

CERTIFICATION

I, the undersigned certify that I have read and hereby recommend for acceptance by the Open University of Tanzania, a dissertation titled: **Causes of Employee Turnover in Micro finance Institutions in Tanzania. The Case Study of Presidential Trust Fund**, in partial fulfillment for the requirements for the degree of Master of Business Administration (Human Resources Management) of the Open University of Tanzania.

..... Date

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Supervisor

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DECLARATION

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ABSTRACT

Human resources are one of the most valuable resources of an organization and indeed an organization is nothing without human resources. This applies to companies, educational Institutions and widely used in all of the business circles. Getting and keeping good people is critical to the success of every organization. Maintaining employees is about providing working conditions that are worker friendly, involvement in decision making, good salaries, recognition for good performance and so forth. Many institutions are increasingly finding it difficult to retain employees.

Turnover is becoming a serious problem in today's corporate environment. Turnover costs for many organizations are very high and can significantly affect financial performance of an institution. This study focused on Presidential Trust Fund and its main objective was to assess the causes of employees' turnover in microfinance institutions in Tanzania.

The study used a sample size of 35 employees of PTF. Purposeful sampling was used to select two respondents from each of the fifteen branches while snowball sampling was used to obtain five respondents who have resigned from the institution. The study used interview and questionnaires to collect data; they were administered to the respondents at their offices and to those respondents from upcountry branches were mailed. Data was analyzed using statistical package for social sciences (SPSS) and frequency distribution tables were used.

The study established that the main causes of employee turnover at the Presidential Trust Fund were lack of compensation procedures, less recognition and no clear employees' involvement in decision making. These result to poor productivity, poor institutional image

and low motivation for the workers. The study further revealed that 99% of the respondents felt the company is not doing enough to reduce the effects of labour turnover.

The study came up with many recommendations which includes; The management should introduce better technique on compensation package, the management of PTF should involve workers in decision making/planning, review its training policy and opportunities for growth be put in place in order to retain its workforce and should implement the findings of employees' turnover in order to reduce its effects, the management should implement worker friendly leadership styles to be used by all managers in the company for instance democratic style.

Keywords: Employees, turnover, causes, strategies.

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However, any errors and shortcomings of this study remain solely mine and should not be ascribed to any of the above acknowledged individuals and institutions.

LIST OF ACRONYMS

BOT	Bank of Tanzania
HR	Human Resources
LDCs	Low Developing Countries
MFIs	Microfinance Institutions
NGO	Non Governmental Organization
PTF	Presidential Trust Fund
SELF	Small Enterprises Loan Fund
SIDO	Small Industries Development Organization
SPSS	Statistical Packages for Social Science

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Overview of the study

This chapter presents an introduction of the study, objectives and questions which guided the overall study.

1.2 The context of the study

Most business enterprises as well as their management invest on work force and staffs because it is known to be one of the most essential assets of the business enterprises. The concepts of having satisfied staffs are considered as the basic notion of keeping the best staffs to stay in the business enterprises. There are many HR management strategies provided to satisfy the staffs. These techniques are initiated to avoid staffs turnover (Lipiec, 2000). In some studies and researches one of the typical reasons why staffs leave their job is because they are dissatisfied with their job which they tend to search for options and compare those options with their present jobs, and depart or leave the business enterprises if any of the alternatives are judged to be better than their current job opportunities. High employee turnover rate has impacts on organizations in relation to organizational costs, morale, training and customer service.

The analysis of employees turnover is a vital role of the HR department as the data may be used to forecast future recruitment requirements and also assists an organization's retention strategy. It also highlights areas of business that may require assistance in terms of people management problem issues. By measuring employee turnover on regular basis (usually annually) an organization can immediately recognize a change in levels and implement strategies for dealing with this.

Once employees leave an organization, there is a need to replace them with new recruits. According to Hall (1986), the main reasons that make workers leave an organization are: Resignation (both voluntary and due to incapacity – pregnancy, ill-health). Dismissal (including redundancy), Retirement, Inadequate wage levels leading to employees moving to competitors, Poor morale and low levels within the workforce, recruiting and selecting the wrong employees in the first place, meaning they leave to seek more suitable employment. A buoyant local labour market offering more (and perhaps more attractive) opportunities to employees.

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee's turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin et al.2004). Therefore, there is need to develop a fuller understanding of the employee turnover, more especially, the sources- what determines employee turnover, effects and strategies that managers can put in place minimize turnover. With globalization which is heightening competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employees. These employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated (Meaghan et al.2002). Therefore, managers must recognize that employees as major contributors to the efficient achievement of the organization's success (Abbasi et al. 2000). Managers should control employee turnover for the benefit of the organization success.

The study aimed to evaluate the causes of employees' turnover, provide suggestions and recommendations to help the Presidential Trust Fund scale down problems arising from employees' turnover.

1.3 Definition of the Study Problem

Many studies had been carried out that composed of investigative property in terms of determining the factors that might affect the performance of the employees. It is important for the organization in global environment to have a competitive performance. Often, the performances are based on the abilities of the people to deliver the knowledge and skills. This same idea is true in microfinance industry, wherein the performances are the after sought contribution of the employees to the organization. The effectiveness of an employee is manifested in the performance of the organization. Due to this fact, the increase number of opportunities available makes an impact in employee turnover (Akhtar, 2006).

According to the PTF employees strike and demonstration in July 2011 which result into the high level of employees' turnover, the study carried out to find out what are the causes behind the employee turnover at the Presidential Trust Fund (PTF).

1.4 Study Objective

The general objective of this study is to investigate the causes of employee turnover at the Presidential Trust Fund.

1.4.1 Specific Objectives of the study

1. To investigate the employee compensation and the compensation techniques used by PTF
2. To study the rate employees participation in organizational planning
3. To identify whether or not the job design and working conditions are match with the employee title and position.
4. To recommend approaches that PTF management can use to meet the above objectives.

1.5 Study Questions

(i) General Study Question

What are the causes of employee turnover at the Presidential Trust Fund?

(ii) Specific Study Questions

- (a) Do you satisfied with the compensation and the compensation techniques used by PTF?
- (b) When do employees participate in the organizational planning?
- (c) Do employees satisfied with the job contents and the working conditions?
- (d) What are the ways that the management of the PTF can do to meet the above questions?

1.6 Relevance of the Study

This study will be of benefit to the management of PTF, other MFIs, policy makers, as the study explored the causes of employees' turnover and recommended on the approaches so as to reduce the rate of turnover and suggested strategies of employee retention. On the other hand, policy makers will also benefit in the sense that, the findings provide informed suggestions on how recruitment and employees retention policy can be improved.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

This chapter review theoretical and conceptual framework of the subject matter under the study. It consists of various sections which present the definitions of key terms, the origin and typical models, characteristics of Micro Finance Institutions (MFIs), Functions and advantages of MFIs, categories of MFIs operating in Tanzania, Overviews of employees turnover, causes of employees turnover, costs of employees turnover and empirical studies of employees turnover. These are discussed below:

2.2 Conceptual Definitions

2.2.1 Micro finance

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor and low-income households and their micro enterprises. (Pilipinas, 2002). Microfinance does not only cover financial services but also non-financial assistance such as training and business advice. Micro finance has a purpose of supporting livelihood of low-income families and their enterprises, which have lacked access to financial services from mainstream financial institutions. Microfinance covers a wide range of services, including savings, credit and payments. Clients use these services to support household investment and consumption needs.

2.2.1(a) Origin and Typical Models

Microfinance, which first gained widespread attention in 1976, works to provide small money loans to poor individuals who lack the capability of borrowing from an established commercial bank. For a variety of reasons, including inefficient central planning by governments and inadequate financial institutions, much small business in LDCs has

become part of the informal sector. Microfinance is designed to assist poor individuals create or expand small businesses and eventually move from the informal sector into the formal sector.

The Grameen Bank in India was the first major effort to set up microfinance and has become an archetype for microfinance institutions (MFIs). It began in Jobra, Bangladesh in an effort by a rural economist Professor Muhammad Yunus to extend banking services to the poor. Grameen style banks send representatives into rural communities to scout prospective borrowers. Once found, the representative forms the borrowers into groups of five individuals. The bank then loans small amounts of money to two of the five persons. Only upon successful repayment of both loans does the bank offer loans to all five. In this manner loan repayment is facilitated largely by peer pressure. This is group-lending model and as loan repayment mechanism is a characteristic of all microfinance models. Another widespread model of microfinance is the “Village Bank” model. Village banks are banks run by the clientele, much in the same fashion as a cooperative. The banks normally consist of 25 to 50 individuals who organize themselves into the operational positions needed to run a bank. Village banks nearly always rely on an external donation to first acquire money. But in addition they supplement the donation with personal contributions. This model also relies on peer pressure to enforce loan repayment. (Grameen Bank website).

2.2.1(b) Characteristics of Microfinance

All MFIs exhibit similar financial characteristics. These characteristics are all interrelated and they encompass the institution of microfinance.

These are as follows: -

- **Small Value Loans:** Loans offered by microfinance lenders are almost always small in value. This occurs for two reasons. The first results from the risk involved in making

loans. Poor individuals often own little or no collateral with which to borrow. (If they possessed collateral it is likely they could borrow from a more conventional bank.) Hereby, defaulted loans result in a loss to the microfinance lender. The second reason results from the capabilities and goals in microfinance as an institution. Being donation based, few lenders possess large sums of money, at least initially. This coupled with the desire to aid as many individuals as feasible results in loans tending to be small in value.

- **High Effective Interest Rates:** High interest rates result directly from the lack of collateral backing loans. The ever-present possibility of an uncompensated default loan forces microfinance lenders to charge high interest rates.
- **Targeted Borrowers:** The implication of the above characteristics is that the most successful MFIs do not target the poorest of the poor. All the borrowing constraints mentioned above are suffered most extremely by the poorest. Consequently, the difficulties faced by MFIs is the most severe when dealing with the poorest.

Most MFIs give loans to people who have already established a small kind of business activity and who needs more capital in order to grow.

- **Success for Larger Loans:** Lenders with a borrowing base who demand more valuable loans tend to also suffer fewer default loans. MFIs that offer larger loans have empirically fared much better than those firms offering small donations (Chijoriga and Cassimon 1999).

2.2.1(c) Functions and advantages of Microfinance Institutions

Financial services provided from these microfinance institutions such as loans and savings instruments can raise household income, consumption levels, and investments in three ways:

- Allowing expanded production that will generate income

- Allowing more risk-efficient "asset portfolios" (animals, land, material, etc.)
- Smoothing consumption patterns (tiding a family over a drought, seasonal scarcity, crop failure, illness, and etc).(Zeller and Meyer,2002)

Different levels of poverty are associated with different patterns of demand, different risks and risk perceptions, and different means of access to finance. Those individuals with slightly more education, technical know-how, or market access will have different capacities and demand schedules for seeking loans than the very poor. The difficulty in meeting the demand of the poor does not always have to do with providing simple access to services. (Zeller and Meyer, 2002).

The MFIs have succeeded in terms of outreach and their popularity has increased due to a variety of factors (both economic and humanitarian). From an economic perspective, MFIs provide superb opportunities to correct both capital market failure and efficiency loss caused by formal financial institutions.

Capital market correction by MFIs operates in three ways.

- (i) The first is the lack of access to capital by many poor people in LDCs. This forces them to face strict, if not absolute, borrowing constraints. Small businessmen in LDCs often cite lack of access to capital as a primary reason for their inability to expand business (Douglas and Terry, 2001). By providing financial services MFIs help correct borrowing constraints.
- (ii) The second way MFIs correct capital market failure is by increasing the efficiency of providing loans and subsequent capital investment. MFIs are able to screen potential borrowers. Most commercial banks lack the resources or economic incentive to screen potential borrowers. MFIs are also willing and

able to advise borrowers financially. Generally, this involves offering simple operational or entrepreneurial recommendations.

- (iii) A final manner in which MFIs can benefit financial markets in LDCs is their ability to coordinate loans from the country's commercial institutions. Even if not recovering costs, MFIs do receive donations and hence can enter into sound financial arrangements with domestic financial institutions. Through this instrument, countries are able to expand their financial infrastructure. (Douglas and Terry, 2001).

2.2.1(d) Main categories of MFIs operating in Tanzania

According to BOT (2005), the total number of MFIs operating in Tanzania is 1899 and divided into 1813 of Mainland Tanzania and 86 of Zanzibar. These MFIs are of seven categories.

- (i) Government Credit Schemes (105); They include central or local government schemes with objective of delivering financial services e.g. credit to specific groups such as small industrialists and disadvantaged groups like women, youth and disabled. The schemes include Small Industries Development Organization (SIDO), SELF, Women Development Fund, Youth Development Fund.
- (ii) Non-Governmental Organizations- NGOs(57); These MFIs include PRIDE (Promotion of Rural Initiatives and Development Enterprises), BEST TASO, World Vision Tanzania, Presidential Trust Fund (PTF), SEDA (Small Enterprises Development Agency), YOSEFO, FINCA Tanzania.
- (iii) Savings and Credit Cooperative Societies (SACCOS) (1635); such as Bagamoyo Lutheran Church SACCOS, Afya SACCOS, Central Bank SACCOS Ltd, Ushirika wa Wakulima Musoma SACCOS Ltd.

- (iv) Banks (8) like Akiba Commercial Bank (ACB), Dar es Salaam Community Bank (DCB), National Microfinance Bank (NMB), Tanzania Postal Bank (TPB), Mufindi Community Bank (MCB).
- (v) Financial Service Association(1) of Mwanza
- (vi) Savings and Credit Associations(SACAS)(48);such as Multi Environmental society, Bukamu SACA, Lutengano SACA, etc; (BOT,2005)

2.2.2 Microfinance Institutions

The term “microfinance institutions” (MFIs) refers primarily to organizations which are created specifically to provide credit and other financial services to low income clients. They are principal providers of financial services to the poor and low income households in the rural and urban areas of Tanzania include licensed commercial banks, regional and rural unit banks; savings and credit cooperative societies; and several NGOs whose micro-credit delivery operations are funded and supported with technical assistance by international donors. (Randhawa and Gallardo, 2003).

2.2.3 Employee Turnover

Employee turnover (sometimes known as ‘labour turnover, ‘wastage’ or ‘attrition’) is the rate at which people leave an organization. It can be disruptive and costly. The CIPD (2008a) survey of recruitment, retention and turnover found that the average rate of turnover (the number leaving as a percentage of the number employed) in the UK was 17.3 per cent. It is necessary to measure employee turnover and calculates its costs in order to forecast future losses for planning purposes and to identify the reasons that people leave the organization.

According to Cole 1998, Employee turnover refers to the movement of employees in and out of the organization. However, the term is commonly used to refer only to “wastage” or the number of employees leaving. High levels of turnover can be serious problems for both large and small organizations. It is costly, lowers productivity and morale and tends to get worse if not dealt with.

Graham and Benneth (1988: 169) stated that: “Employee turnover is the movement of people into and out of the firm. It is usually convenient to measure by recording movements out of the firm on the assumption that a leaver is eventually replaced by a new employee. The term separation is used to denote an employee who leaves for any reason.” Graham and Bennett also give the formula to measure separation or wastage rate during the period (usually one year) as “percentage of the average employed during that period” given as:-

$$\frac{\text{Number of separation during that period}}{\text{Average number of employed during that period}} \times 100$$

2.3 Critical Review of supporting theories.

Equity theory of motivation suggests that people are influenced in their behaviour by the relative rewards they either get or are going to receive. The theory is based on the assumption that people are most likely to be motivated by the way they are equitably treated at work. People tend to compare for example the pay they get with what others are paid for the same effort and situation, so that if they are treated unfairly, they will consider themselves as victims of inequity (Robbins, 1993).

Herzberg’s two factor theory of motivation, on the other hand classified job factors into two; motivation factors and the hygiene or maintenance factors (Herzberg, 1968). Motivation factors relate directly to the job itself. They are concerned with the job content

of the work people perform. Failure to provide sufficient quality will cause job dissatisfaction while sufficient supply will lead to job satisfaction and high performance. These factors include achievement, recognition, responsibility, advancement, growth opportunities and so forth. Hygiene or Maintenance factors help prevent loss of money, efficiency and demotivation. They are the primary cause of unhappiness at work. They are external and do not relate directly to the persons work. They constitute the persons work environment. They include salaries, job security, working conditions, status, job design, company policies and quality of technical supervision among others.

This study will be guided by the Herzberg's two factor theory particularly the hygiene or maintenance factors. This is so because they capture the real work environment while the Equity theory only considers the workers treatment and not the work environment in totality.

2.4 Empirical Analysis of Relevant Studies

2.4.1 General Studies

The impact of turnover has received considerable attention by senior management, human resources professionals, and industrial psychologists. It has proven to be one of the most costly and seemingly intractable human resource challenges confronting organizations. This study will provide a summary of information on the factors contributing to the causes of employees' turnover at the Presidential Trust Fund and the proposed remedies. The rotation of staffs around the labour market, may it be between business enterprises, jobs and occupations, or between the states of employment or unemployment, is called as turnover (Burgess, 1998). Accordingly, turnover is considered as the number of one cause of declining productivity and sagging morale in the business environment (Abassi &

Hollman, 2000, p. 133). Excessive turnover may lead to jeopardy of the business enterprises' objectives and may negatively affect innovation and cause major delays in delivery of services and introduction of new programs. It may also lead to loss of key staffs, which, in turn may have negative impact on the quality and innovation of services delivery, which in turn, may negatively affect the satisfaction of customers of some departments or government agencies. For some government agencies or departments, customers include not only those people who consume services, but also the staffs working in their offices (Abassi & Hollman, 2000).

Retention of skilled staffs is obviously essential. They function well and stand out among the others. Furthermore, retentions save the business enterprise additional expenses (Fitzenz, 1997). A business enterprise also loses critical knowledge necessary for better performance when a skilled employee decided to resign. Skilled staffs are heavily needed because they rarely come. If the training was provided by the business enterprises, the turnover of skilled staffs would just put the training expenses into waste. Therefore, the mobility of the business enterprise is affected greatly because every turnover puts tasks left behind by the employee into halt. Even if there would be a temporary substitute before a new employee is hired, it is unsure if the substitute would perform the task faster and efficiently. Then, the hiring process also wastes a considerable amount of time. It also brings additional costs in advertising.

Various study already crafted regarding to the job design, motivation and the associated factors, strategies to increasing the job performances, job satisfaction, employee involvement, and the effectiveness of training and development. All the studies are fashioned with the aim to either understand the employee's nature of work or to create contribute towards the employees' performance and competitiveness. There are several

factors that play an important role to maintain the impact of globalization with the organization. The increase in employee turnover can be drawn from many disciplines.

Job design can have an effect on employee motivation that can increase the employee's performance in their respective workplace. The job design and model are presented according to the organizational goal in enhancing the efficiency and effectiveness to deliver the services. It is identified that job design creates an influence towards the performance of an employee because it can guide the behavior of an individual, and it can provide appropriate competitive actions towards the global competition. On the other hand, it is believed that the employee participations can affect the job satisfaction. As inspired by the domino effect, if an employee achieved the satisfaction towards the work, they can gain the productivity and commitment to give the necessary performance – all for the advantage of the organization (Bhatti&Qureshi, 2007).

2.4.1 (a) Causes of Employees turnover.

There are a number of factors that contribute to employee turnover. Some of these include job related factors and organizational factors.

Job related factors

There are several reasons why people quit from one organization to another or why people leave organization. The experience of job related stress (job stress), the range factors that lead to job related stress (stressors), lack of commitment in the organization; and job dissatisfaction make employees to quit (Firth et al. 2007). This clearly indicates that there are individual decisions which make one to quit. There are other factors like personal agency which refers to concepts such as a sense of powerlessness, locus of control and personal control. Locus of control refers to the extent to which people believe to external factors such as chance and powerful others are in control of the events which influence their lives (Firth et al. 2007)

Mano et al. (2004) argue that employees quit from organization due economic reasons.

Using economic models they showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market. Good local labour market conditions improve organizational stability Schervish (1983). Trevor (2001) argues that local unemployment rates interact with job satisfaction to predict turnover in the market. Role stressors also lead to employees' turnover. Role ambiguity refers to the difference between what people expect from the job and what we feel we should do. This causes uncertainty about what our role should be. It can be a result of misunderstanding what is expected, how to meet the expectations, or the employee thinking the job should be different.

Insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually display a propensity to leave the organization (Tor et al., 1997). If roles of employees are not clearly spelled out by management/ supervisors, this would accelerate the degree of employees quitting their jobs due to lack of role clarity.

Organizational related factors

Organizational instability has been shown to have a high degree of high turnover. Indications are that employees are more likely to stay when there is a predictable work environment and vice versa (Zuber, 2001). In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Alexander et al., 1994).

Therefore, in situations where organizations are not stable employees tend to quit and look for stable organizations because with stable organizations they would be able to predict their career advancement. The imposition of a quantitative approach to managing employees led to dissatisfaction of staff and hence it leads to labour turnover. Therefore management should not use quantitative approach in managing its employees. Adopting a cost oriented approach to employment costs increases labour turnover (Simon et al. 2007). All these approaches should be avoided if managers want to minimize employee turnover and increase organizational competitiveness in this environment of globalization.

Employees have a strong need to be informed. Organization with strong communication systems enjoyed lower turnover of staff (Labov, 1997). Employees feel comfortable to stay longer in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere (Magner et al. 1996). But in the absence of openness in sharing information and employee empowerment the chances of continuity of employees are minimal.

Costly et al. (1987) points out that a high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit.

Griffeth et al. (2000) noted that pay and pay-related variables have a modest effect on turnover. Their analysis also included studies that examined the relationship between pay, a person's performance and turnover. They concluded that when high performers are insufficiently rewarded, they quit. If jobs provide adequate financial incentives the more

likely employees remain with organization and vice versa. There are also other factors which make employees to quit from organizations and these are poor hiring practices, managerial style, lack of recognition, lack of competitive compensation system in the organization and toxic workplace environment (Abassi et al. 2000).

Adopting an effective applicant screening procedures is an efficient and cost effective method of identifying employees who possess the necessary traits and behaviours to succeed on the job and are, therefore, less likely to leave. SIGMA's Employee Screening Questionnaire 2 (ESQ2) measures both productive and counterproductive job behaviours and, as such, provides employers with a tool for reducing involuntary turnover resulting from poor selection decisions. In addition to reducing involuntary turnover, the ESQ2 also has the ability to reduce voluntary turnover by identifying those applicants who are likely to be satisfied and committed to their jobs. There is a large body of academic research supporting the intuitive contention that people who are satisfied with their jobs and committed to their employing organization are more likely to stay than those who are not (e.g. Griffeth, Hom, & Gaertner, 2000; Maertz & Campion, 1998; Meyer, Stanley, Topolnytsky, & Herscovitch, 2001). In summary, the ESQ2 offers employers an effective and practical method for dealing with turnover and reducing its associated costs.

2.4.1(b) Costs of Employees Turnover

Employee turnover is expensive from the view of the organization. Voluntary quits which represents an exodus of human capital investment from organizations (Fair 1992) and the subsequent replacement process entails manifold costs to the organizations. These replacement costs include for example, search of the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels

equivalent to the individual who quit (John 2000). Addition to these replacement costs, output would be affected to some extent or output would be maintained at the cost of overtime payment.

The reason so much attention has been paid to the issue of turnover is because turnover has some significant costs on organizations (DeMicco and Giridharan, 1987; Dyke and Strick, 1990; Cantrell and Saranakhsh, 1991; Denvir and McMahon, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organisations if not managed properly (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990). Hogan (1992), nearly twenty years ago the direct and indirect cost of a single line employee quitting was between \$ 1400 and \$4000. Turnover has many hidden or invisible costs (Philips 1990) and these invisible costs are the result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organization. On the other hand turnover affects on customer service and satisfaction (Kemal et al. 2002).

Catherine (2002) argue that turnover include other costs such as lost productivity, lost sales, and management's time, estimate the turnover costs of an hourly employee to be \$3,000 to \$10,000 each. This clearly demonstrates that turnover affects the profitability of the organization and if it's not managed properly it would have the negative effect on the profit. Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary (Johnson et al., 2000) – but the costs do not stop there. Each time an employee leaves the firm, productivity drops due to the learning curve involved in understanding the job and the organization.

Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets (Meaghan et al.2002). Therefore, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position. However, voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and in terms of indirect costs (morale, pressure to the remaining staff, costs of learning, product/service quality, organizational memory) and the loss of social capital (Dess et al. 2001). High employee turnover can be expensive although the actual costs are difficult to get some indications, organizations can start by adding up the most obvious expenses – those of advertising, recruitment and training together with the cost of associated management and supervisory time. The annual total could well convince the organization that time and effort spent reducing employee turnover is cost effective (Saleemi, 2005).

Using an example from the health care industry, Cascio (2000) calculated that the cost of replacing 288 employees per year (in a hospital with 200 beds employing 1200 persons with a turnover rate of 2% per month) was \$2,888,295.52 when all sources of costs were analyzed. Moreover, a recent Business Week (1998) study estimated that the replacement costs alone are over \$10,000 for about half of all jobs and approximately \$30,000 for all jobs. These estimates highlight the considerable costs that can be associated with turnover.

2.4.2 Empirical Study in Africa

Human resources are one of the most valuable resources of an organization and indeed an organization is nothing without human resources. This applies to companies and educational Institutions. Getting and keeping good people is critical to the success of every

organization. Maintaining employees is about providing working conditions that are worker friendly, involvement in decision making, good salaries, recognition for good performance and so forth. Many companies are increasingly finding it difficult to retain employees. Turnover is becoming a serious problem in today's corporate environment. Turnover costs for many organizations are very high and can significantly affect financial performance of an organisation.

Sony Sugar Company Limited in Kenya has been ranked at the lowest for two consecutive years by the government and has a high labour turnover as indicated in their newsletters. According to researchers (Wesonga et al 2011), the study was able to find out the patterns of labour turnover and effects of labour turnover to Sony Sugar Company limited.

Sony Sugar Company has been experiencing mainly resignation form of labour turnover. 98% (n = 96) of the respondents noted this company has experienced resignation while 2.0% (n = 2) noted Compulsory retirement. Categories of workers by grade who have contributed to the highest labour turnover in this company were sub-ordinate staff. 98.0% (n = 96) of the respondents noted sub-ordinates have contributed to the highest turnover but 1.0% (n = 1) respondent felt the highest turnover has been contributed to by senior managers.

The eminent reasons as to why the subordinates are noted to have contributed to the highest turnover were; tribalism, too much work and long working hours, training opportunities are not competitively given out, they have a poor pay, have poor working conditions, working with risky machines, lack of clear promotion and training policies, mistreatment by the managers and there is a desire for upward growth or promotion.

2.4.3 Empirical Studies done in Tanzania

Employees under the cut-flower industry in Arusha are facing employment problems which result to turnover. These employment problems may be classified into two groups: one from the employees' point of view and the other from the employers' point of view. All the causal labourers complained about their salaries, blaming the Government for fixing the minimum wage at TSh17, 500/= per month which most employers used as their norm. Some employees complained about the long working hours for which they were not paid overtime rates. Employees also felt they were not adequately represented in the management committees; i.e. no employees participation. Workers on such committees are often nominated by the management and thus cannot represent the workers forcefully. Complaints were made about illnesses such as headaches, chest pains and allergic reactions that are associated with the frequent use of chemicals. Casualty of the work itself was a complaint. Employers complained about the quality and efficiency of their workers. The majority of employees in the industry are primary-school leavers who lack the minimum education needed in flower production. (Semboja H, et al 2000)

2.5 Analytical Framework of the Study.

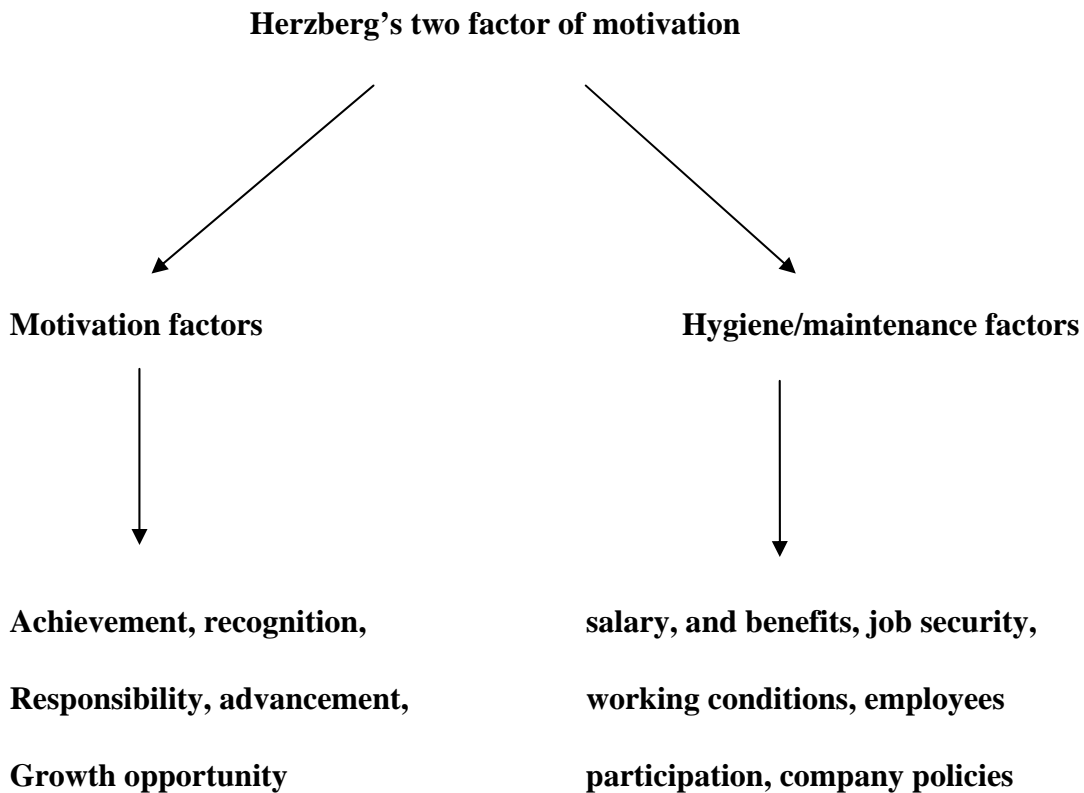


Figure 2.1 Analytical frameworks as constructed by the researcher

2.5.1 The Underlying Theory/Assumptions

The study will be guided by the Herzberg's two factor theory of motivation, which classified job factors into two; motivation factors and the hygiene or maintenance factors (Herzberg, 1968). (As elaborated on 2.3)

2.5.2 The elements or Variables

The variables under the hygiene/maintenance factors (salaries, participation, working conditions, job design) considers directly to the workers treatment, therefore the study will be guided by these factors and leave aside the motivation factors as it considers the work environment in totality.

2.5.3 Relationships between the Variables

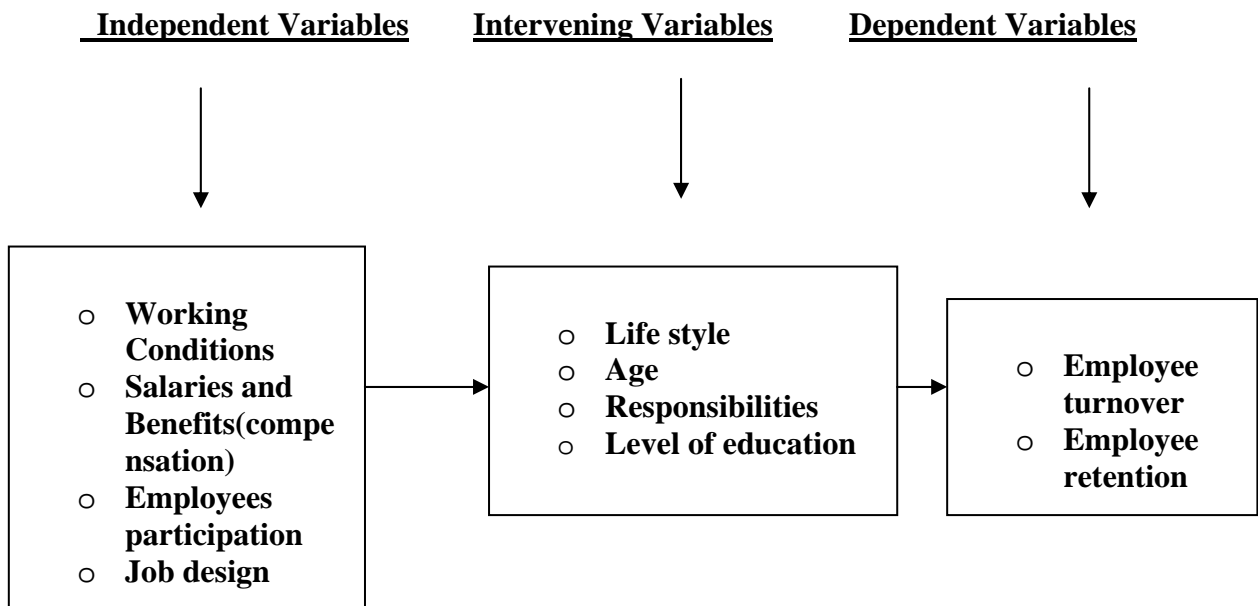


Figure 2.2 Relationship of the variables as constructed by the researcher

In this study, two variables are assumed to cause employees turnover in microfinance. These are independent and intervening variables. Independent variables are those variables that influence the dependent variables. They cause or affect the dependent variables to change; while intervening variables are variables through which independent variables act to influence the dependent variables. They intervene the relationship between independent and dependent variables (Kombo & Delno, 2006). Dependent variables are those that form the focal point of the study that is the causes of employees' turnover, which possibly will be affected by independent and intervening variables.

2.6 Summary

From the above literatures, studies and models the researcher find that there will be a strong need to study the causes of employees' turnover at PTF. From the observations and data which will be collected and analyzed, recommendations will be made to the PTF management and other HR departments so as to reduce the rate of employees' turnover.

CHAPTER THREE

3.0 RESEARCH DESIGN

3.1 Overview

The study emphasized on the causes of employee turnover and how this considered by PTF. Data and information collected for this study were derived from primary resources and secondary resources. The primary data came from the respondents who are staffs from PTF. On the other hand, the secondary sources of data came from the published articles of employee satisfaction journals and employee turnover, management journals, as well as related studies on employee satisfaction and service provision.

In this study, time was the greatest restriction for having long-term outcome objectives.

Descriptive cross sectional study design was adopted in conducting this study because the study was guided by the university academic calendar. Descriptive survey design was appropriate because it involves collecting data in order to answer questions concerning the current status of subjects of the study. Kothari (1985) notes that descriptive design is concerned with describing, recording, analyzing and reporting conditions that exist or existed. Engelhart (1972) argues that descriptive methods are widely used to obtain data useful in evaluating present practices and in providing basis for decision-making.

A deductive study is quicker to complete, data collected based on 'one take', and this technique was of a lower risk strategy (Saunders et al 2003). The quantitative technique focused in obtaining numerical findings which were used with survey methods. The interview on the other hand was made up of the qualitative technique of the study and focused on personal accounts, observations, description and individual insights of the respondents.

This chapter provides the methodological framework of the study and outlines various steps that adopted in undertaking the study. Under this part, all the scientific procedures, which were used in the study, are explained.

3.2 Study Strategies

In carrying out this, case study strategy was used. For a large amount of data in a highly economic way from a sizeable population, questionnaires and interview were used so as to collect standardized data hence allowing an easy comparative analysis.

3.2.1 The Survey population.

The targeted respondents of the study were employees of the PTF all over the Mainland Tanzania both existing and some of the resigned employees.

3.2.2 Area of the Study.

The study area was all branches of the PTF (Kinondoni, Ilala, Kibamba, Mkuranga, Kibaha, Morogoro, Turiani, Kilosa, Kilombero, Iringa, Makambako, Uyole, Mbarali, Songea and Kongwa). The area has been selected because of the nature of information that was required for the study.

3.2.3 Sampling Design and Procedures

The selection of interviewees has been done judgmentally without involving probabilistic theories so as suitable respondents for the study could be obtained. The study covered all fifteen branches of the Institution. Two employees from each branch were judgmentally selected to obtain a representative sample of thirty (30) existing employees, and through snowball sampling technique five (5) resigned employees were obtained. Therefore, the study covered the total number of 35 employees.

Kothari (1992) pointed that, the optimum sample is one that fulfils the requirements of efficiency, representative, reliability and flexibility.

3.4 Variables and Measurement Procedures.

According to the Herzberg theory of hygiene or maintenance, data collected consisted information on salaries, job security, working conditions, status, employees participation to mention only a few.

3.5 Methods of Data Collection, Tools and Procedures.

In collecting data two major methods were used. These include interviews and questionnaires of both structured and semi-structured nature. These methods were used to collect most of the primary data.

The questionnaire technique enabled respondents to answer questions easily without wasting much time and did not require much thinking. The interview helped in collecting data, which required widely differing personal views and interpretation.

3.6 Data Processing and Analysis.

Data from questionnaires was summarized, edited, coded, tabulated and analysed. Editing was done to improve the quality of data for coding. Descriptive statistics was used. Data was analyzed using a statistical package for social sciences (SPSS). Editing involved going through the questionnaires to see if respondents responded to questions and see if there are blank responses. Tabulation involved counting the number of cases that fall into various categories. A simple tabulation was used. Some graphs and charts including frequency tables, histogram and pie chart were used for quantitative data to facilitate easy interpretation of the model. Also trend analyses were used to analyze the Causes of employees' turnover in PTF in the past five consecutive years.

3.7 Validity and Reliability of Measurement

Validity refers to the truthfulness of a measure; a validity measure is the one that measures what it is intended to measure. The information collected through questionnaires, interviews and observation. Basing on the population sample size that I took, and the specific area of concentration the data will be valid to this particular Institution.

Reliability is said to be achieved when measuring instrument provides consistent results. All information and data was cross checked and obtained from the sources. Basing on PTF, management and operation activities in all 15 branches are all the same therefore the report that is going to be obtained is Reliable to all

CHAPTER FOUR

4.0 PRESENTATION OF FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter gives an analysis of the both qualitative and quantitative variables and also discusses the findings of the study. The analysis of some qualitative and few quantitative data was conducted through the use of statistics and other qualitative data through the use of conceptualization.

4.2 Respondents background

This part presents the personal information of the respondents like his/her title in the organization, years in service, years of age, and respondents' highest education level. This helps the researcher to know the reliability of the respondent for the study.

4.2.1 Title of respondents in the organization

Table 4.1 Distribution of respondents according to title

Title of respondent	Frequency	Percent	Valid Percent	Cumulative Percent
branch manager	11	29.7	29.7	35.1
accountant	5	13.5	13.5	48.6
credit officer	10	27.0	27.0	75.7
driver	4	10.8	10.8	86.5
secretary	5	13.5	13.5	100.0
Total	35	100.0	100.0	

Source: Survey Data, 2011

The researcher has made an interview with the existing and resigned employees of PTF with different titles. 30% of respondents were branch managers, 14% branch accountant, 27% credit officers, 11% drivers and 13% secretaries. These are shown on the table 4.1 above

4.2.2 Respondents' years of service with their organization

The study revealed that, 38% of the respondents have served the organization in more than 10 years. This implied that majority of respondents have experience of the staffs/employees in relation to turnover. The highest rate of turnover tends to be among those who have recently joined an organization. Long serving employees are more likely to stay, mainly because they become used to the work/business and have an established relationship with those around them. The study observed that it is hardly to replace the experienced workers so the institution should find strategies to retain this group (Table 4.2)

Table 4.2 Distribution of respondents according to years in service

Years in service	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	9	24.3	24.3	29.7
6-10	12	32.4	32.4	62.2
above 10	14	37.8	37.8	100.0
Total	35	100.0	100.0	

Source: Survey Data, 2011

4.2.3 Respondents' years of age and educational level

Study results in table 4.3 show that most of the respondent employees are in category of 26-35 with university education level. This implies that PTF have potential human resources, and if not properly handled will be shifted/absorbed to other labour market.

Table 4.3 Distribution of respondents' age and educational level

Age of respondent	Frequency	Percent	Educational level	Frequency	Percent
26-35	20	54.1	O-level	1	2.7
36-45	12	32.4	Certificate	5	13.5
above 45	3	8.1	Diploma	6	16.2
			University	14	37.8
			Postgraduate	9	24.3
Total	35	100.0		35	100.0

Source: Survey Data,2011

4.3 Knowledge of organization mission and vision.

Interviewed employees showed are familiar with the PTF organization's mission and vision that guide them in their routine responsibilities. Therefore, staffs are able to make decisions that support the organization's mission if were given the opportunity in decision making.

4.4 PTF trend for Employees' turnover.

The study established the number of workers leaving the institution in the past consecutive five years as shown (table 4.4) below. These are the averages made from the interviewed employees.

Table 4.4 Distribution of Employees' turnover trend

Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Number	3	4	5	7	8

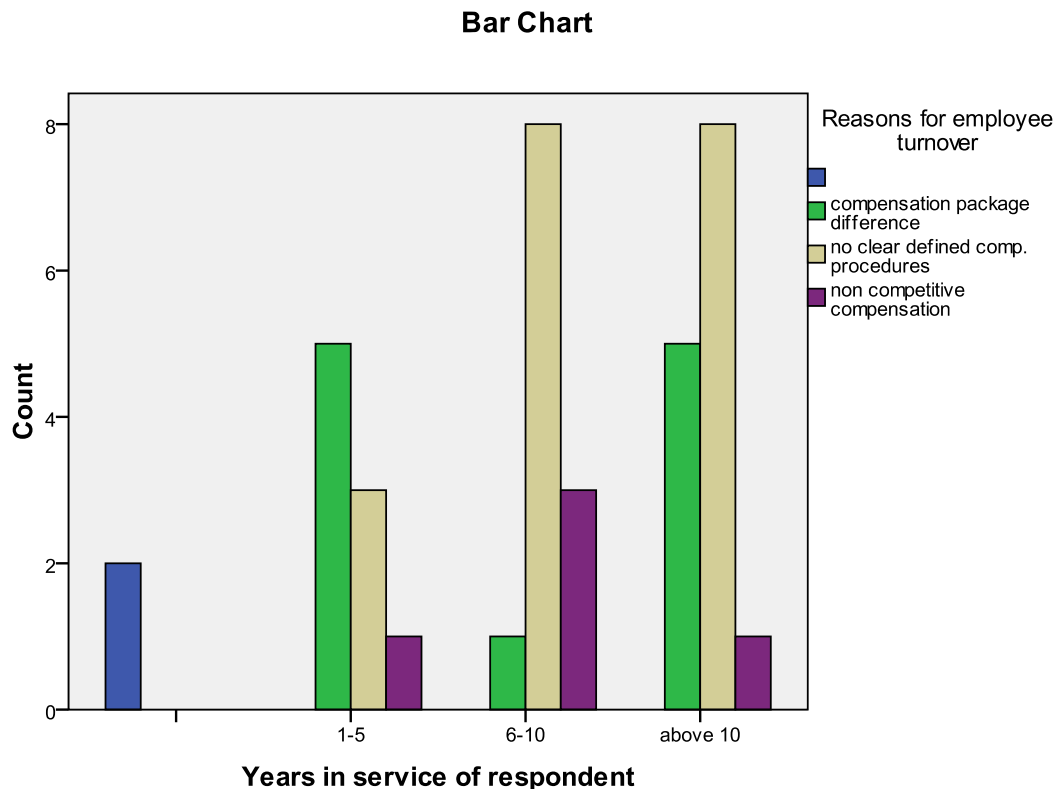
Source: Survey Data, 2011

High turnover is costly, lowers productivity and has an effect of demoralizing other employees. It was observed that if PTF management will not deal with this the trend will be worse.

4.5 Employee compensation and compensation techniques.

Figure 4.1 below elaborated that employees with few years in the institutions mentioned the major reasons for turnover was the difference in compensation packages while the rest complained the institutions lacked clear defined compensation technique used in compensation which result into inequity among employees. Employees tend to compare the pay they get with what others are paid for the same effort and situation, so that if they are treated unfairly, they consider themselves as victims of inequity. There was no Institutional compensation technique.

Figure 4.1 Employees compensation and compensation techniques



4.6 Working conditions, facilities and job designed

According to respondents, 35% would leave the institution and take up a new job if a job is well designed according to his/her qualification and skills. It implies that if roles of employees are not clearly spelled out by management/ supervisors, would accelerate the

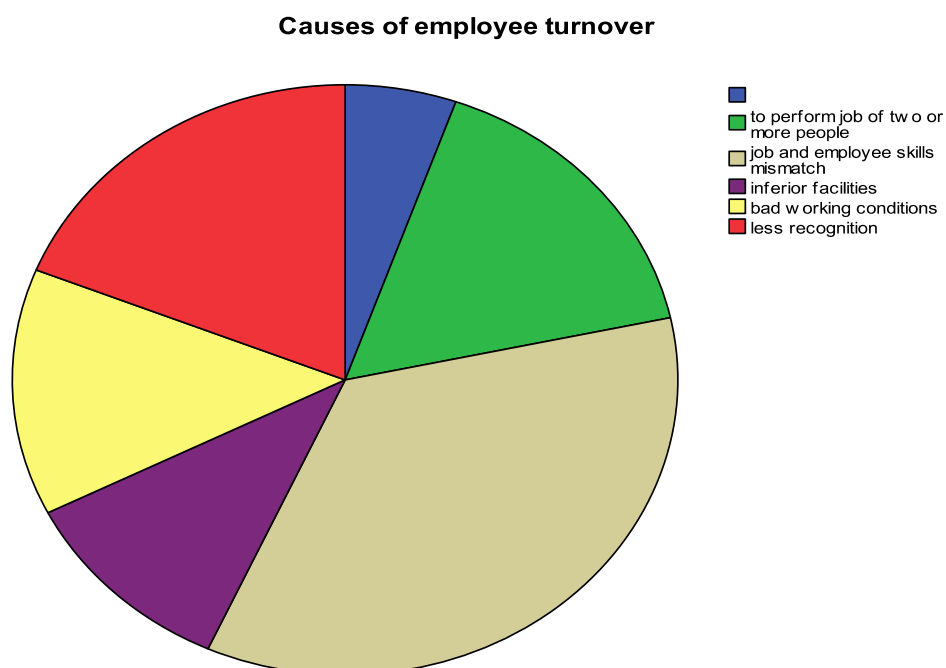
degree of employees quitting their jobs due to lack of role clarity. 5% would quite their job due to poor working conditions, and 4% complained using inferior facilities such as computers.

Table 4.5 Distribution of respondents according to working conditions, facilities and job designed

Causes of turnover	Frequency	Percent	Valid Percent
to perform job of two or more people	6	16.2	16.2
job and employee skills mismatch	13	35.1	35.1
inferior facilities	4	10.8	10.8
bad working conditions	5	13.5	13.5
less recognition	7	18.9	18.9
Total	37	100.0	100.0

Source: Survey Data, 2011

Figure 4.2 Causes of employees' turnover



4.7 Employees' participation in organizational planning

According to the study 81% of respondents understood the important of employees to participate in institutional decision making (planning), but they did not get that opportunity and once they made decision their opinions were neither taken nor appreciated. This implies that the management style is not democratic one and is in the form of top down approach.

Table 4.6 Distribution of respondents according to participation.

Participation in organization planning	Frequencv	Percent	Valid Percent	Cumulative Percent
at branch annual budget	5	18.9	18.9	18.9
mgt do not allow/appreciate	30	81.1	81.1	100.0
Total	35	100.0	100.0	

Source: Survey Data, 2011

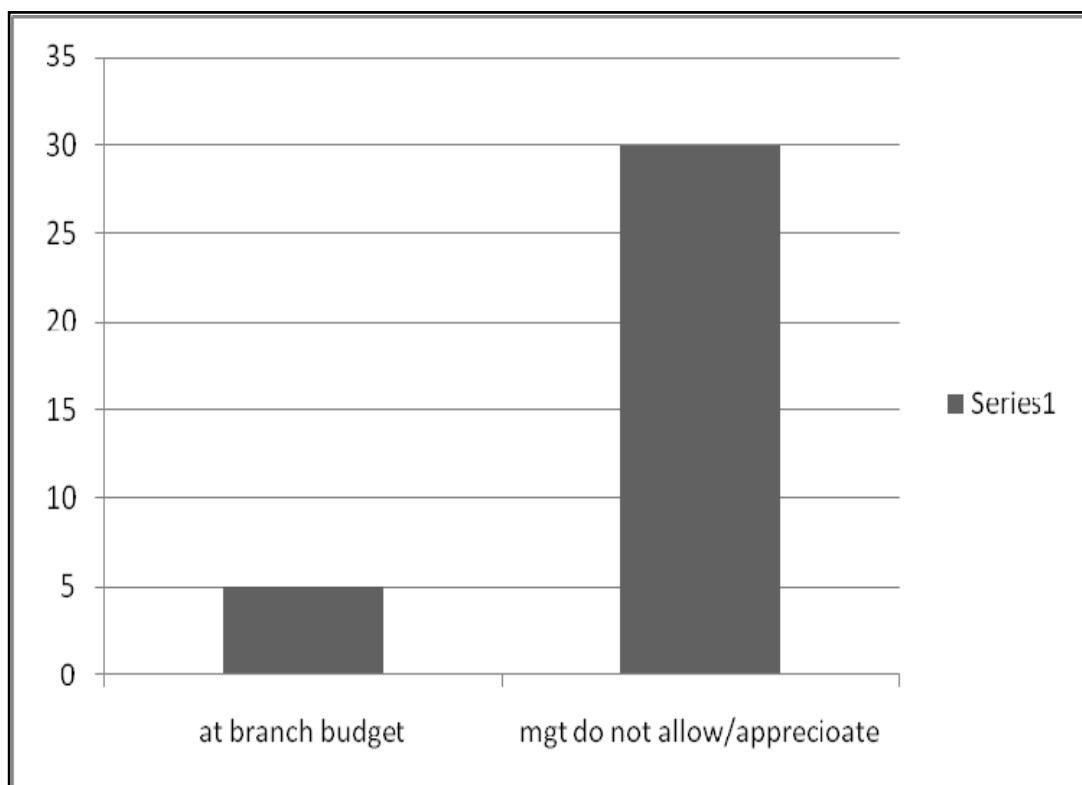


Figure 4.3 Employees participation in planning

4.8 Approaches that PTF management can use to reduce the rate of employee turnover

The study established that 31% and 23% of respondents would not leave the institution if PTF will hire right people, establish a well known compensation techniques and provision of bonus to those who meet the targeted objectives. Other respondents point out that, the employee engagement, the organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, and the commitment and support that is shown to employees by the management could be used as among the approaches to motivate employees to stay in the organization.

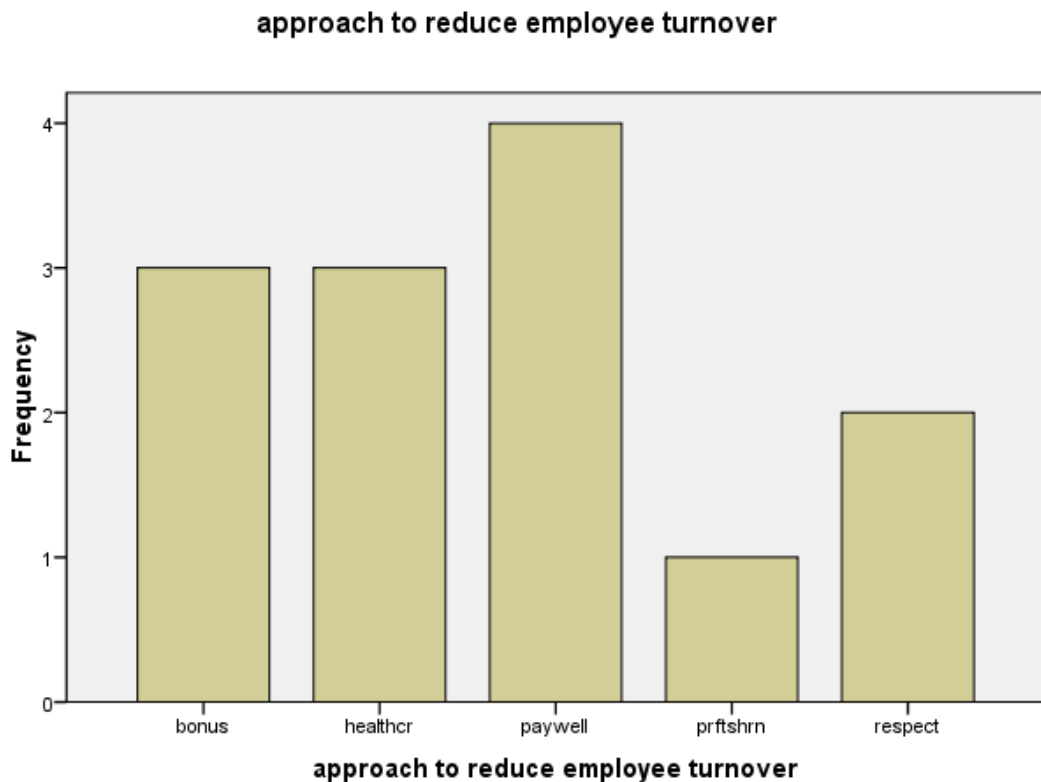


Figure 4.4 Approaches to reduce turnover

CHAPTER FIVE

5.0 RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter presents the summary and conclusion of the study. It also gives recommendations to the PTF, which may help to overcome the problems it face. Moreover the chapter suggests areas of further research so as to explore more issues on the turnover.

5.2 Recommendations

Recommendations/strategies on how to minimize employee turnover, confronted with problems of employee turnover, management has several policy options viz. changing (or improving existing) policies towards recruitment, selection, induction, training, job design, working conditions, working facilities, participation in decision making and wage payment.

- Employee engagement, the organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, the commitment and support that is shown to employees by the management will motivate employees to stay in the organization.
- Workforce optimization, the organization should be successfully in optimizing the performance of the employees by establishing essential processes for getting work done by providing good working conditions and improved working facilities.
- Knowledge accessibility, the extent of the organization's "collaborativeness" its capacity for making knowledge and ideas widely available to employees and participation of employees in decision making will make employees to stay in the organization. Sharing of information should be made at all levels of management.

This accessibility of information would lead to strong performance from the employees and creating strong corporate culture. Therefore; information accessibility and participation will make employees feel that they are appreciated for their effort and chances of leaving the institution will be minimal.

- The management of PTF should review its pay package, establish a well known techniques/procedures used in compensation and fringe benefits, and compensation should based on employees' performance.
- There should be opportunities for growth in career development in order to retain its workforce.
- The Management should implement the findings of employees' turnover in order to reduce its effects and establish a worker friendly leadership styles to be used by all managers in the institution for instance democratic style.

5.3 Conclusions

Therefore, if the above recommendations/strategies are taken into account the PTF would be able to survive in a dynamic environment by treating their employees as one of their assets which needs a lot of attention. Employees are the backbone of any business success and therefore, they need to be motivated and maintained in organization at all cost to aid the organization to be globally competitive in terms of providing quality products and services to the society. And in the long-run the returns on investments on the employees would be achieved.

Management should encourage job redesign-task autonomy, task significance and task identity, open book management, empowerment of employees, recruitment and selection must be done scientifically with the objective of retaining employees.

Branch managers should examine the sources of employee turnover and recommend the best approach to fill the gap of the source, so that they can be in a position to retain employees in the organization to enhance their competitiveness in the this world of globalization.

Management must understand that employees must be treated as the most liquid assets of the organization which would make the organization to withstand the waves of globalization. This asset needs to be monitored with due care, otherwise the organization would cease to exist.

Pay and pay-related variables have a great effect on employee turnover. Management must compensate employees adequately. They should pay employees based on their performance

And in addition they should given employees incentives like individual bonus, lump sum bonus, sharing of profits and other benefits. Hence, if these are put in place would minimize employee turnover.

5.4 Recommendation for Further Research

There is a need for further research especially on:

- i. The effects of employees' turnover on productivity
- ii. The relationship between bad recruitment procedures and employees' turnover
- iii. The costs of employees' turnover.

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APPENDIX I

QUESTIONNAIRE

The objective of this study is to investigate the Causes of employees' turnover in micro finance institutions in Tanzania particularly at Presidential Trust Fund. The success of this study greatly depends on your assistance. For this matter, I kindly request you to respond to the following questions.

All information collected will be strictly confidential and exclusively used for academic purposes.

SECTION A

RESPONDENT BACKGROUND

1. Your Title.....
2. Years in service (employment).....
3. What is your age?
 - a) 15-25
 - b) 26-35
 - c) 36-45
 - d) Above 45
4. Respondent's highest education level
 - a) Primary Education
 - b) Secondary (O' - level)
 - c) Secondary (A' - level)
 - d) Certificates
 - e) Diploma
 - f) University or its equivalent

g) Postgraduate degree/diploma

h) Other (specify).....

5. Marital status

- a) Single
- b) Married
- c) Divorced
- d) Widow

SECTION B

6. What is your organizational mission/purpose?

.....
.....

7. What is your organization vision? (Dreams to reach certain level)

.....
.....

8. Who own your organization?

- a) Board of trustees
- b) Shareholders
- c) Government
- d) Others (specify).....

9. What are the types of employee turnover in your organization?

- a) Functional turnover
- b) Dysfunctional turnover
- c) Avoidable turnover
- d) Unavoidable turnover

10. How many staffs in your branch/office resign the job in the last five financial years?

Indicate number below

Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Number					

11. What are the various reasons for employee turnover?

- a) Compensation package differences
- b) No clear defined compensation procedures
- c) Non competitive compensation

12. What according to you are the causes of employee turnover?

- a) Management demands that one person do the jobs of two or more people
- b) Job and employee skill mismatch
- c) Inferior facilities, tools, etc
- d) Bad working conditions

13. When do you participate in the organizational planning?

- a) At branch annual budget
- b) at branch monthly budget
- c) Management doesn't allow and appreciate the decision made by the branch

14. What according to you is the strategies/approach to be used to reduce the rate of employees' turnover?

- a) Pay them well,

- b) Treat each employee with respect regardless of their job,
- c) Offer good health care plans,
- d) Offer flexible hours and generous vacation plans.
- e) Offer a bonus plan to safe and efficient workers
- f) Begin a profit sharing plan

15. How you calculate the turnover costs of the organization?

- a) Very High
- b) High
- c) Low
- d) Very Low

16. In the case of high employee turnover what are the major direct cost include for an Organization?

- a) Recruitment
- b) Selection
- c) Training of new people

17. In the case of high employee turnover what are the major indirect cost include for an organization?

- a) Increased workloads
- b) Increased overtime expenses for coworkers
- c) Reduced productivity associated with low employee morale

18. What steps should have to be taken by the organization to check employee turnover from time to time?

- a) Measure the cost of turnover
- b) Develop retention strategies
- c) Plan for some expected turnover
- d) Plan for a changing workforce culture
- e) Recognize quality of work life

19. What initial steps can be taken to reduce turnover?

- a) Hire the right people and continue to develop their careers
- b) Most companies with low turnover rates are very employee oriented
- c) Develop an overall strategic compensation package

20. What suggestions should be given to the organization in order to avoid employee turnover?

- a) Be fair and consistent in establishing compensation
- b) Promote from within if possible
- c) Attempt to avoid bringing new people at a higher rate than current employees
- d) Policies to prevent discussion of wages simply do not work