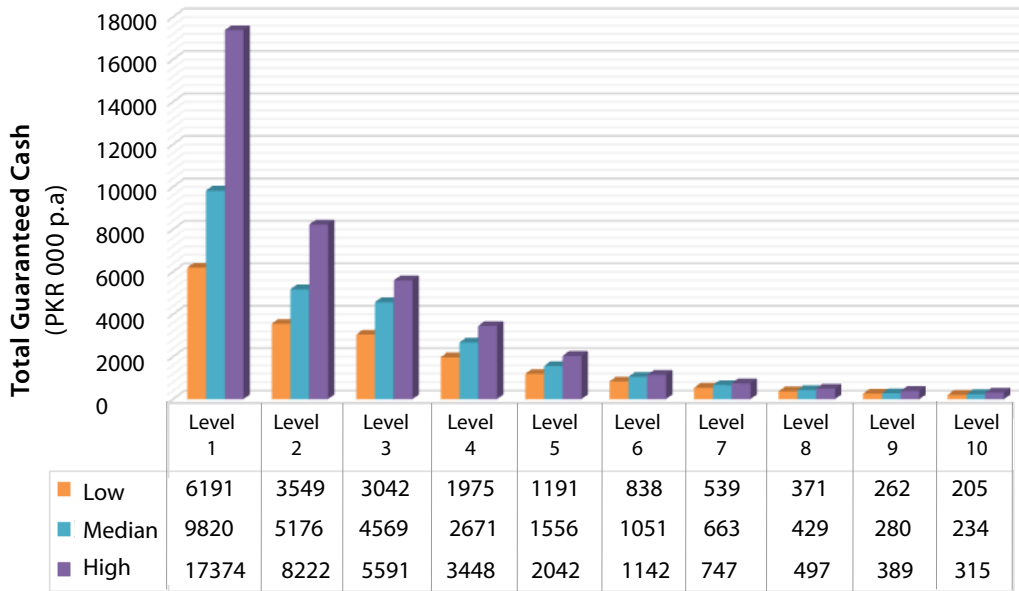
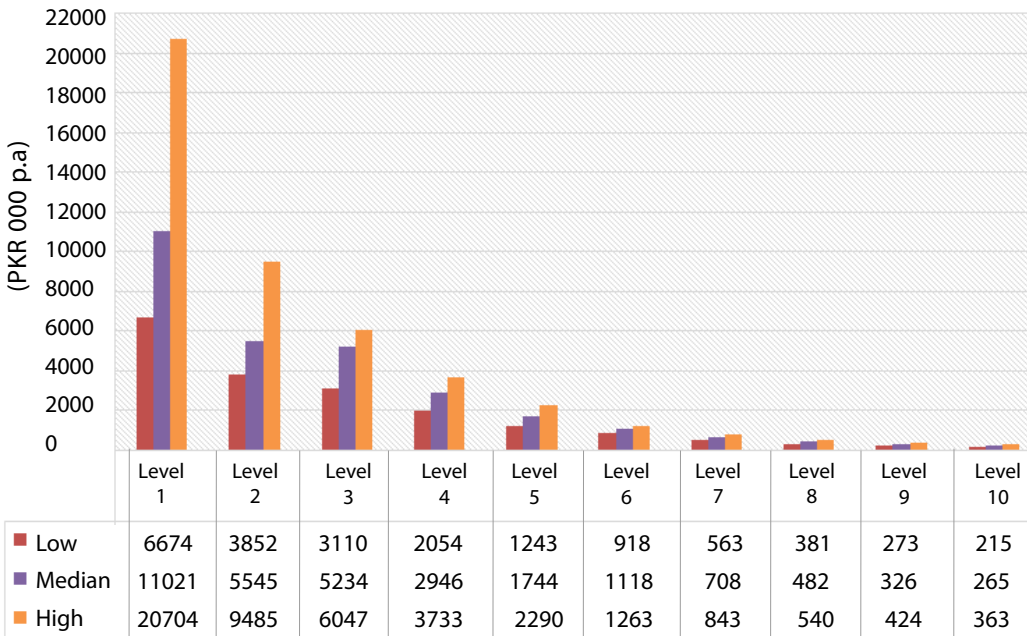


Figure 1.3: Market Comparison at Total Cash Pay (TCP) Level- MFBs



Salary Comparisons for Microfinance Institutions (NBMFCs): Headline Results

When comparing with the MFBs salary scale, most NBMFCs do not offer the same salaries as they are the non-profit entities. However, some large NBMFCs are offering relatively good salaries to retain their employees. The data for NBMFCs salary comprises from job level 2 to job level 10 as the information for job level 1 was not available. Looking at the salary trends for the NBMFCs, maximum annual salary is PKR10 million at the job level 2 and a minimum annual salary is PKR199,000 at the job level 10. The difference between the highest salaries at level 2 and level 10 is thirty-five times and sixteen times for the lowest salaries at level 2 and level 10. The standard deviation for level 2 salaries between lowest and highest percentiles is PKR 3.4 million and for level 10 salaries is PKR 44,000. Smaller NBMFCs have very low salary structures and are not able to compete with larger NBMFCs.

Figure 2.1: Market comparison at Total Remuneration (TR) Level- NBMFCs

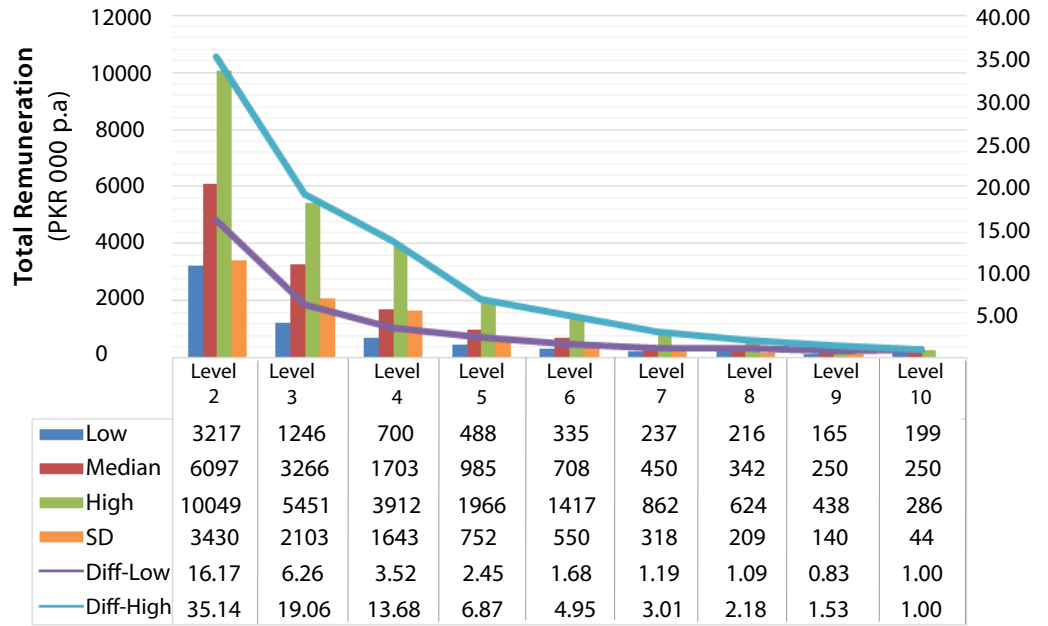


Figure 2.2: Market comparison at Total Guaranteed Cash (TGC) Level - NBMFCs

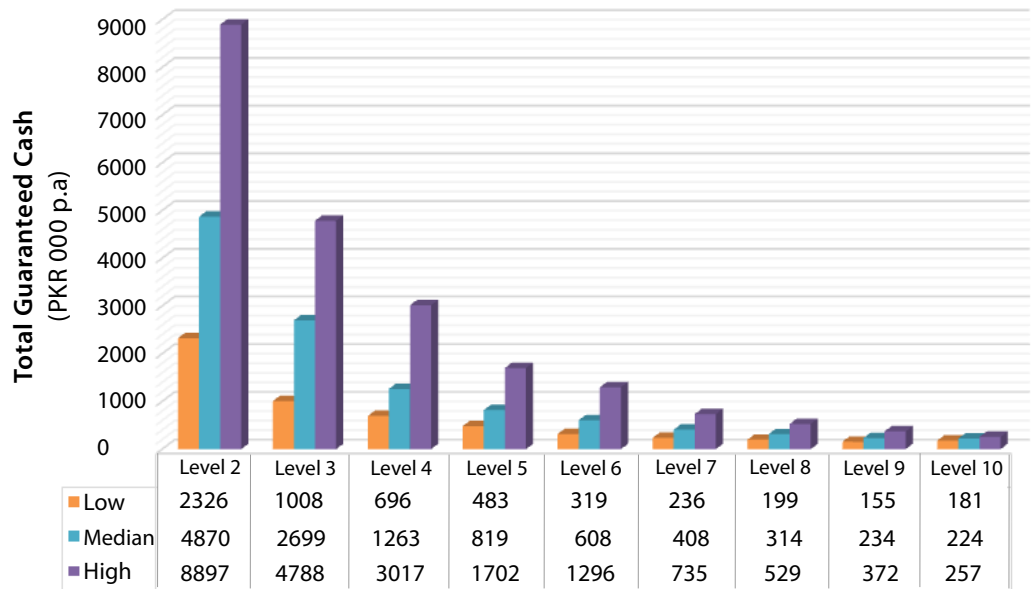
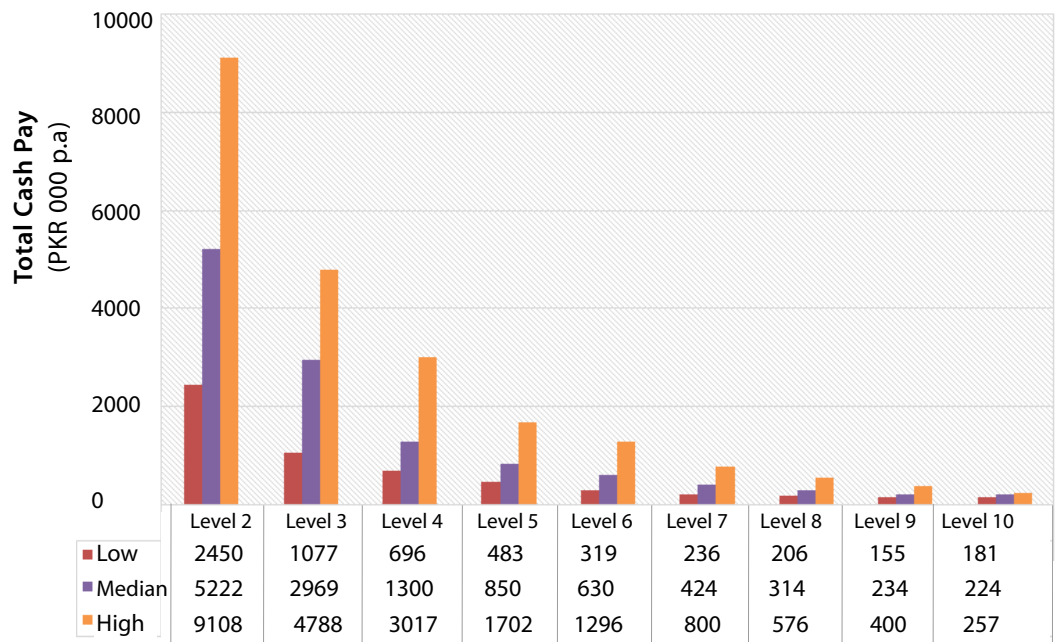


Figure 2.3: Market comparison at Total Cash Pay (TCP) Level- NBMFCs



CONCLUSION AND WAY FORWARD

Over the past couple of years, the microfinance sector has not only grown at a steady rate, it has become an increasingly specialized industry. To ensure that the industry remains socially responsible and competitive to attract good human resource, concerted efforts are needed at the sectoral level. Having skilled HR is the embodiment of this commitment. Pakistan Microfinance Network is committed to assist its members in achieving their triple bottom line objective. Overall, the compensation and benefits system play an important role in the total human resource management function. It is one of the basic factors which attracts' candidates to the organization. Compensation should be commensurate with the employees 'efforts and are competitive.

The compensation & benefit system should be structured and interlinked with many factors and cannot be looked at in isolation. The factors influencing salary structure in the industry are as follows and looking into these will result in a series of benefits for the MFPs:

1- Supply & Demand of Manpower: While planning the manpower required to run and achieve the business objectives also forecast the future manpower requirement based on sales budget, workloads analysis, workforce analysis, estimated absenteeism & turnover.

2- Prevailing Market rate: Compensation package must be designed at prevailing market rate to attract quality human resource and ensure their commitment towards achieving organizational goals.

3- Cost of living: Cost of living in some areas, especially big cities should be considered while designing salary packages.

4- Legal framework: Legal framework in terms of employment contract, labor laws and regulations, dispute resolution, and arbitrations should be considered while designing HR policies.

5- Bargaining power, job requirements, psychological & social factors: Psychological and social factors also influence the salary structure in MFPs.

6- Institutions ability to pay: During the study we have come across cases/ incidents where the MFPs are struggling with grievances of anomalies in salary fixation. It is observed that the staff compares a Designation of a Field/ Operation staff with the Designation of Head Office Staff, whose salary is higher than the salary of the Field/Operation staff.

7- Productivity parameters: Employers should take the responsibility of employee development. It can be difficult for employers to swallow the costs associated with employee professional development, but ultimately the company benefits when its employees have the capacity to embrace change and innovate. Organizations that understand the true value of professional development, culture, innovation and creativity also recognize the value of continuously educating their employee base. These organizations are the ones that will be better positioned to adapt to the rapidly changing demands of today's work environment.

To attract and retain quality human resource in this industry MFPs may consider the following:

- Employees Stock Option Plan is recommended for the industry. This can increase employee motivation, promote staff loyalty and improve staff retention
- Improve systems and procedures rather than cutting salaries. Efficiency in operation will save money. Saving through staff salary is considered a short-term measure and may prove to be ineffective in the long-term.
- Ensure that the reward is aligned with the strategy and culture. Promote a comprehensive reward approach that also includes intangible components, and help employees understand that the rewards offered hold more than monetary value.
- Communicate reward policies effectively.
- Focus on implementing the policies effectively.

It is also important to understand that salary surveys should be made part of the MFP's HR development program. The compensation & benefits survey should also be conducted every two years so that the industry as a whole is cognizant of the current compensation and benefits trends in the industry. The surveys should also aim to include comparison with other similar industries.

Annexures:

Annex A – Benchmark Levels for NBMFCs

Benchmark Level	Benchmark Job - NBMFCs
LEVEL 1	Chief Operating Officer (L/M), Chief Financial Officer
LEVEL 2	Chief Operating Officer (S), Head of Operations (L/M), Head of Compliance & Internal Control (L/M), Head MER, Head Internal Audit, Head of Finance, Head IT, Head of HR, Company Secretary
LEVEL 3	Head of Operations (S), Regional Sales Manager/Area Manager (L/M), Head of Credit & Risk Management (S), Head of Compliance & Internal Control (S), Financial Controller, Head of Administration & Security
LEVEL 4	Branch Operations Manager (L/M), Regional Sales Manager/Area Manager (S), Deputy Manager MER, Manager Marketing & Communication, Head Product/Program Development, Senior Manager Internal Audit (Branchless Banking), Unit Head (Finance/Accounts/Planning/Budget & Costing/Taxation), Senior Manager IT
LEVEL 5	Branch Manager (L/M), Manager Operations Risk, Regional Compliance Controller, Program Manager, Manager Internal Audit (Branchless Banking), Manager Centralized Operations, Head IT Software Maintenance, Unit Head (Talent Acquisition, Training, Comp. & Benefits, Employee Relation), Manager Administration & Security, Manager Legal
LEVEL 6	Branch Manager (S), Relationship Manager, Customer Service Manager, Risk Officer, Team Lead-Credit Officer, Team Leader-Compliance, Team Lead Program, Team Lead Internal Audit, Section in charge (Finance/Accounts/Planning/Budget & Costing/Taxation), AM Central Operations, PMO & Digitization, Senior T24 Developer, Project Manager IT Software Development, Team Lead Data Reporting & Reconciliation, HR Business Partner, Assistant Manager Administration
LEVEL 7	Assistant Branch Managers/Area Coordinators (L/M), Senior Credit/Loan/Field Risk Officer, Assistant Operations Manager, Senior Program Officer, Manager Taxation, Senior Executive, Manager IT Infrastructure & Networking, Assistant Manager Data Center, System Administrator, HR Specialist, Legal Executive/Officer, Personal Assistant to CEO/MD
LEVEL 8	Assistant Branch Managers/Area Coordinators (S), Credit/Loan/Field Risk Officer, Area Verification Officer, Associate MER, Program Officer, Social Organizer, IS Auditor, Audit Officer, Financial Reporting Officer, Executive, Senior Programmer IT Software Development, Supervisor IT Software, Officer IS, HR Executive, Admin Executive
LEVEL 9	Junior Loan Officer/Teller, Branch Support Officer, Credit Risk Officer, Compliance Officer, Officer Internal Controls, Regulatory Compliance Officer, Officer, Network Officer, Officer IT Infrastructure & Networking, HR Officer, Admin Officer, Manager Trainee, Entry Level MBA
LEVEL 10	Assistant, Operator Help Desk & Support, Complaints Management Officer, HR Assistant, Admin Assistant, Receptionist

Annexures:

Annex B – Benchmark Levels for MFBS

Benchmark Level	Benchmark Job - MFBS
LEVEL 1	Chief Operating Officer (L/M), Chief Financial Officer
LEVEL 2	Chief Operating Officer (S), Head of Operations (L/M), Head of Branchless Banking, Head of Credit & Risk Management (L/M), Head of Compliance & Internal Control (L/M), Head of Branchless Banking, Head Internal Audit, Head of Finance, Head IT, Head of HR, Company Secretary, Head of Legal
LEVEL 3	Head of Operations (S), Regional Sales Manager/Area Manager (L/M), Head of Credit & Risk Management (S), Head of Compliance & Internal Control (S), Financial Controller, Head PMO & Digitization, Head of Administration & Security
LEVEL 4	Branch Operation Manager (L/M), Recovery Manager, Regional Sales Manager/ Area Manager (S), Area Managers, Manager Market Risk, Manager Credit Risk, Manager Marketing & Communication, Head Product/Product Development, Senior Manager Strategy & Planning, Manager DFS Tech Implementation (Branchless), Unit Head Branchless Banking, Sr. Manager Internal Audit (Branch Banking), Sr. Manager Internal Audit (Branchless Banking), Sr. Manager IS Audit, Unit Head (Finance/Accounts/Planning/Budget & Costing/Taxation), Sr. Manager Central Operations & Digital Acquisition, Sr. Manager IT, Unit Head (Talent Acquisition/Training/Comp. & Ben./Employee Relations)
LEVEL 5	Branch Operation Manager (S), Branch Manager (L/M), Area Managers, Risk Analyst, Manager Operations Risk, Regional Compliance Officer, Manager BB Compliance, Manager Internal Controls, Regulatory Compliance Manager, Product Development Manager, Program Manager, Manager Branchless Banking, Manager Internal Audit (Branch Banking), Manager Internal Audit (Branchless Banking), Manager Service Quality, Manager Centralized Operations, Head IT Software Development, Head IT Security, Head IT Infrastructure & Networking, Manager Data Center, Manager Systems, Manager Administration & Security, Manager Corporate Affairs, Manager Legal
LEVEL 6	Branch Manager (S), Relationship Manager, Customer Service Manager, Assistant Manager Recovery, Risk Coordinator, Risk Officer, Team Lead-Credit Officer, Team Leader-Compliance, Team Leader-Internal Controls, Team Lead Program, Team Lead Branchless Banking, Team Lead Internal Audit, Section in Charge (Finance/Accounts/Planning/Budget & Costing), AM Central Operations, PMO & Digitization, Sr. T24 Developer, Project Manager IT Software Development, Manager IT Security, Manager IT Governance, Team Lead Data Reporting & Reconciliation, Specialist Service Delivery, Database Specialist, HR Business Partner, Assistant Manager Administration
LEVEL 7	Assistant Branch Manager/Area Coordinator (L/M), Senior Credit/Loan/Field Risk Officer, Senior Credit Officer, Fraud Analyst, AML Analyst, Senior Program Officer, Manager Treasury, Manager Taxation, Senior Executive, Section Head-Help Desk & Support, Manager IT Infrastructure & Networking, Assistant Manager Data Center, System Administrator, AM Quality Assurance & Operations, HR Specialist, Personal Assistant to CEO/MD

LEVEL 8	Assistant Branch Manager/Area Coordinator (S), Credit/Loan/Field Risk Officer, Assistant Ops Manager, Field Risk Officer, Recovery Officer, Credit Risk Officer, Compliance Officer, Program Officer, Social Organizer, IS Auditor, Financial Reporting Officer, Executive, Sr. Programmer IT Software Development, Supervisor IT Software Maintenance, Officer IS, HR Executive, Admin Executive, Corporate Affairs Executive/Officer, Legal Executive/Officer, Secretary to Division/Function Head
LEVEL 9	Junior Loan Officer/Teller, Branch Support Officer, Customer Service Officer, Area Verification Officer, Officer Internal Controls, Regulatory Compliance Officer, Associate MER, Operations Officer (Branchless), Audit Officer, Service Quality Officer, Officer, Network Officer, Software Engineer/Programmer IT Software Development, Officer IT Applications Maintenance, Officer IT Infrastructure & Networking, HR Officer, Admin Officer, Management Trainee
LEVEL 10	Assistant, Operator Help Desk & Support, Complaints Management Officer, HR Assistant, Admin Assistant, Receptionist

Annex C – Compensation Parameters

The survey has been carried on the Total Remuneration concept, thus covering all cash and non-cash components of employee remuneration. For analytical purposes the total remuneration is classified and presented under the following sub-groups in the report:

- **Gross Salary:** Includes basic salary, house rent allowance, conveyance and utilities allowances, and any other monthly cash allowances given as part of salary.
- **Other Cash Payments:** Include benefits such as house maintenance, security guards/system, utilities and telephone reimbursements, fuel or any other cash reimbursements given. Also includes fixed bonus, LFA, furnishing cash, any other cash payments given, driver salary given as allowance and driver salary given as reimbursement.
- **Total Guaranteed Cash:** The sum of Gross salary and Other Cash Payments
- **Target Variable Pay / Sales Commission:** is the Variable Pay that would be paid to an individual on full achievement of targets in the previous year.
- **Total Cash Pay:** The sum of Total Guaranteed Cash and Target Variable Pay / Sales Commission.
 - 1- Car Benefit: Includes the value of car, petrol, maintenance, insurance, driver and buyback option given to the employee to buy the old vehicle at below market value. Monetized value of car given as cash is also shown here.
 - 2- Retirement Benefits: Include the estimated funding cost of provident fund, gratuity and pension.
 - 3- Non-Cash Benefits: include LFA given as tickets or accommodation, appliances, housing facility, loan subsidy, premium on group life insurance, average cost of medical cover, club subscriptions, meal subsidy, credit card subscriptions and other non-cash benefit that may be given.
- **Total Remuneration:** This is the sum of Total Cash Pay, Car Benefits, Retirement Benefits, Non-Cash Benefits, giving the Total Remuneration Package of an employee.

*All remuneration figures are mentioned on annual basis.

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- 3- https://xisppm.files.wordpress.com/2011/08/the_war_for_talent-prt-1.pdf

The following organizations participated in the survey:

Microfinance Banks (MFBs)

- ADVANS Pakistan
- FINCA Microfinance Bank Ltd
- Khushhali Microfinance Bank (KBL)
- Mobilink Microfinance Bank (MMFB)
- Pak Oman Microfinance Bank Limited (POMFB)
- Telenor Microfinance Bank
- The First Microfinance Bank Ltd (FMFB)
- U Microfinance Bank

Non-Bank Microfinance Companies (NBMFCs)

- AL-Mehran Rural Development Organization (AMRDO)
- CSC Empowerment & Inclusion Programme (CEIP)
- Damen Support Programme
- FFO Microfinance Company
- JWS Pakistan
- Kashf Foundation
- National Rural Support Programme (NRSP)
- Rural Community Development Programme (RCDP)
- Saath Development Society
- SAFCO Support Foundation
- Shadab Rural Development Organization (SRDO)



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