



Does a Female Leadership Influence Staff Satisfaction in Microfinance Institutions?

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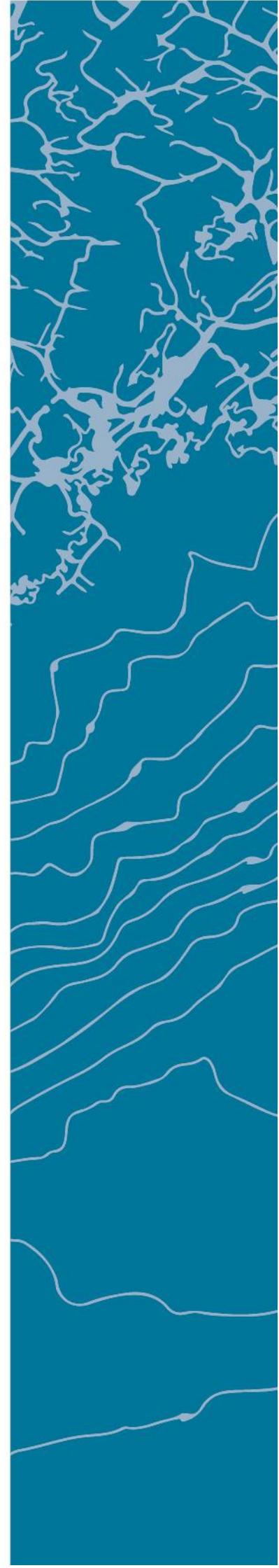
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Abstract

The purpose of this study was to obtain a better understanding of whether or not a female CEO influences staff satisfaction in MFIs. The microfinance industry has faced rapid growth and stiffer competition in recent decades, where the main MFI challenge being the loss of important and competent staff. Managers should, to prevent staff from leaving their jobs, ensure that the staff is satisfied with the workplace. In this study, a final data set with 225 MFIs from 59 countries in the time period from 2003 to 2015 was applied to the data analyses. A multiple regression model was carried out, findings showing that a female leader has no significant influence on staff satisfaction in an MFI. However, findings showed that the interaction between a female CEO and female staff above a threshold of 70 % positively influenced staff satisfaction. The implications of this study are that if an MFI is recruiting a new CEO to improve staff satisfaction, then the gender of the leader is insignificant. There is, however, one exception. MFIs with a female staff proportion equal to or above 70 % can benefit from having a female leader. Future studies can benefit from investigating whether other aspects influence staff satisfaction. A more qualitative approach could also provide better insight into what personal traits influence staff satisfaction. Future research could, furthermore, examine whether the interaction between a female leader and female staff above a threshold of 70 % influences other aspects of MFI performance.

Table of contents

Abstract	II
Table of contents	III
List of figures	V
List of tables	V
List of acronyms	VI
Foreword	VII
1 Introduction	1
2 The microfinance context	5
2.1 Introduction	5
2.2 Background of MFI	5
2.2.1 A rapid-growing and fast changing industry	6
2.3 Microfinance staff	7
2.4 Staff satisfaction and staff turnover	9
2.5 Females in microfinance	10
2.5.1 Female leadership in microfinance	10
3 Theory	14
3.1 Introduction	14
3.2 Previous research	14
3.2.1 Staff turnover and leadership	14
3.2.2 Gender differences and leadership styles	15
3.3 Theory of transformational leadership	16
3.4 Theory of role congruity	18
3.5 Hypothesis and research model	19
4 Data	21
4.1 Introduction	21
4.2 Description of the data set	21
4.3 Characteristics of the data set	22
5 Methodology	26
5.1 Introduction	26
5.2 Operationalization and measurement of concepts	26
5.2.1 Dependent variable	26
5.2.2 Independent variable	26
5.2.3 Control variables	26
5.3 Data analysis	32

5.4	Panel data regression model.....	33
5.4.1	Random effects model.....	35
5.5	Multiple regression model.....	35
5.6	Possible issues in the regression model.....	36
5.6.1	Heteroscedasticity	36
5.6.2	Multicollinearity	37
5.6.3	Autocorrelation.....	39
6	Findings.....	40
6.1	Introduction	40
6.2	Correlation matrix	40
6.3	T-test.....	41
6.4	Results from the regression	42
6.5	Interaction term regressions	45
6.6	Robustness check	49
7	Discussion of results.....	50
7.1	Introduction	50
7.2	Previous research.....	50
7.3	Theory of transformational leadership	50
7.4	Theory of role congruity.....	51
7.5	Control variables	51
7.6	Interaction term regressions	51
8	Conclusion, implications, limitations and future research	53
	References	56
	Appendix	62

List of figures

Figure 2-1 Average growth in loan portfolios for MFIs from 1998 to 2009.....	6
Figure 2-2 The connection between staff, clients and MFI.....	7
Figure 2-3 The rapid hiring of new staff in MFIs from 2004 to 2008	8
Figure 2-4 Gender of CEOs of MFIs.....	11
Figure 2-5 Gender of CEOs of traditional US firms	11
Figure 3-1 Research model.....	20
Figure 4-1 Share of female and male CEOs	24
Figure 4-2 Distribution of MFIs based on regions	24

List of tables

Table 4-1 Descriptive statistics	23
Table 4-2 Countries and number of microfinance institutions	25
Table 5-1 Summary of the variables in the model	32
Table 5-2 Hausman test.....	34
Table 5-3 Breusch-Pagan test.....	36
Table 5-4 Correlation matrix	37
Table 5-5 VIF-test	38
Table 5-6 Wooldridge test for autocorrelation	39
Table 6-1 Correlation matrix	40
Table 6-2 T-test	41
Table 6-3 Results from the regression.....	43
Table 6-4 Interaction regression with female staff and female CEO	46
Table 6-5 Interaction regression with female clients and female CEO.....	48

List of acronyms

MFI – Microfinance Institution

CEO – Chief Executive Officer

TTL – Theory of Transformational Leadership

TRC – Theory of Role Congruity

OSS – Operational Self-Sufficiency

HDI – Human Development Index

ECA – Europe & Central Asia

LAC – Latin America & the Caribbean

MENA – Middle East & North Africa

SSA – Sub-Saharan Africa

SEAP – South & East Asia & the Pacific

CGAP - The Consultative Group to Assist the Poor

REM – Random Effect Model

FEM – Fixed Effect Model

Foreword

We have reached the end of our five-year Master's Program in Business Administration at the University of Agder, Kristiansand. This master thesis was written in the spring of 2018 in association with the completion of our MBA degree. Writing a master thesis has been an exciting and educational experience, but also a challenging one. On our journey we have gained a lot of knowledge about microfinance, and also enhanced our collaboration skills.

Many have helped us along the way and we would like to acknowledge the help they have given us. Firstly, we would like to thank our supervisor, Professor Roy Mersland, for guidance, motivation and help during our work on this master thesis. Secondly, we would like to express our deep appreciation to Naome Otiti, PhD student at the University of Agder, for the guidance and advice she gave us regarding the data set and methodology. Finally, we would like to thank our friends and families for their encouraging words and motivation throughout the spring.

1 Introduction

In today's competitive environment, firms are dependent on having the right and valuable human resources to be competitive in the industry (Bushra et al., 2011; Dalkir, 2013, p. 2). A qualified and competent staff is considered to be a key factor for firms, not only for achieving objectives, but also for achieving a competitive advantage (Bushra et al., 2011; Boudreau & Ramstad, 2007). Increased competition and globalization have led to highly mobile and competent employees (Ng'ethe et al., 2012). Firms are therefore facing the challenge of loss of important employees and staff retention is considered to be a major issue all over the world (Mwangi, 2016). To remain competitive, firms and managers must devote time and energy to understanding the factors that can affect an employee's choice of whether to stay or leave (Grissom et al., 2012).

Managers need to ensure that staff are satisfied with the workplace to prevent staff from leaving. Dissatisfied staff are more likely to resign (Agho et al., 1993). Satisfied staff are, however, more committed to their job and also found to have a positive impact on the firm's performance and success (Saari & Judge, 2004). Staff satisfaction is widely used in studies as a determinant of staff turnover (Agho et al., 1993). In this study, staff satisfaction is measured using staff turnover rates. Staff turnover can be defined as being the proportion of staff who have terminated their employment in a given period of time (Garcia-Retamero & López-Zafra, 2006). In this study, staff satisfaction and staff turnover are used interchangeably.

Most firms devote a lot of time and money when recruiting and training new employees. High levels of staff turnover are costly and disruptive, and can reduce a firm's performance (Mwangi, 2016). One of the most important concerns regarding staff turnover is the loss of highly competent human capital (Waithaka et al., 2003), where the most skilled and valuable employees tend to leave (Mwangi, 2016). Retaining staff is a demanding task and requires both the firm and managers to understand what employees desire in the workplace (Mwangi, 2016).

Microfinance is an industry in which retaining employees is considered to be a major issue (Chen et al., 2010). The microfinance industry has faced rapid growth, which has resulted in an increased demand for a qualified and competent staff to remain competitive (Selvaraj, 2012). Controlling employee turnover is now considered to be one of the biggest challenges facing today's microfinance industry (Selvaraj, 2012).

Microfinance stands out by having a high proportion of female leaders compared to other industries (Strøm et al., 2014). Microfinance literature has investigated the relationship between female leadership and different aspects of performance. Strøm et al. (2014) found a positive relationship between female leadership and firm performance. Manderlier et al. (2009) furthermore found no differences between male and female leaders with respect to social performance. Strøm et al. (2014) suggest research would benefit from the exploration of whether female leaders are better at achieving the objectives of microfinance institutions (MFIs) than male leadership.

Leadership characteristics is an important factor in controlling staff turnover (Mwangi, 2016). Mwangi (2016) even place the blame for high turnover rates on the firm leader. Firms such as MFIs, situated in a stiff competitive environment, require a leader style which can improve staff retention and so create a competitive advantage (Ng'ethe et al., 2012). The microfinance industry is driven by women and the proportion of female leaders is high (Strøm et al., 2014). It is therefore interesting to examine the possible effect a female leader could have on staff satisfaction in MFIs.

Female leaders and clients in microfinance draw great attention. There are, however, relatively few studies that focus mainly on the staff (Beisland et al., 2017; Labie et al., 2015). The competitive and rapid growing nature of the microfinance industry means that employee retention is considered to be a major issue (Chen et al., 2010). This master thesis, however, takes one step further, by investigating the relationship between a female chief executive officer (CEO) and staff in MFIs. To the best of our knowledge, no research has been conducted into the relationship between the gender of the CEO and staff turnover in microfinance. This master thesis therefore seeks to answer the following research question:

1. Does a female CEO lead to higher staff satisfaction within microfinance institutions?

The theory of transformational leadership (TTL) was applied to obtain a better understanding of the research question. This theory provides a better understanding on how leaders perform. TTL, even though it does not particularly look at gender differences, suggests that a transformational leader has a positive influence on staff satisfaction (Hamidifar, 2009; AL-Hussami, 2008). TTL was therefore considered to be particularly relevant to this study based

on a study conducted by Carless (1998), which found that female leaders are more transformational than male leaders.

Another theory included in this study is the theory of role congruity (TRC). TRC explains a prejudice towards women, which makes it harder for women to become and succeed as leader (Ritter & Yoder, 2004). TRC, even though it implies that some staff could possibly be prejudiced against female leaders, is still interesting because it claims that the gender of the leader should influence staff satisfaction (Grissom et al., 2012).

TTL and TRC present different expectations of what to expect of a female CEO in MFIs. TTL presumes a female CEO would have a positive impact on staff satisfaction. TRC explains that prejudice against female leaders held by employees might have a negative effect on staff satisfaction.

A final data set of 225 MFIs from 59 countries in the time period from 2003 to 2015 was applied to examine female leaders' impact on satisfaction. Descriptive statistics were used to obtain a better understanding of the data set. Multiple regression was also carried out to examine whether a female leadership influences staff satisfaction in MFIs. Female CEO was used as a proxy for female leadership and was measured as a dummy variable that expresses the gender of the CEO. Regression models with interaction terms were, finally, developed to examine whether the interaction between some variables influenced staff satisfaction.

The findings from this study showed that a female CEO has no significant impact on staff turnover in MFIs. Female and male leaders are perceived to be equally good at retaining employees. The findings also showed that an interaction between a female CEO and 70 % or more female staff improves staff satisfaction. However, the interaction between a female CEO and a high proportion of female clients showed no significant impact. This implies that staff satisfaction is unaffected whether MFIs serve a lot of female clients.

This master thesis includes some implications. Characteristics such as the gender of the CEO do not matter where an MFI elects a new CEO to increase staff satisfaction. MFIs with a proportion of female staff equal to 70 % or more can, however, benefit from having a female CEO. The results presented in this research study can contribute mainly to the microfinance literature in the area of female leader's role and the important task of retaining competent

employees. This study can also be representative for firms with a high proportion of female leaders and that operate in emerging markets.

This thesis consists of eight chapters and is organized as follows. Chapter two briefly explains the context of microfinance, staff satisfaction and females' role in MFIs. Chapter three describes previous literature, core theories and presents the hypothesis and research model. Chapter four describes the data set. Chapter five presents the methodology, while chapter six presents the results of the study. Chapter seven discusses the main findings and the final chapter, chapter eight contains conclusions, implications, limitations and recommendations for future research.

2 The microfinance context

2.1 Introduction

This chapter presents a brief explanation of microfinance institutions. The chapter includes a short presentation of the background behind staff satisfaction and females' role in MFIs.

2.2 Background of MFI

Microfinance institutions were considered to be first developed by the Grameen Bank and its founder Mohammad Yunus in 1976. They together started issuing small loans to poor women in Bangladesh (Sengupta & Aubuchon, 2008). It was not, however, until Yunus and the Grameen Bank received the Nobel Peace Prize in 2006 for their effort to reduce poverty in Bangladesh, that the industry received sensational international attention (Mersland & Strøm 2012a; Sengupta & Aubuchon, 2008). The field of microfinance has grown and expanded in recent decades in both developing and industrialized countries (Sengupta & Aubuchon, 2008). This has led to the increased involvement of international stakeholders. Politicians, celebrities and non-governmental organizations have directed their attention to the industry to motivate the involvement of other actors in the industry (Mori, 2012; Mersland et al., 2011). The microfinance industry has become internationally attractive and is considered to be unique (Mersland et al., 2011).

The purpose of an MFI is, broadly, to provide financial services to poor individuals (Mori & Mersland, 2014). The customer segment is poor individuals, particularly women and small businesses, mainly in developing and newly industrialized countries (Mersland & Strøm, 2012a). A common feature for microfinance is that they claim to have double bottom lines. This means, unlike traditional financial institutions, MFIs face challenges relating to social performance, such as providing financial services to the poor, while at the same time being financially sustainable (Mersland & Strøm 2012a). MFIs offer numerous services to their clients, the main focus being to provide financial services such as loans, deposits and money transfers. Some MFIs also provide other services such as marketing, technical assistance, vocational training and legal services (Galema et al., 2012).

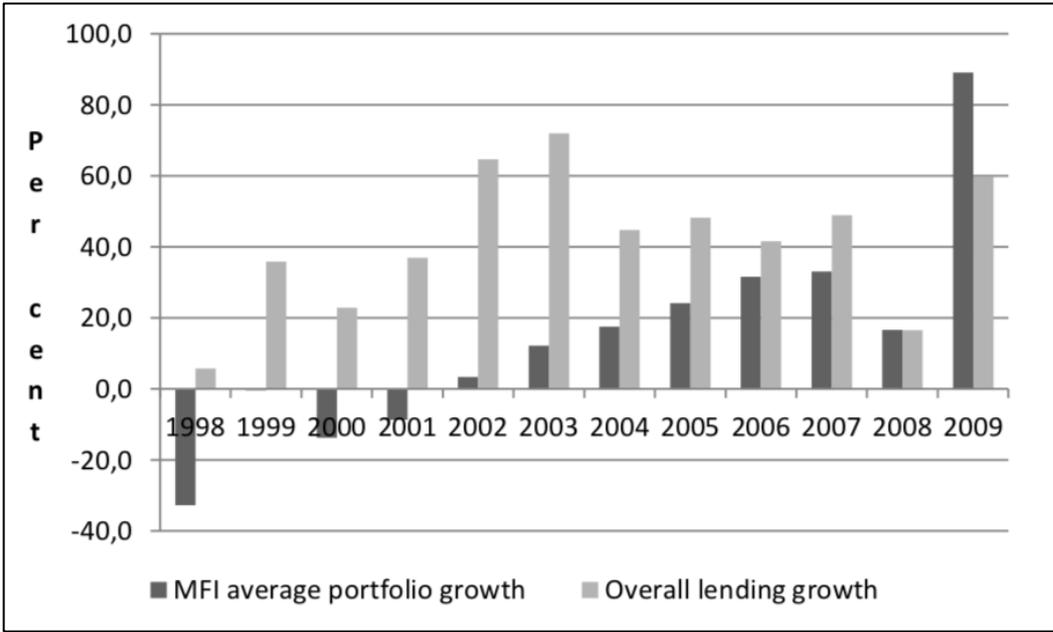
Microfinance is considered to be an important area of future research for many years to come (Mersland & Strøm, 2012b). Numerous microfinance literature studies have been conducted to

examine the background behind this fast-growing industry. This study will be based on microfinance literature and can contribute to the already existing literature within the field.

2.2.1 A rapid-growing and fast changing industry

The microfinance industry has, in recent decades, faced rapid growth. From 2004 to 2008, the industry expanded at a historically fast rate (Chen et al., 2010). This is explained by the high levels of liberalization and commercialization which affected the industry, and forced every firm and manager who wanted to continue operating in the market to change their strategies and adapt to a traditional market strategy (Mersland, 2013). This led to greater and much stiffer competition between MFIs (Kamukama et al., 2011). These changes made the industry more competitive. As a result, the demand for staff with specialized knowledge also increased faster than ever before (Selvaraj, 2012).

Figure 2-1 Average growth in loan portfolios for MFIs from 1998 to 2009



Source: MFIs reporting to www.mixmarket.org

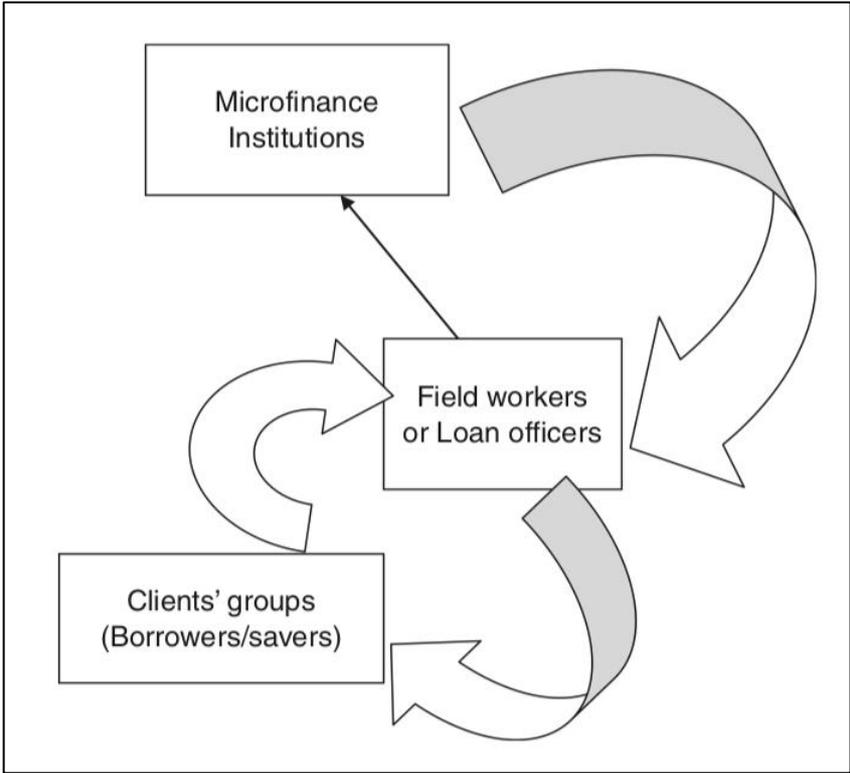
Figure 2-1 shows the average growth in both individual MFI loan portfolio and overall lending of MFIs from 1998 to 2009. The individual MFI experienced from 1998 to 2001 on average no or negative growth in loan portfolio. Growth was however positive from 2002 to 2009. In 2009, the individual MFI experienced a growth of roughly 90 %. Overall lending growth was positive in the period 1998-2009, highest growth being in 2002, 2003 and 2009. Some of the rapid

growth is due to the increased number of MFIs reporting to Mixmarket. The individual MFI, however, grew on average by 14.3 % in the period 1998-2009 (Mersland & Strøm, 2012b).

2.3 Microfinance staff

A key requirement in remaining competitive is access to valuable and highly competent employees (Porter, 1999). In microfinance, the employees are considered to be the cornerstones of the provided services (Battilana & Dorado, 2010; Mori & Mersland, 2014). Credit officers have direct contact with potential MFI customers (Siwale & Ritchie, 2012; Beisland et al., 2017). Focusing on staff satisfaction is therefore important, as dissatisfied employees are more likely to resign and work for a competitor. Some clients may also follow the credit officer to the new MFI (Churchill, 2000).

Figure 2-2 The connection between staff, clients and MFI



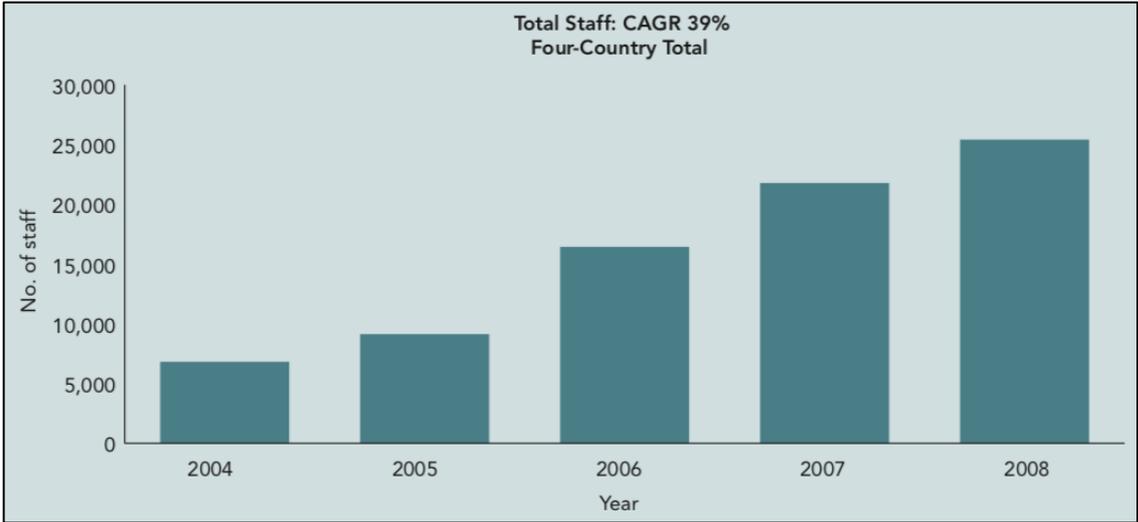
Source: Siwale & Ritchie (2012)

Figure 2-2 shows the relationship between staff, clients and the MFI. A loan officer operates on behalf of the MFI and directly interacts with the clients. This illustrates the importance of having competent and valued staff to ensure good services are provided to clients.

There are, given the importance of competent staff, surprisingly few studies in microfinance that focus on staff (Beisland et al., 2017; Labie et al., 2015). Labie et al. (2015), however, found that credit officers are more biased against disabled customers than other MFI staff. Beisland et al. (2017) found that more experienced credit officers serve less vulnerable customers and argue that credit officers’ incentives and job training should be integrated to prevent mission drift. The narrow attention given to staff in the microfinance literature provides grounds to believe that MFIs and managers could benefit from further investigation of staff satisfaction in MFIs.

The rapid growth and stiff competition in the current MFI market leads to new challenges. Selvaraj (2012) highlights, as major issues, challenges such as recruiting qualified staff, offering relevant training and controlling employee turnover, where employee turnover is considered to be one of the biggest concerns for MFIs. Leaders are searching for the right employees who can provide good services to their clients (Mwangi, 2016). Leaders are forced to quickly recruit new employees if the firm wants to grow and become more competitive. Managers therefore promote a lot of employees quickly and new employees are not as well taken care of in the recruiting and training process (Chen et al., 2010).

Figure 2-3 The rapid hiring of new staff in MFIs from 2004 to 2008



Source: Chen et al. (2010)

Figure 2-3 illustrates how rapidly MFIs were hiring staff between 2004 and 2008. The figure shows average hiring for Bosnia and Herzegovina, Morocco, Nicaragua and Pakistan. There were around 7,000 staff in 2004 and almost 25,000 in 2008. These countries hired on average

almost 40 percent new employees each year. MFIs operating in Pakistan had the largest employee expansion, increasing by nearly 9,600 employees between 2004 and 2008 (Chen et al., 2010).

Retention of qualified employees is considered to be a major challenge in the present MFI situation (Selvaraj, 2012). Managers are reporting issues such as employees switching jobs and moving from one MFI to another more frequently, as a result of the increased demand for new employees in the industry. MFIs are more than ever experiencing problems such as sustaining a steady employee culture and high turnover rates (Chen et al., 2010).

2.4 Staff satisfaction and staff turnover

One way to prevent staff from leaving is to ensure that they are satisfied with the workplace. Job satisfaction is explained as being the extent to which a person is pleased or satisfied with their job (Bushra et al., 2011). Having satisfied employees includes many benefits. Satisfied employees are more productive and profitable for the firm. Satisfied employees also contribute to the generation of positive attitudes and create good relationships with their co-workers and clients (Saari & Judge, 2004). Satisfied employees can increase a firm's competitiveness and contribute to its success (Saari & Judge, 2004). A focus on job satisfaction is important in the current MFI situation, as it can lead to more committed employees and can prevent the loss of valued employees.

Staff satisfaction is widely used in studies as a determinant of staff turnover (Agho et al., 1993). This can be explained by employees who are dissatisfied with their workplace being more likely to resign (Agho et al., 1993). High levels of job satisfaction will reduce staff turnover and improve firm performance (Gounaris, 2008). A firm's staff turnover is considered to be the proportion of staff who terminate their employment in a given period of time (Garcia-Retamero & López-Zafra, 2006).

High turnover rates are a matter of concern to MFIs, as it is the most qualified employees who tend to leave the firm (Mwangi, 2016). MFIs are dependent on these employees if they are to remain competitive, since the loss of valued employees having a negative impact on firm performance (Voon et al., 2011). High staff turnover can also negatively affect staff morale, productivity and effectiveness (Gray et al., 1996; Jayaratne & Chess, 1984). Employee turnover can also be costly and disruptive. Retaining employees is not an effortless task and requires

firms and stakeholders to pay attention to the employees and to truly understand what they want from their work place (Mwangi, 2016).

2.5 Females in microfinance

Right from the beginning, one of the main features of MFIs has been the overwhelming proportion of female clients (Armendáriz & Roome, 2008). Female clients are the largest customer segment for MFIs. Lending to women is considered to be one of the main reasons for microfinance's success (D'Espallier et al., 2013; Morduch, 1999).

Female clients have therefore received a lot of attention in the MFI literature. D'Espallier et al. (2011) suggests that targeting female clients significantly improves the repayment of MFI loans. D'Espallier et al. (2010) furthermore found that a high percentage of female clients is associated with lower portfolio risks, fewer write-offs and fewer provisions in MFIs.

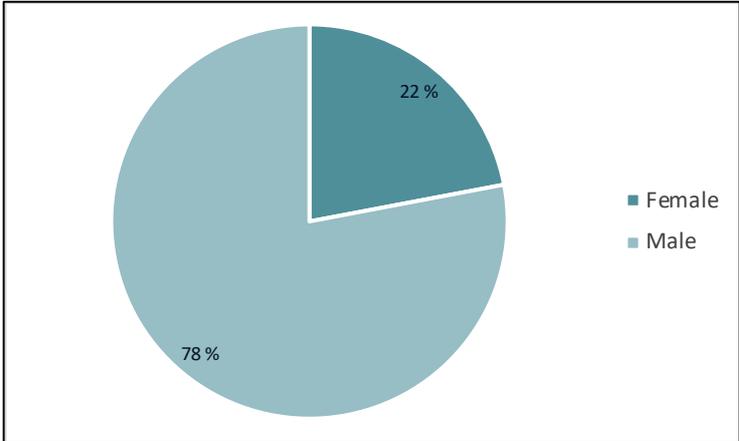
2.5.1 Female leadership in microfinance

MFIs stand out when compared with traditional firms. Traditional firms are mainly located in high-income countries and have an established masculine dominated leadership culture. Microfinance is a relatively new industry in which the male dominant culture has not yet been integrated. This has created opportunities for women to rise in the leadership hierarchy (Strøm et al., 2014). The high proportion of female leaders in MFIs is a trend which is most likely to continue into the future. This is because women more often obtain higher education and gain access to valuable professional networks (Matsa & Miller, 2013). Most MFIs intentionally target female clients. Female CEOs are found to be better at serving female clients. This is explained by female leaders in MFIs being better at understanding the challenges which female clients face (Waithaka et al., 2003; Strøm et al., 2014).

Female leaders are not only found to be better at understanding female clients, but are also found to be better at understanding the challenges in the emerging markets in which the MFIs operate. Female leaders and directors are found to present a new management style which is beneficial to understanding these markets (Bertrand & Schoar, 2003). Female directors are also better advisors to the CEO than male directors (Adams & Ferreira, 2007). This is considered to be particularly important in the markets in which MFIs operate, where growth rates are unusually high (Strøm et al., 2014).

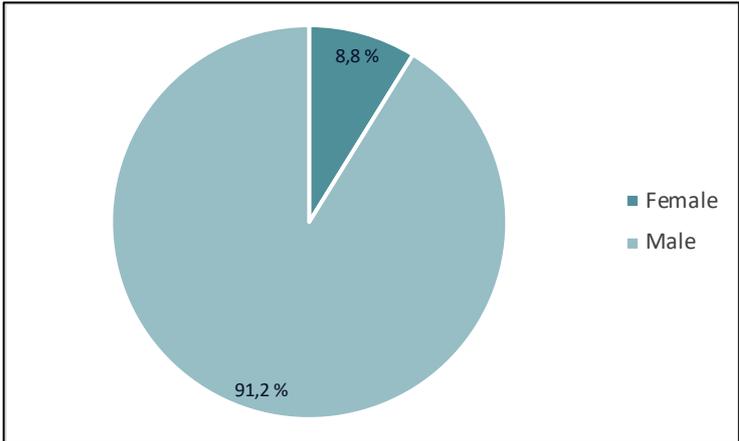
Female leaders have received a lot of attention in microfinance literature. The relationship between female leadership and different aspects of MFI performance have been investigated. Strøm et al. (2014) found a positive relationship between female leadership and firm performance. Manderlier et al. (2009) found no differences between male and female leaders with respect to social performance. Hartarska (2005) found boards with a high proportion of women reached even more and poorer customers. Strøm et al. (2014), however, suggest that research would benefit from the exploration of whether female leadership is better at meeting the MFI's outreach goals than male leaders.

Figure 2-4 Gender of CEOs of MFIs



Data obtained from our final data set

Figure 2-5 Gender of CEOs of traditional US firms



Source: data retrieved from Adams & Ferreira (2009)

Figure 2-4 shows the proportion of female CEOs in our data set. 22 % of CEOs are women and 78 % are men. Figure 2-5 illustrates the gender distribution for CEOs of traditional US firms,

8.8 % being women and 91.2 % men. The proportion of female CEOs in MFIs is more than twice that of traditional US firms.

Microfinance has received much attention relating to the high proportions of female CEOs (Strøm et al., 2014). This may be because female CEOs are better at understanding both emerging markets and female clients. Some MFIs therefore even use gender as a selection criterion for a CEO (Matsa & Miller, 2013). Previous studies have investigated the effect of a female CEO in MFIs. Hartarska et al. (2014) suggested MFIs with female CEOs would have a significantly higher outreach efficiency than those with male CEOs. Another study found a female CEO and a female board director are positively related to MFI performance (Strøm et al., 2014). The high proportion of female CEOs in MFIs makes investigating whether female CEOs influence staff satisfaction of interest.

Some literature has, however, also investigated the CEO's impact on MFIs regardless of gender. Pascal et al. (2017) found that MFIs which have CEOs with a business education perform significantly better, both financially and socially, when compared with CEOs with other educational backgrounds. Mersland et al. (2018) found that MFIs whose CEOs have been recruited internally perform better compared than MFIs with externally hired CEOs. Randøy et al. (2015) suggest that entrepreneur-managed MFIs are associated with higher social performance, greater financial sustainability and lower costs.

The leader plays a significant role in controlling staff turnover in MFIs. High staff turnover rates can damage firm performance, particularly if it involves employees who could provide a competitive advantage (Hytter, 2007). Leaders are responsible for the employees, which includes commitment of employees and lowering the risk of losing talent (McHugh, 2001; Mendes & Stander, 2011).

The literature on staff in microfinance is limited (Beisland et al., 2017; Labie et al., 2015). This study seeks to take one step beyond the existing literature on female clients and female leaders by investigating microfinance staff. The important role that leaders play in staff turnover leads one to wonder whether the gender of the leader can influence staff turnover in MFIs. To the best of our knowledge, no previous studies have examined the relationship between female CEOs and staff turnover in microfinance. There is therefore a gap in microfinance literature,

which this study will explore. The objective of this study is, therefore, to investigate whether there is a relationship between a female CEO and staff satisfaction.

3 Theory

3.1 Introduction

We will, in this chapter, look into what the existing literature has found with respect to turnover and leadership in firms and we highlight the most important findings from previous research and the core theories which are relevant to this thesis. This chapter will also describe the hypothesis and a research model.

3.2 Previous research

3.2.1 Staff turnover and leadership

We live today in a society in which firms are more dependent on specialized knowledge and in which human capital is considered to be a key resource in gaining a competitive advantage for many firms (Porter, 1999). Firms are facing challenges due to the loss of valued employees (Mwangi, 2016) and the high costs of staff turnover (Grissom et al., 2012). Firms and managers should therefore obtain an understanding of what influences an employee's decision to stay or leave a firm (Grissom et al., 2012).

The literature on staff turnover is rich and varied (Grissom et al., 2012). Scholars have suggested a number of factors that can reduce turnover in firms. Durst (1999), Ezra & Deckman (1996) and Shaw et al. (1998) suggest that human resource policies and clear advancement opportunities can reduce the probability of an employee leaving a firm. Studies have furthermore found a positive relationship between staff retention and better salaries and benefits (Blau & Kahn, 1981; Kim, 1999; Shaw et al., 1998).

A lot of literature has concluded that a firm's leadership is an important predictor of staff turnover (Grissom et al., 2012). A firm's leadership is also considered to play a key role in determining staff commitment (Bushra et al., 2011). According to Stup (2006), employees who are satisfied with their leaders feel more attached to and loyal towards their firm. Grissom et al. (2012) highlights a good relationship between the leader and employees as a reason why some employees remain in their jobs.

The microfinance industry has grown to become an industry which requires higher levels of knowledge to remain competitive in the fast-growing industry (Selvaraj, 2012). Scholars have expressed concern about staff turnover in MFIs (Chen et al., 2010; Selvaraj, 2012). According

to Selvaraj (2012) employee turnover is considered to be one of the major issues that MFIs are facing today. Mwangi (2016) blame leadership characteristics as a cause of high turnover rates in firms.

Microfinance literature has found that the leader of an MFI is a representative of the employees and is considered to have a massive impact on the long-term success of the firm. The leadership also has a high impact on the realization of MFIs' mission (Jacobs et al., 2007; Waithaka et al., 2003). A study suggests the relationship between employees and the leader is a strong predictor of turnover (Grissom et al., 2012).

3.2.2 Gender differences and leadership styles

It has become more important, in the light of women's increased access to management positions, to examine whether there are any differences in leadership behavior between men and women (Carless, 1998). Leadership roles have traditionally been held by men. Some scholars, therefore, highlight a possible difference in leader styles between men and women (Eagly & Johannesen-Schmidt, 2001). According to Eagly & Johnson (1990), women are expected to differ from men in their leadership style. Women tend to adopt a more participative and less directive style than their male counterparties. Scholars find strong evidence of a connection between leadership and gender (Hackman et al., 1992).

Existing studies on female leadership consider female leaders to be less hierarchical, more cooperative and collaborative than men (Eagly & Johnson, 1990). There is also evidence that female leaders more frequently provide employees with tangible or intangible support in exchange for their good performance than male leaders (Garcia-Retamero & López-Zafra, 2006).

Scholars, however and on the contrary, suggest leadership characteristics are more congruent with a masculine gender role (Eagly & Karau, 2002; Garcia-Retamero & López-Zafra, 2006). A masculine leadership is found to be an important predictor of leadership, regardless of gender (Powell et al., 2002; Schein, 2001). People grant more authority to men, which indicates that men are often more influential than women (Carli, 2001; Rudman & Kilianski, 2000).

The literature provides mixed expectations of how the gender of a leader influences staff retention (Burke & Collins, 2001; Eagly & Carli, 2007; Eagly & Johnson, 1990; Riger, 1993).

Some scholars suggest that men and women have different leadership styles, and that which gender each employee prefers as leader is an individual preference. Some employees therefore prefer a democratic feminine style, while others expect leaders to be masculine. Which gender employees prefer is still an issue of disagreement (Grissom et al., 2012).

Some scholars propose that it is not the gender of the leader and their leadership style which is important to turnover, but the gender congruence between the manager and the employee (Schein, 2001). Some demonstrate that the same gender of leaders and employees creates shared value. This could improve the relationship between them (Grissom et al., 2012), and as a consequence, could lower staff turnover.

Previous microfinance literature has studied gender differences in leadership and performance. Strøm et al. (2014) found that a female CEO generates a higher financial MFI performance. This is reasoned by a female CEO better understands the markets in which MFIs operate. Furthermore, Hartarska (2005) found boards with a high proportion of women reached even more and poorer customers in MFIs. However, Manderlier et al. (2009) state an insignificant relationship between a female CEO and the level of social performance of MFIs. From these findings one can say that the literature provides different findings on the effect of a female CEO upon an MFI.

Few studies have examined the relationship between the gender of the CEO and staff satisfaction. One study has, however, been conducted in the public sector, which found that male teachers were less satisfied and staff turnover was higher in schools with female principals (Grissom et al., 2012). To the best of our knowledge no other studies, neither on a general basis or in the microfinance literature, have investigated the relationship between staff turnover and gender of CEO.

The literature presented in this chapter provides grounds for believing that the gender of a leader in MFIs would influence staff satisfaction. The following subsection contains the core theories that are required to obtain a better understanding of our research question.

3.3 Theory of transformational leadership

One of the most important and common leadership theories in the field of management is the theory of transformational leadership (Bushra et al., 2011). TTL is used to identify areas of

leadership styles which can help achieve a more effective firm performance (Bass, 1985; Conger & Kanungo, 1988; Kouzes & Posner, 1987; Sashkin & Burke, 1990; Trice & Beyer, 1986). A transformational leadership style has previously been positively correlated with firm performance (Howell & Avolio, 1993).

One study from the banking industry found that the implementation of a transformational leadership behavior leads to more satisfied and committed employees (Bushra et al., 2011). The banking industry is assumed to be closely related to MFIs. Another study in the banking industry found female managers are perceived as using a more transformational leadership style than their male colleagues (Carless, 1998).

Hall et al. (2002) describe a transformational leader as a person who can change and transform the employees. The theory explains leader style differences among leaders. In brief, a transformational leader is identified as one who practices a unique and charismatic behavior, which the employees perceive as being beneficial and can lead to the personal gain of the employees within the firm (Bushra et al., 2011). A transformational leader combines being a good role model for the staff with behaving within ethical standards (Bass, 1985; Bushra et al., 2011). This leadership style is said to affect the employee's emotions and loyalty toward the leader and the firm (Shamir et al., 1993). This would reduce the firm's staff turnover (Bushra et al., 2011).

Transactional leadership contrasts transformational leadership. The transactional leadership style is described as being a set of leadership behaviors which seek to emphasize the exchanges between the leader and employees, and focuses on how the employees' needs can be met (Maher, 1997). Rosener (1990) found that the leadership of male leaders is more consistent with a transactional leadership style. Rosener (1990) furthermore found that men are more likely to see leadership as a series of transactions with their employees than female leaders.

The employees' emotional attachment to the firm's leader should make it harder for the employee to leave (Bass, 1985). According to Carless (1998), employees with a transformational leader perceive their job and work environment favorably. The literature suggests a transformational leadership style is noted as being one of the most important factors in controlling employee turnover (Bass, 1985). Employees are said to invest extra effort in their work for managers who are transformational (Carless, 1998). The high proportion of female

leaders in MFIs could imply that female CEOs have a positive effect on staff turnover if they behave as a transformational leader.

3.4 Theory of role congruity

The theory of role congruity explains the congruity between gender roles and leadership roles, and key factors that could influence a leader's behavior (Eagly & Karau, 2002). TRC is closely related to the social role theory but expands from this theory, as it aims to examine the congruence between gender roles and leadership roles (Eagly & Karau, 2002). TRC was developed by Carli & Eagly (1999) and Eagly & Karau (2002), who tried to explain how gender roles and leadership roles come together to produce two types of prejudice that underlie a preference for male leaders (Ritter & Yoder, 2004).

The theory aims to explain the prejudice the staff has towards a female leader because of the nature of the female gender role. The expectation of a female leader is often different from what people think about a leader (Eagly & Karau, 2002). TRC explains that gender roles may not only spill over to organizational settings, but leaders' gender identities may also constrain their behaviors in a direction consistent with their own gender role (Eagly & Johannesen-Schmidt, 2001). The theory therefore suggests that a consequence of this could be that it is harder for women to become leaders and to succeed as leaders (Eagly & Karau, 2002). Another argument from this theory is that employees grant more authority to men, which indicate that men are more influential than women (Carli, 2001; Rudman & Kilianski, 2000).

Previous literature on role congruity and leadership have suggested that the gender of a leader will affect the employees (Grissom et al., 2012). TRC focuses on the gender of the manager alone. Based on this theory, not only should the gender of a leader impact the employees, it should also have an effect upon a firm's staff turnover. The literature is, however, mixed and complex, which indicates conflicting expectations about the impact of the gender of a leader (Grissom et al., 2012).

TTL and TRC present mixed expectations of the possible effect of having a female leader. The theory of transformational leadership focuses on differences in leadership styles, while the theory of role congruity seeks to explain the way leadership behavior differs between the gender due to its nature.

From one perspective, TTL creates an expectation that a female CEO in an MFI would result in more satisfied and more committed employees. This is reasoned by the assumption that transformational leaders contribute to more satisfied employees (Bushra et al., 2011), and that female leaders are found to be more transformational than male leaders (Carless, 1998). MFIs have a high proportion of female leaders, and the theory argues that female leaders can have a positive impact on staff satisfaction.

From the other perspective, TRC explains the prejudice an employee can hold towards female leaders. This makes it harder for females to become and to succeed as leaders (Eagly & Karau, 2002). Based on this theory, one can expect that a female CEO will not have an impact on staff satisfaction.

3.5 Hypothesis and research model

MFI is an industry with a high proportion of female leaders. Staff turnover is also, in this industry, considered to be one of the major challenges. A great deal of attention has been devoted to the gender of the leader of MFIs. Based on the theories and previous research presented here, we limit the hypothesis to the relationship between the gender of the leader and staff turnover.

H1: There is a negative relationship between a female CEO and staff turnover in microfinance institutions.

The research model is presented below. It shows the relationship between the independent variable and the dependent variable. The control variables are also included in the research model to illustrate how several factors influence staff turnover rates.

Figure 3-1 Research model

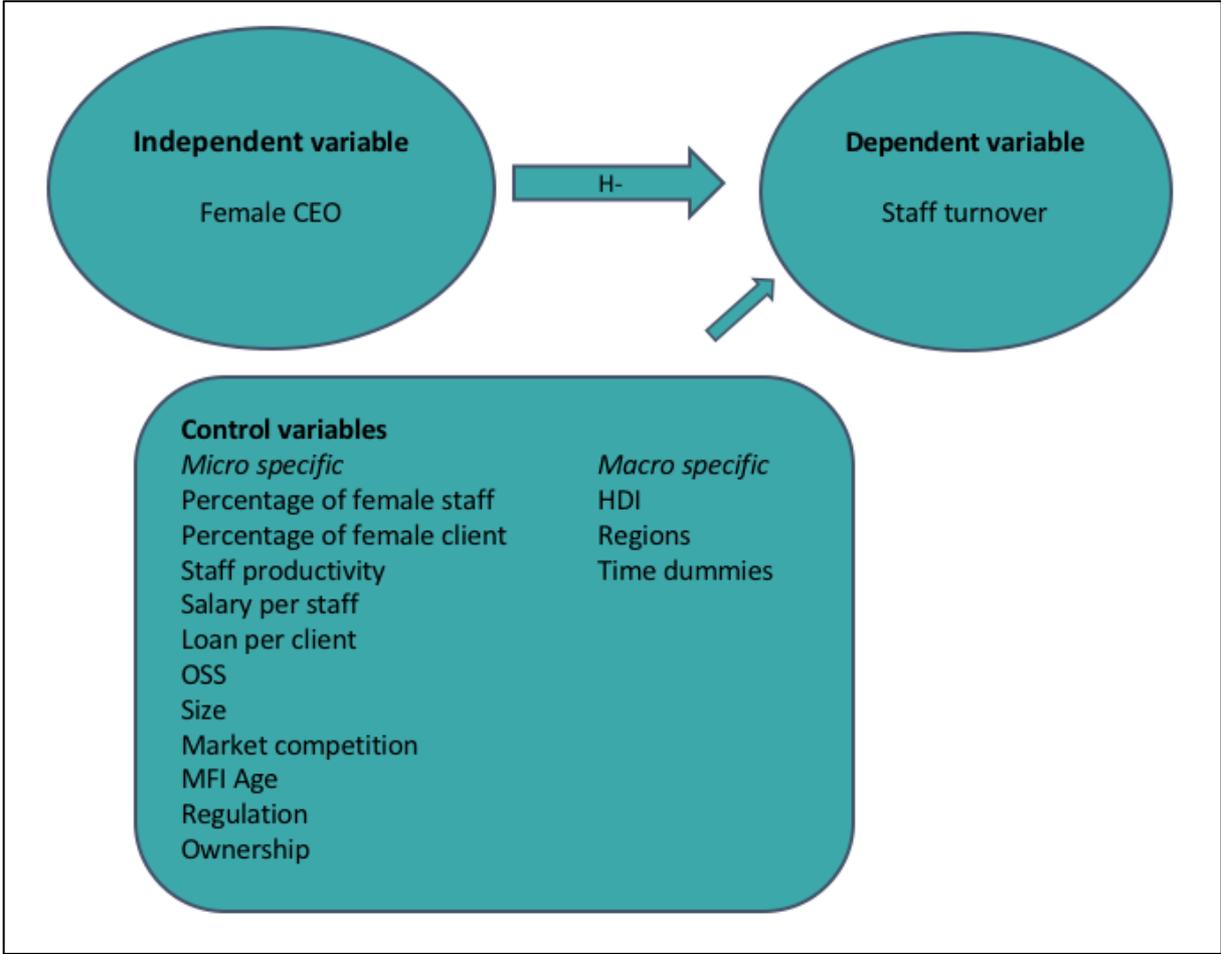


Figure 3-1 presents the research model for this study. The model illustrates how female CEOs are expected to negatively influence staff turnover, meaning we expect to find that female leaders are associated with lower staff turnover rates. Macro and micro specific control and also time dummies are included to control for other aspects that could affect staff turnover.

4 Data

4.1 Introduction

This chapter presents a description of the data set used in this research study. The chapter furthermore explains how the data set has been cleaned and presents some descriptive characteristics of the final data set.

4.2 Description of the data set

The data set consists of information on financial and social measures in MFIs. It was constructed by Strøm et al. (2014) and is based on information provided by rating agencies (Mersland & Strøm, 2009). The final data set used in this study consists of data from 225 MFIs in the time period 2003-2015.

The rating agencies that provided the information are Microfinanza, MicroRate, Crisil, M-Cril and Planet Rating. They are approved by the CGAP Rating Fund (Mersland & Strøm, 2009). The information is not self-reported by MFIs but is collected by the rating agency during on-site visits. Rating reports are therefore considered to be of high-quality (Strøm et al., 2014), and more reliable than self-reported data (Mersland & Strøm, 2009). The level of detail in the rating reports varies. This results in a varied number of observations for the variables because of missing values (Strøm et al., 2014).

No data set is considered to be perfectly representative of the microfinance industry. This data set contains relatively few mega sized MFIs and does not contain all small savings and credit cooperatives (Strøm et al., 2014). The data collected by ratings agencies is, even so, still considered to be among the most representative data available for MFIs (Mersland & Strøm, 2009).

The data set is an updated version of the set used in previous research studies published in recognized journals. Merland & Strøm (2009) used the data set to analyse performance and governance of MFIs. D'Espallier et al. (2011) used the set to examine the relationship between women and repayment in MFIs.

The purpose of the study has required two measures to be added to the data set. The two measures are the Human Development Index (HDI) and GDP per capita. These were obtained from the UNDP' Human Development Reports¹ and The World Bank² respectively.

Some variables were, for most MFIs, only collected once. There are therefore missing values for some variables for some years (Strøm et al., 2014). This was the case for both the percentage of female staff and percentage of female clients. These variables were therefore assumed to be constant over years in which other time-varying information was available, as Strøm et al. (2014) practiced in their study. The market competition variable also contained a lot of missing values and was also assumed to be constant over some years. Some of the variables have a large spread in values and are not normally distributed. The variables can be transformed using logarithm to shrink these extreme values (Midtbø, 2012, p. 119). The variables transformed by natural logarithm were staff turnover, productivity, salary per staff, loan per client and total assets. The rest of the variables passed the test for normality. The transformations are presented in appendix A.

4.3 Characteristics of the data set

Staff turnover and gender of the CEO were important in this study. Where these variables had missing values, the data for the specific MFI for that year was excluded from the data set. This resulted in a final data set of 225 MFIs from 59 countries in the time period 2003-2015.

¹ <http://hdr.undp.org/en/indicators/137506>

² <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?end=2016&start=2001>

Table 4-1 Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Staff turnover	453	0.19	0.16	0.00	0.98
Gender of CEO	453	0.22	0.42	0.00	1.00
% of female staff	266	0.46	0.18	0.11	1.00
% of female clients	365	0.65	0.22	0.17	1.00
Staff productivity	442	129.07	111.89	1.00	1 387.00
Salary per staff	423	1.81	1.86	0.00	19.89
Loan per client	420	0.29	0.92	0.01	12.09
OSS	434	1.12	0.27	0.15	2.07
Age of MFI	450	22.18	8.09	8.00	55.00
Total assets	450	21 700'.00	39 800'.00	72.00	341 526'.00
Market competition	451	5.01	1.32	2.00	7.00
Regulation	453	0.38	0.49	0.00	1.00
Ownership	453	0.36	0.48	0.00	1.00
HDI	453	0.62	0.13	0.29	0.90
ECA	453	0.07	0.26	0.00	1.00
SSA	453	0.27	0.44	0.00	1.00
LAC	453	0.52	0.50	0.00	1.00
MENA	453	0.04	0.20	0.00	1.00
SEAP	453	0.10	0.31	0.00	1.00

' = thousand

Table 4-1 presents the descriptive statistics for the variables in the final data set. The average staff turnover is approximately 19 %. Women represent 22 % of CEOs, 46 % of the staff and 65 % of the clients. The average age of the MFIs is slightly above 22 years, while the youngest is 8 years and the oldest is 55 years. Under one half (38 %) of the MFIs are regulated, and nearly the same amount (36 %) have a shareholder ownership. The average market competition in the industry is 5.01 on a scale from 1 to 7, where 7 is highly competitive.

Table 4-1 also shows the range in the number of observations for the variables. Some variables, including staff turnover and gender of the CEO, have 453 observations, which is the maximum number of observations for this data set. On the other hand, some variables have missing values. The percentage of female staff has 266 observations, which is the lowest number of observations and the percentage of female clients has 365 observations, which is the second lowest number of observations.

Figure 4-1 Share of female and male CEOs

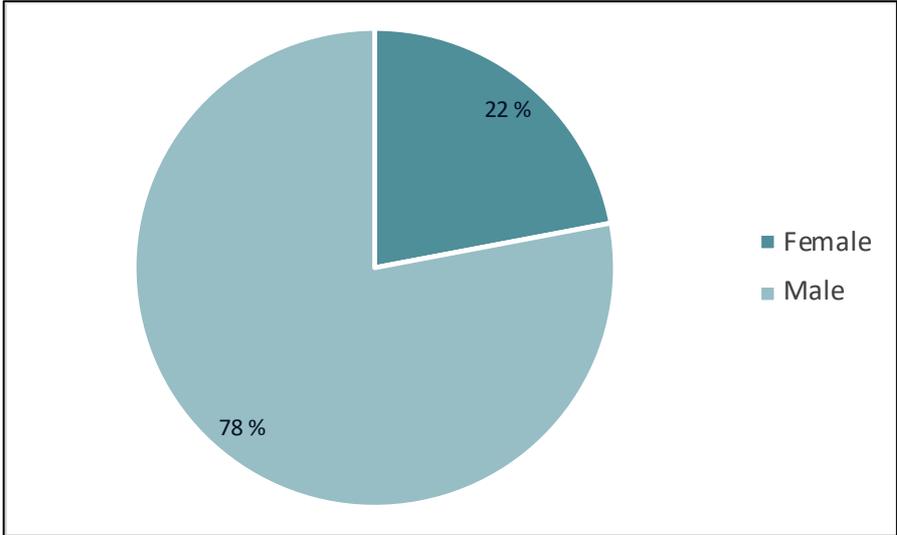


Figure 4-1 illustrates the distribution of female and male CEOs in the MFIs. 22 % of CEOs are women and 78 % are men.

Figure 4-2 Distribution of MFIs based on regions

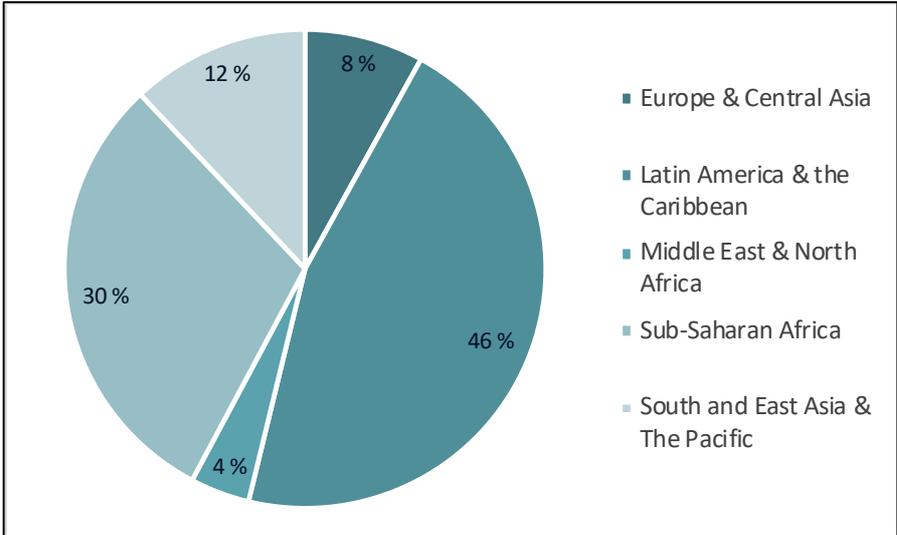


Figure 4-2 shows the distribution of MFIs by region. There are five regions. These are Europe & Central Asia (ECA), Latin America & the Caribbean (LAC), Middle East & North Africa (MENA), Sub-Saharan Africa (SSA) and South & East Asia & the Pacific (SEAP). LAC is the region where most MFIs are represented, equal to 46 %. SSA has 30 % of the MFIs, while MENA has the lowest number of MFIs, which only counts for 4 %.

Table 4-2 Countries and number of microfinance institutions

Country	Number of MFIs	Country	Number of MFIs
Europe & Central Asia		Sub-Saharan Africa	
Bosnia Herzegovina	2	Benin	1
Armenia	3	Senegal	4
Georgia	3	Cameroon	1
Kyrgyzstan	2	Morocco	4
Montenegro	1	Togo	3
Tajikistan	2	Burkina Faso	4
Azerbaijan	1	Kenya	6
Afghanistan	1	Chad	3
Romania	1	Rwanda	7
Turkey	1	Zambia	1
Italy	1	Nigeria	3
Latin America & the Caribbean		Ethiopia	3
Bolivia	12	Mozambique	1
Nicaragua	8	Burundi	5
El Salvador	1	Ghana	2
Ecuador	12	Guinea	2
Honduras	8	Madagascar	1
Mexico	17	Mali	4
Brazil	9	Niger	5
Colombia	10	Tanzania	3
Dominican Republic	5	Uganda	3
Costa Rica	1	Sierra Leone	1
Peru	17	Democratic Republic of the Congo	1
Guatemala	1	South and East Asia & The Pacific	
Argentina	2	Cambodia	9
Middle East & North Africa		Philippines	9
Jordan	2	China	4
Lebanon	2	Mongolia	1
Egypt	2	Indonesia	2
Palestine	2	Sri Lanka	1
Tunisia	1	Vietnam	1
		Total number of MFIs	225

Table 4-1 presents where the 225 MFIs are situated. The table lists the number of MFIs in each country sorted by regions. Mexico and Peru have 17 MFIs each, which is the highest number of MFIs in a country, followed by Bolivia and Ecuador with 12 MFIs. SSA is the region where most countries are represented with MFIs, while MENA has the lowest number of countries represented.

5 Methodology

5.1 Introduction

The following chapter describes the operationalization process and explains how the concepts applied in the study are measured. A quantitative research approach is used in this study. We use a panel data set. The choice between the fixed effect and random effect is therefore presented. A regression model for evaluating whether a female CEO influences staff turnover is also presented and possible issues regarding the regression model are considered.

5.2 Operationalization and measurement of concepts

A hypothesis states the relationship between two or more concepts. Evaluating the validity of a hypothesis requires it to have measurable concepts. The process of translating concepts into variables is often referred to as the operationalization process (Bryman & Cramer, 1994, p. 4). The concepts are defined operationally in order to carry out systematic research, making the concepts measurable in terms of quantified variables (Bryman & Cramer, 1994, p. 62).

5.2.1 Dependent variable

The dependent variable is a function of the independent variables and can also be referred to as the explained variable (Midtbø, 2012, p. 95). The concept of staff satisfaction is used in this study as the dependent variable. Staff satisfaction is measured as the percentage of staff turnover in MFIs. Staff turnover is the proportion of staff who terminate their employment over a year.

5.2.2 Independent variable

The independent variable is deemed to have an impact on the dependent variable (Bryman & Cramer, p. 7), and is often referred to as the explanatory variable (Midtbø, 2012, p. 95). The concept of female leadership is measured by a dummy variable expressing the gender of the CEO, one equaling female and zero equaling male. According to the hypothesis, staff turnover is expected to be low when the CEO is a woman. The objective of this research study is to examine a potentially causal relationship between a female CEO and staff turnover rates.

5.2.3 Control variables

Control variables are included in the model to account for the potential impact other independent variables could have on the dependent variable. The effect of the explanatory

variable may be exaggerated if control variables are excluded and is therefore a source of error in the analyses (Midtbø, 2012, p. 123). All relevant control variables are endeavored to be taken into account in the model.

Micro specific control variables

Micro specific control variables are concepts at firm level which have a relevance in this study, as they can impact staff turnover rates. Micro specific control variables are also included to control for differences between MFIs.

Female staff

Gender congruence between the CEO and staff improves the relationship between them and can increase staff satisfaction (Schein, 2001; Grissom et al., 2012). This provides grounds for believing that gender congruence between a leader and employees can create shared values and foster advocacy (Grissom et al., 2012). As a result, the proportion of female staff is presumed to have an impact on staff satisfaction, where the MFI has a female leader. Furthermore, Waithaka et al. (2003) found that female clients are better served under a female CEO as she may have a better understanding of the challenges women face. This argument can also apply to female employees, as they are better taken care of by a female CEO, which can increase staff satisfaction among female staff. MFIs with a high proportion of female staff are therefore presumed to have low staff turnover rates if the leader is a woman.

Female clients

Female clients in MFIs are significantly better at repaying loans (D'Espallier et al., 2013). A high proportion of female clients in MFIs are furthermore associated with lower portfolio risk, fewer write-offs and lower provisions (D'Espallier et al., 2011). Based on this, one could argue that female clients are assumed to be easier to work with, which can improve staff satisfaction because targeting female clients is a more secure option and less hassle. As previously mentioned, a female CEO can have a better understanding of the challenges women facing. Female clients are therefore better served by a female leader (Waithaka et al., 2003). More satisfied clients are believed to also have a positive impact on staff satisfaction. Mersland & Strøm (2009) presume female CEOs are better at obtaining information from female clients than male CEOs, which is in turn expected to improve overall performance. The high proportion of female clients in MFIs, the average proportion being 65 % in our data set, means that the interaction between a female CEO and female staff could be beneficial to overall performance.

The percentage of female clients is assumed to have a positive effect on staff satisfaction, and on the interaction between a female leader and a high proportion of female staff.

Staff productivity

Staff productivity is measured in terms of number of clients per employees and illustrates the staff's workload. There is a positive relationship between staff productivity and job satisfaction (Petty et al., 1984). A high workload, however, reduces the staff's ability to study each client, which increases risk in transactions (Gonzalez, 2007). The staff's ability to sustain a sufficient productivity level is assumed to be related to an employee's sense of achievement and can influence staff satisfaction. High staff productivity is expected to reduce staff turnover, and vice versa.

Salary per staff

Studies have found a positive correlation between high salary and staff satisfaction (Shaw et al., 1998). Employees who receive higher income are also happier (Easterlin, 1974). One would perhaps expect an employee that receives a high salary to be more satisfied. On the other hand, MFIs are considered to have double objectives, one being social. Some employees might therefore work for a cause and not require a high salary to be satisfied. One can, even so, assume that salary per staff has some impact on staff satisfaction. Salary per staff is measured as total personnel cost divided by the number of employees in the MFI, adjusted for GDP per capita.

Loan per client

The average loan size per client indicates the client's average income and serves as a proxy for customer poverty level (Cull et al., 2007). Very small loan payments may increase risk, as it attracts clients with even greater repayment difficulties (Roslan & Karim, 2009). It is therefore reasonable to assume that really poor clients are a hassle to work with. We expect small loans per client to have a negative impact on staff satisfaction. Loan per client is measured as average loan outstanding per client adjusted for GDP per capita.

OSS

Operational self-sufficiency (OSS) is used as a proxy for performance, a high OSS indicating high performance.

$$OSS = \frac{\text{financial revenue}}{\text{financial expenses} + \text{net loan loss provision} + \text{operating expenses}}$$

A well performing MFI often has better management and practices and lower costs (Sainz-Fernandez et al., 2015). Management and practices are assumed to be closely connected to the employees. A well performing MFI may have encouraging leaders and a well-functioning training process. One can therefore argue that high performance is related to high retention of employees. Performance is therefore expected to influence staff satisfaction. Some employees may also consider their workplace to be a part of their identity. Being employed by an MFI which performs well, can therefore motivate an employee to stay.

Size

The size of an MFI is proxied by total assets. Large firms are associated with the use of high-involvement work practices (Guthrie, 2001) and with better human resource practices than small firms (Jackson & Schuler, 1995). Demsetz (1973) implies that large MFIs are associated with success and good practices. Based on this, the size of an MFI is expected to influence staff turnover rates, as larger MFIs have better practices relating to retaining and maintaining employees.

Market competition

Microfinance is a sector with low barriers to entry. High levels of competition make it difficult to maintain a customer's loyalty and payment incentives (Sainz-Fernandez et al., 2015). The increased competition means that MFIs need to grow by employing new staff to remain competitive (Chen et al., 2010). This leads to more job opportunities, increasing the possibility of employees resigning from their jobs in favor of working for a competitor. Increased competition in microfinance is expected to increase staff turnover rates. Market competition is measured by a variable ranging from one to seven, where one equals no or little competition and seven equals high competition.

MFI age

Age is measured as the number of years since the MFI started its microfinance activities. Older MFIs are often more experienced and efficient and have more experience with training and staff retention (Hermes et al., 2011). Older MFIs are assumed to be more stable than younger MFIs. This is believed to be because practices are more integrated and employees have had time to settle in. Age of a MFI is, due to better retention practices, expected to influence staff turnover.

Regulation

A regulated firm typically has higher costs relating to staff, recruitment and training than firms which are not regulated. This could be positive for staff satisfaction (Mersland & Strøm, 2009). Regulation is therefore expected to influence satisfaction and is measured by a dummy variable, one equaling regulated and zero equaling not regulated.

Ownership

The ownership measure has been divided into shareholder MFIs (banks and non-bank financial institutions) and non-shareholder MFIs (non-governmental organizations (NGOs), cooperatives and other non-shareholder ownerships). This is similar to that used by other studies (e.g. Mersland & Strøm, 2009). Shareholder MFIs and NGOs are considered to perform equally well (Mersland & Strøm, 2008). NGOs are, however, presumed to reach poorer clients (Mersland & Strøm, 2009). Given the previous argumentation, really poor people are assumed to be a hassle to work with, which may reduce staff satisfaction. NGOs, however, do serve more female clients (Mersland, 2009), who are found to be better at repaying loans, which is in turn assumed to be better for staff satisfaction. Mersland and Strøm (2014) argue that it can be easier for women to enter leadership positions in NGOs and cooperatives. Based on our hypothesis, the expectation is that female leaders have a positive effect on staff satisfaction. Staff turnover might therefore be lower in non-shareholder MFIs, as there are potentially more women leaders in this ownership type. The concept of ownership is represented by a dummy variable, one equaling shareholder MFI and zero equaling non-shareholder MFI. One can expect the ownership of an MFI to have an impact on staff satisfaction, even though there are mixed expectations of the kind of ownership that is considered to be favorable to staff satisfaction. Non-shareholder MFIs serve poorer clients which can reduce satisfaction. They, however, also serve more female clients and have potentially more female leaders which can increase staff satisfaction.

Macro specific controls

Macro specific control variables are concepts at the country level which are relevant to this study.

HDI

HDI captures some of the institutional differences between the countries (Mersland & Strøm, 2009). HDI can capture the level of social development in the nations (D'Espallier et al., 2011).

HDI is expected to positively influence staff satisfaction, presuming that a higher HDI can be associated with higher income and education level.

Regions

Some MFI characteristics can vary with regional location. Regions have therefore also been included in the model to control for differences between countries (Pereira & Mourao, 2012; Bogan, 2012). Countries are divided into five regions; ECA, LAC, MENA, SSA and SEAP. One of the regions has been excluded in the analyses to avoid perfect collinearity, also called the dummy variable trap (Gujarati, 2011, p. 283). The division into regions is similar to that used by the World Bank and other microfinance research studies (e.g. Strøm et al., 2014).

Time

Time is included as a dummy variable for each year from 2003 to 2015. Time is included to control for special events which can affect MFIs' performance and staff satisfaction. For example, CGAP in 2009 conducted a survey to analyse what impact the recent financial crisis had on MFIs. The survey found that 60 % of the responding MFIs had clients who were struggling to repay their loans (Pereira & Mourao, 2012). Therefore, one can expect that the financial crisis of 2008, and perhaps other special events in the time period 2003-2015, could influence staff turnover rates in MFIs.

Table 5-1, on the next page, contains a summary of the variables used in this research study.

Table 5-1 Summary of the variables in the model

Variable	Explanation
Dependent variable	
Staff turnover	Percentage of staff turnover
Independent variable	
Gender of CEO	Dummy variable where 1 equals female and 0 equals male
Control variables	
<i>Micro level</i>	
Female Staff	Percentage of female staff
Female Clients	Percentage of female clients
Staff productivity	Total number of clients divided by number of employees
Salary per staff	Personnel cost divided by number of employees adjusted for GDP per capita
Loan per client	Average loan outstanding per client adjusted for GDP per capita
OSS	Operational self-sufficiency
Size	Total assets
Market Competition	Variable ranging from one to seven expressing the competition
Age	Number of years of microfinance activities
Regulation	Dummy variable where 1 equals regulated and 0 equals not regulated
Ownership	Dummy variable where 1 equals shareholder MFI and 0 equals non-shareholder MFI
<i>Macro level</i>	
HDI	Human Development Index
Regions	Dummy variables for each region. Excludes MENA in the analyses
Time	Dummy variables for each year in the data set

5.3 Data analysis

Descriptive statistics were included in this research study to obtain a better understanding of the characteristics of the data set. A multiple regression analysis was also carried out to analyse whether or not female CEOs are better at retaining their employees than their male counterparty. Possible issues regarding the regression model were checked to determine whether the regression estimates are accurate, as suggested by Midtbø (2012, p. 105) and Gujarati (2003, p. 66).

A statistical software program was required to carry out the necessary analyses. We had, prior to starting this master thesis, some knowledge of IBM SPSS Software and Stata. SPSS was used in the start-up phase to clean the data set and carry out the first analyses. Stata was, however, found to be easier to use when handling panel data. Treiman (2009, p. xxiv) wrote that “As software, Stata is clearly superior to SPSS – it is faster, more accurate, and includes a wider range of applications”. Stata is a statistical software package, suited for data analysis, data management and graphics³. There are many books, articles and online videos (e.g. YouTube), including on Stata’s own website, which contain instructions on how to use Stata. Stata was the statistical software used in this research study to carry out the analyses.

5.4 Panel data regression model

The data used in this study is a panel data set. It is therefore a combination of cross-sectional and time series data. Panel data are observations of the same units over a number of time periods (Gujarati, 2003, p. 636). One of the characteristics of panel data is the existence of heterogeneity within the units. Panel data estimation techniques however take heterogeneity into account (Gujarati, 2011, p. 279-280). The data set is unbalanced, meaning the number of time observations are not necessarily the same for each unit (Gujarati, 2011, p. 280). The time observation for one MFI can range from one to several observations.

A panel data model can be based on a fixed effect model (FEM) or a random effect model (REM). FEM and REM differ in the assumptions underlying the slope coefficients, the intercept and the error term (Gujarati, 2003, p. 640). The two methods can result in relatively large differences in parameter estimates when T is finite, and N is large (Hsiao, 2003, p. 41), which is the case in this study.

FEM assumes that each unit's intercept is different, but that each unit's intercept does not vary over time as it is assumed to be time-invariant (Gujarati, 2011, p. 283). FEM furthermore assumes that something within the units can impact the independent or dependent variables and should therefore be controlled for. FEM removes the effect of the time-invariant characteristics to solely assess the net effect of the independent variables on the dependent variable (Torres-Reyna, 2007). Such time-invariant characteristics in this study can be regulation, ownership and age as they tend to be constant during the time the MFIs were examined. The use of FEM

³ <https://www.stata.com/why-use-stata/>

will remove the effect of these variables (Torres-Reyna, 2007). Torres-Reyna (2007) proposes that one should “Use fixed-effects (FE) whenever you are only interested in analysing the impact of variables that vary over time”. FEM cannot directly estimate coefficients which are time-invariant (Gujarati, 2011, p. 292). The gender of a CEO is typically a variable that does not vary over time, even though a change of CEO can occur. From a theoretical point of view, FEM is deemed unsuitable for this study.

FEM treats the individual specific coefficient as time-invariant for each unit. REM, however, treats it as a random variable with a mean value of B_1 (Gujarati, 2011, p. 288). The individual differences in each unit's intercept values are reflected in the error term (Gujarati, 2003, p. 647). REM can include time-invariant variables (Gujarati, 2011, p. 289). REM is presumed suitable to use in this study. We also used the Hausman test to help us decide what model to use. This is suggested by Gujarati (2003, p. 651) and Hsiao (2003, p. 102).

Table 5-2 Hausman test

	Coefficients			sqrt (diag(V_b-V_B)) S.E.
	(b) FEM	(B) REM	(b-B) Difference	
Percentage female staff	1.57	0.29	1.28	1.05
Percentage female clients	-0.64	-0.01	-0.62	1.50
Staff productivity	0.17	-0.28	0.45	0.32
Salary per staff	-0.30	0.15	-0.45	0.25
Loan per client	0.23	-0.17	0.39	0.37
OSS	0.03	-0.05	0.07	0.26
Total assets	-0.29	-0.02	-0.27	0.19
Market competition	0.02	0.05	-0.04	0.10
Regulation	0.58	0.15	0.43	0.32
Ownership	-0.72	0.25	-0.97	0.50
HDI	17.54	1.12	16.42	9.31

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\text{chi2}(11) = (b-B)'[(V_b-V_B)^{-1}](b-B)$$

$$= 12.31$$

$$\text{Prob}>\text{chi2} = 0.3411$$

The null hypothesis in the Hausman test is that FEM and REM are not substantially different from one another, meaning REM is an appropriate model to use (Gujarati, 2011, p. 290). Table

5-2 presents the results from the Hausman test. It shows a p-value above 0.05. The null hypothesis is therefore not rejected. REM is also presumed appropriate for this study from a statistical point of view, which supplements the theoretical reasoning.

5.4.1 Random effects model

As mentioned previously, REM treats the intercept as a random variable. The differences in each unit's intercept values are therefore reflected in the error term (Gujarati, 2003, p. 647). REM can be carried out using the generalized least squares method (Gujarati, 2011, p. 289), as it was in this study. The equation for the random effect model can be written as follows (Gujarati, 2003, p. 647):

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \omega_{it}$$

Where $\omega_{it} = \varepsilon_i + u_{it}$

Y_{it} is the dependent variable

β_1 is the intercept

β is the coefficient

X is the independent variable

ε_i “is the cross-section, or individual-specific, error component” (Gujarati, 2003, p. 647)

u_{it} “is the combined time series and cross-section error component” (Gujarati, 2003, p. 647)

5.5 Multiple regression model

The multiple regression model was developed based on the general equation for REM. The regression model for predicting staff turnover in MFIs is presented below. The variables that are presumed to have an impact on staff satisfaction are included in the model.

$$\begin{aligned} Staff\ turnover_{it} = & \beta_1 + \beta_2 Female\ CEO_{it} + \beta_3 Female\ staff_{it} + \beta_4 Female\ clients_{it} + \\ & \beta_5 Productivity_{it} + \beta_6 Salary_{it} + \beta_7 Loan_{it} + \beta_8 OSS_{it} + \beta_9 Size_{it} + \beta_{10} Competition_{it} + \\ & \beta_{11} Age_{it} + \beta_{12} Regulation_{it} + \beta_{13} Ownership_{it} + \beta_{14} ECA_{it} + \beta_{15} SEAP_{it} + \beta_{16} SSA_{it} + \\ & \beta_{17} LAC_{it} + \beta_{18} HDI_{it} + \beta_k Time_{kit} + \varepsilon_i + u_{it} \end{aligned}$$

5.6 Possible issues in the regression model

Some scholars suggest a number of issues which can arise in a regression model. Arellano & Bond (1988) state that heteroscedasticity, in their experience, tends to be present in panel data models. Drukker (2003) states that autocorrelation biases the standard errors and gives less efficient results in panel data models. Mason & Perreault (1999) found that multicollinearity may impose problems in regressions as it can lead to inaccurate coefficient estimates and standard errors, and inference errors. These arguments make it relevant to check whether heteroscedasticity, autocorrelation and multicollinearity is present in our model.

5.6.1 Heteroscedasticity

Absence of heteroscedasticity in a regression model can be referred to as homoscedasticity. Homoscedasticity means that the variance of the error term is independent of the values of the independent variables (Midtbø, 2012, p. 106). According to Wooldridge (2013, p. 258), heteroscedasticity has no impact on R². Thrane (2003, p. 82) states that coefficient estimates are unaffected by heteroscedasticity, but can affect standard errors. One can test for the existence of heteroscedasticity by running a Breusch-Pagan test, as suggested by Midtbø (2012, p. 107).

Table 5-3 Breusch-Pagan test

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity	
Ho: Constant variance	
Variables: fitted values of staff turnover	
chi2(1)	= 0.28
Prob > chi2	= 0.5952

Table 5-3 shows the results from the Breusch-Pagan test. The null hypothesis underlying the Breusch-Pagan test is that the error term is homoscedastic (Midtbø, 2012, p. 107). The p-value is higher than a significance level of 0.05, thus the null hypothesis is not rejected. This means heteroscedasticity is not a problem in our model.

5.6.2 Multicollinearity

Multicollinearity occurs when there is a high correlation between two or several independent variables (Wooldridge, 2013, p. 91).

Table 5-4 Correlation matrix

Correlation matrix		1	2	3	4	5	6	7	8	9
1	Staff turnover	1.00								
2	Gender of CEO	-0.02	1.00							
3	% female staff	0.06	0.17	1.00						
4	% female clients	-0.10	0.04	0.23	1.00					
5	Staff productivity	-0.15	0.02	0.03	0.26	1.00				
6	Salary per staff	-0.06	-0.02	-0.05	-0.31	0.17	1.00			
7	Loan per client	-0.06	-0.03	-0.01	-0.58	-0.40	0.64	1.00		
8	OSS	-0.08	0.09	0.08	-0.12	0.00	-0.33	0.00	1.00	
9	Age	-0.12	0.03	0.24	0.04	-0.09	0.00	0.10	0.10	1.00
10	Total assets	-0.01	0.05	0.03	-0.28	0.09	0.28	0.34	0.20	0.22
11	Market competition	0.27	0.19	0.14	-0.10	-0.15	-0.09	0.05	0.10	0.13
12	Regulation	-0.05	-0.08	-0.36	-0.26	-0.09	0.12	0.20	0.08	-0.22
13	Ownership	0.16	-0.11	-0.47	-0.28	-0.10	0.05	0.05	-0.08	-0.44
14	HDI	0.33	0.20	0.41	-0.10	-0.14	-0.33	-0.16	0.11	0.13
15	ECA	-0.07	0.16	-0.01	-0.33	-0.05	0.12	0.26	0.09	-0.20
16	LAC	0.36	0.05	0.33	-0.04	-0.15	0.00	0.08	-0.01	0.28
17	SSA	-0.33	-0.14	-0.22	0.16	0.23	0.41	0.07	-0.21	-0.13
18	SEAP	-0.10	-0.06	-0.23	0.24	-0.07	-0.54	-0.39	0.08	-0.04
		10	11	12	13	14	15	16	17	18
10	Total assets	1.00								
11	Market competition	0.18	1.00							
12	Regulation	0.28	-0.14	1.00						
13	Ownership	0.11	-0.16	0.53	1.00					
14	HDI	0.20	0.36	-0.31	-0.11	1.00				
15	ECA	0.30	-0.05	0.29	0.21	0.18	1.00			
16	LAC	0.09	0.51	-0.38	-0.26	0.50	-0.38	1.00		
17	SSA	-0.25	-0.49	0.15	0.01	-0.78	-0.20	-0.50	1.00	
18	SEAP	-0.14	-0.03	0.11	0.14	-0.06	-0.16	-0.40	-0.21	1.00

Table 5-4 shows a correlation matrix with pairwise correlations for all the variables included in the regression model, except for the time dummies. Yu et al. (2015) expressed that some conservative researchers suggest that a correlation of 0.70 or higher acts as a warning sign that multicollinearity can occur. No values appear to stand out, except for a high correlation between SSA and HDI. This value is -0.78, which exceeds the threshold of 0.70. Most of the other pairwise correlations appear to be below 0.70, and the correlation between gender of CEO and turnover is -0.0176. The correlation matrix will be further analysed in chapter six.

Table 5-5 VIF-test

Variable	VIF	1/VIF
LAC	11.96	0.08
SSA	10.87	0.09
SEAP	6.95	0.14
ECA	5.85	0.17
Loan per client	5.45	0.18
Salary per staff	5.04	0.20
HDI	4.55	0.22
Staff productivity	2.47	0.41
Percentage of female clients	2.27	0.44
Ownership	2.11	0.47
Total assets	2.01	0.50
Regulation	1.98	0.51
Percentage of female staff	1.83	0.55
Market competition	1.72	0.58
OSS	1.65	0.61
Age	1.54	0.65
Gender of CEO	1.14	0.88
Mean VIF	4.08	

Table 5-5 presents the results of the multicollinearity test conducted in Stata. VIF stands for Variance Inflation Factor and 1/VIF is a tolerance measure. According to Midtbø (2012, p. 129), VIF exceeding a value of 10 and a tolerance level below 0.10 is problematic. The results show that SSA and LAC are of concern, the VIF value being close to respectively 11 and 12 and tolerance values of 0.09 and 0.08. One way to reduce multicollinearity is to collect more data or drop an independent variable. Dropping a variable is not preferred (Wooldridge, 2013, p. 92) and collecting more data is not possible for this study. Wooldridge (2013, p. 93-94) points out that a cutoff value for VIF is not particularly helpful, and high correlations among some of the variables is not necessarily a problem. This is particularly so if the high correlation occurs between control variables where the coefficients are not the main focus. Furthermore, Wooldridge (2013, p. 94) claims that the VIF value can be ignored for all coefficients except for the one in focus.

Based on this, most of the independent variables have acceptable VIFs and tolerance values, except for SSA and LAC. In this research study, the gender of the CEO is of interest. This variable has the lowest VIF value of 1.14. Multicollinearity is therefore not considered to be a problem in our model.

5.6.3 Autocorrelation

Autocorrelation occurs when patterns of correlation between the error terms exist (Gujarati, 2003, p. 70). Wooldridge's test for autocorrelation can be used to analyse whether or not autocorrelation exists in the panel data.

Table 5-6 Wooldridge test for autocorrelation

Wooldridge test for autocorrelation in panel data
H ₀ : no first-order autocorrelation
F(1, 27) = 9.372
Prob > F = 0.0049

Table 5-6 shows the results from Wooldridge's test. The null hypothesis states that there is no serial correlation in the model (Drukker, 2003). The null hypothesis was rejected since the p-value is below a significance level of 0.05. In other words, autocorrelation is detected in the model. To control for autocorrelation, the regression model was conducted with robust standard errors, as suggested by Wooldridge (2013, p. 476).

6 Findings

6.1 Introduction

This chapter presents the findings from the correlation matrix and the regression model. Some interaction term regressions and also robustness checks are then presented.

6.2 Correlation matrix

The correlation matrix shows pairwise correlations for all the variables included in the regression model, except for the time dummies.

Table 6-1 Correlation matrix

Correlation matrix		1	2	3	4	5	6	7	8	9
1	Staff turnover	1.00								
2	Gender of CEO	-0.02	1.00							
3	% female staff	0.06	0.17	1.00						
4	% female clients	-0.10	0.04	0.23	1.00					
5	Staff productivity	-0.15	0.02	0.03	0.26	1.00				
6	Salary per staff	-0.06	-0.02	-0.05	-0.31	0.17	1.00			
7	Loan per client	-0.06	-0.03	-0.01	-0.58	-0.40	0.64	1.00		
8	OSS	-0.08	0.09	0.08	-0.12	0.00	-0.33	0.00	1.00	
9	Age	-0.12	0.03	0.24	0.04	-0.09	0.00	0.10	0.10	1.00
10	Total assets	-0.01	0.05	0.03	-0.28	0.09	0.28	0.34	0.20	0.22
11	Market competition	0.27	0.19	0.14	-0.10	-0.15	-0.09	0.05	0.10	0.13
12	Regulation	-0.05	-0.08	-0.36	-0.26	-0.09	0.12	0.20	0.08	-0.22
13	Ownership	0.16	-0.11	-0.47	-0.28	-0.10	0.05	0.05	-0.08	-0.44
14	HDI	0.33	0.20	0.41	-0.10	-0.14	-0.33	-0.16	0.11	0.13
15	ECA	-0.07	0.16	-0.01	-0.33	-0.05	0.12	0.26	0.09	-0.20
16	LAC	0.36	0.05	0.33	-0.04	-0.15	0.00	0.08	-0.01	0.28
17	SSA	-0.33	-0.14	-0.22	0.16	0.23	0.41	0.07	-0.21	-0.13
18	SEAP	-0.10	-0.06	-0.23	0.24	-0.07	-0.54	-0.39	0.08	-0.04
		10	11	12	13	14	15	16	17	18
10	Total assets	1.00								
11	Market competition	0.18	1.00							
12	Regulation	0.28	-0.14	1.00						
13	Ownership	0.11	-0.16	0.53	1.00					
14	HDI	0.20	0.36	-0.31	-0.11	1.00				
15	ECA	0.30	-0.05	0.29	0.21	0.18	1.00			
16	LAC	0.09	0.51	-0.38	-0.26	0.50	-0.38	1.00		
17	SSA	-0.25	-0.49	0.15	0.01	-0.78	-0.20	-0.50	1.00	
18	SEAP	-0.14	-0.03	0.11	0.14	-0.06	-0.16	-0.40	-0.21	1.00

Table 6-1 shows that staff turnover and staff productivity have a small negative correlation (-0.15). This was as expected as high productivity was presumed to lower staff turnover. Other

interesting correlations worth mentioning are the correlation between the gender of the CEO and the share of female staff (0.17), and the correlation between female clients and female staff (0.23). These correlations show that a female CEO and a high share of female staff may have a small tendency to occur together, and the share of female clients and staff covaries at a small level. Salary per staff and loan per client are furthermore highly correlated (0.64), which can imply that the income level of the staff and clients often match, meaning rich employees tend to serve rich clients, and vice versa. Average loan per client and the percentage of female clients are negatively correlated (-0.58). This indicates that female clients receive lower loan payments than male clients. Ownership and regulation are positively correlated (0.53) and can imply that shareholder MFIs tend to be regulated.

6.3 T-test

The purpose of the t-test is to evaluate whether the variables have significant different mean values when grouped by the gender of the CEO.

Table 6-2 T-test

	Mean		t-statistic
	Male	Female	
Staff turnover	-1.91	-1.84	-0.76
% of female staff	0.43	0.55	-5.28***
% of female clients	0.65	0.66	-0.28
Staff productivity	4.60	4.66	-0.70
Salary per staff	0.29	0.17	1.25
Loan per client	-2.16	-2.40	1.66*
OSS	1.11	1.16	-1.78*
MFI age	21.64	24.05	-2.66***
Total assets	15.82	16.02	-1.18
Market competition	4.90	5.39	-3.31***
Regulation	0.41	0.30	1.20**
Ownership	0.40	0.25	2.78***
HDI	0.61	0.66	-3.89***
ECA	0.05	0.13	-2.60***
SSA	0.31	0.12	3.92***
LAC	0.49	0.62	-2.46**
SEAP	0.11	0.09	0.55

*p < 0.10, **p < 0.05, ***p < 0.01

Table 6-2 presents a two-sample t-test for all the variables' mean values, grouped by the gender of the CEO. The t-test was developed to determine whether there is a significant difference between the mean value for female and male CEOs. There is a significant difference between the leader's gender for the variables percentage of female staff, age, market competition, ownership, HDI, ECA and SSA, at a significance level of 1 %. At a significance level of 5 %, there is a difference in regulation and LAC, while at a significance level of 10 %, there is a difference in loan per client and OSS.

The results presented in the t-test showed no significant difference in staff turnover between the mean value for female and male CEOs. Even though the t-test did not predict any significant difference, the core-theories and previous research outlined in chapter two and three predict that there could be differences between female and male CEOs with respect to staff turnover. This study will therefore further examine whether there exists a significant difference between female and male CEOs with respect to staff turnover in a multivariate setting by carrying out a regression.

6.4 Results from the regression

Table 6-3, on the next page, presents the results from four different regression models. The regressions are developed in four steps to gradually discover the variables' influence on the model. Regression 1 only contains the gender of the CEO, regression 2 contains micro control variables, regression 3 includes both micro and macro control variables and regression model 4 consists of all the variables, including the time variables.

Table 6-3 Results from the regression

Regression model	1	2	3	4
_cons	-1.952*** (-32.34)	-2.164** (-2.29)	-1.198 (-0.93)	-1.491 (-1.26)
Gender of CEO	0.111 (-0.96)	-0.043 (-0.26)	-0.032 (-0.21)	-0.047 (-0.28)
Percentage female staff		1.123** (2.40)	0.293 (0.53)	0.366 (0.63)
Percentage female clients		-0.614* (-1.65)	-0.014 (-0.03)	-0.103 (-0.24)
Staff productivity		-0.371*** (-2.81)	-0.278** (-2.30)	-0.253** (-1.99)
Salary per staff		0.132 (0.95)	0.145 (0.99)	0.118 (0.79)
Loan per client		-0.297** (-2.48)	-0.166 (-1.48)	-0.162 (-1.43)
OSS		-0.068 (-0.24)	-0.047 (-0.18)	-0.046 (-0.17)
Age		-0.011 (-1.09)	-0.017* (-1.71)	-0.015 (-1.45)
Total assets		0.037 (0.59)	-0.022 (-0.39)	-0.046 (-0.75)
Market competition		0.145*** (2.66)	0.051 (0.90)	0.049 (0.88)
Regulation		-0.085 (-0.53)	0.149 (1.06)	0.047 (0.33)
Ownership		0.336** (2.12)	0.246* (1.65)	0.316** (2.07)
HDI			1.117 (0.99)	0.790 (0.74)
Regional dummies			included	included
Time dummies				included
Overall R ²	0.0014	0.1897	0.2868	0.2983
Wald χ^2	(1) 0.91	(12) 43.57	(17) 108.84	(26) 163.00
Prob > χ^2	0.3388	0.0000	0.0000	0.0000
N	429	214	214	214

Staff turnover is the dependent variable

z statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

Table 6-3 shows the results from the four regression models. R² states the proportion of total variation in Y (here: staff turnover) which is explained by the regression model. It, in other words, describes how well the regression line fits the data (Gujarati, 2003, p. 81 and 84). Prob > χ^2 expresses the p-value for whether the regressors jointly are statistically significant or not, meaning whether the model is statically significant (Cameron & Trivedi, 2009, p. 85). Gujarati (2003, p. 256) suggests a conventional significance level of 5 %. The table shows that overall

R^2 increases as several variables are included in the regression model. In regression model 1, in which the gender of the CEO was the only independent variable, the overall R^2 was only 0.14 %. This is not surprising, as it is expected that several factors are required to explain staff turnover. Overall R^2 increased to 18.97 % when micro controls variables were included and to 28.68 % when both micro and macro control variables were included. When time dummies were added to the regression model, overall R^2 increased to 29.83 %. An overall R^2 of around 30 % being considered to be appropriate. Gujarati (2003, p. 91) argues that cross-sectional data tend to give low R^2 , possibly because of the diversity between the units, and this data set is a combination of cross-sectional and time-series data. Regression model 1 is not statistically significant, as the p-value is higher than a significance level of 5 %. The regression model became significant when micro control variables were added to the model. Regression models 2, 3 and 4 are statistically significant with p-values of 0.000.

The results from regression model 1 show that the gender of the CEO has no significant impact on staff turnover, that it was not statistically significant nor had a sound overall R^2 .

Regression model 2, in which only micro control variables were included, showed that a female CEO had no significant impact on staff turnover. In other words, there is no support for our hypothesis in regression model 2. The percentage of female staff furthermore had a positive significant impact on staff turnover. This was not as expected, as it was predicted that an increased proportion of female staff would decrease staff turnover. On the other hand, percentage of female clients has a negative impact on staff turnover at a significance level of 10 %, which is as expected. Staff productivity had a significant negative impact on staff turnover. This was expected, because low productivity was presumed to increase turnover. The loan amount per client had a negative significant impact on staff turnover, as expected. Market competition had a small positive influence on staff turnover, as expected. Ownership had a positive significant impact on staff turnover, meaning shareholder MFIs have a higher staff turnover than non-shareholder MFIs.

Regression model 3, in which macro control variables were added to the model, showed a female CEO still had no significant impact on staff turnover. Staff productivity still had a negative significant impact on satisfaction, while ownership still had a positive significant impact on satisfaction. Age of the MFI had a negative significant impact on staff turnover.

Regression model 4 included all the variables. The gender of the CEO had no significant impact on staff turnover. Staff productivity and ownership still, however, had a significant impact.

To sum up, a female CEO had no impact on staff turnover in any of the regression models. The hypothesis stating a negative relationship between a female CEO and staff turnover in MFIs was therefore not supported. A discussion of the findings is presented in chapter seven.

6.5 Interaction term regressions

Interaction term regressions were run to test whether the interaction of some variables had a significant influence on staff turnover. These regressions were run using the same control variables as the original regression and with robust standard errors to take autocorrelation into account. MFIs are considered to be a business for and run by women. It was therefore interesting to examine whether the interaction between female CEOs and the percentage of female staff, and the interaction between female CEOs and the percentage of female clients had an influence on staff turnover. As mentioned before, a gender match between leaders and employees improves the relationship between them and could lower staff turnover rates (Grissom et al., 2012). It was also interesting to examine whether the interaction between female CEOs and respectively age of the MFI and staff productivity influenced staff turnover, as these variables had a significant impact on staff turnover in the original regression.

Female staff and female CEO

Four regressions were developed based on the interaction term between female CEOs and the percentage of female staff. Three interaction regressions were developed for higher proportions of the female staff, above a threshold of 50 %, 60 % and 70 % respectively.

Table 6-4 Interaction regression with female staff and female CEO

Regression model	All	50 ≥	60 ≥	70 ≥
_cons	-1.376 (-1.15)	-1.220 (-1.00)	-1.498 (-1.29)	-1.622 (-1.39)
Interaction	-0.927 (-0.91)	-0.762 (-1.63)	-0.748 (-1.3)	-1.817*** (-3.72)
Gender of CEO	0.398 (0.80)	0.152 (0.77)	0.093 (0.47)	0.100 (0.63)
Percentage female staff	0.763 (1.14)	0.889 (1.37)	0.913 (1.44)	1.292** (2.38)
Percentage female clients	-0.137 (-0.32)	-0.192 (-0.45)	-0.116 (-0.27)	-0.070 (-0.17)
Staff productivity	-0.247** (-2.00)	-0.244** (-2.02)	-0.259** (-2.05)	-0.212* (-1.69)
Salary per staff	-0.200 (0.78)	0.096 (0.66)	0.124 (0.86)	0.154 (1.04)
Loan per client	-0.167 (-1.47)	-0.169 (-1.49)	-0.173 (-1.55)	-0.163 (-1.45)
OSS	-0.024 (-0.09)	-0.027 (-0.10)	-0.048 (-0.18)	0.036 (0.14)
Age	-0.016 (-1.57)	-0.016 (-1.60)	-0.016 (-1.60)	-0.0183* (-1.78)
Total assets	-0.052 (-0.88)	-0.050 (-0.82)	-0.058 (-1.01)	-0.077 (-1.33)
Market competition	0.047 (0.85)	0.041 (0.72)	0.055 (0.99)	0.070 (1.31)
Regulation	0.049 (0.34)	0.039 (0.27)	0.044 (0.31)	0.065 (0.47)
Ownership	0.324** (2.12)	0.319** (2.10)	0.346*** (2.34)	0.385** (2.57)
HDI	0.606 (0.55)	0.519 (0.47)	0.525 (0.48)	0.518 (0.48)
Regional dummies	Included	Included	Included	Included
Time dummies	Included	Included	Included	Included
Overall R ²	0.2932	0.2937	0.3142	0.3083
Wald χ^2	(27) 162.97	(27) 170.25	(27) 177.58	(27) 189.23
Prob > χ^2	0.0000	0.0000	0.0000	0.0000
N	214	214	214	214

Staff turnover is the dependent variable

z statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

First interaction term is with all percentages for female staff

Second only includes percentage values equal to or above 50 %, and so on.

Table 6-4 shows the results from the four interaction term regressions for female CEOs and the percentage of female staff. The first interaction had no significant influence on staff turnover. The female leader interaction where female staff constituted 50 % or more furthermore had an

insignificant impact on staff turnover. The interaction furthermore had no significant impact where women constituted 60 % or more of the staff. However, when females reach 70 % or more of the staff, the interaction with female CEOs had a strong significant influence on staff turnover. This interaction was significant at a level of 1 % with a coefficient of -1.817. Interaction with female leaders and female staff above a threshold of 70 % is therefore associated with lower staff turnover rates.

Female clients and female CEO

Four regressions with interaction terms between female CEOs and percentage of female clients were developed, as for percentage of female staff. Three interactions contain female clients above a threshold of 50 %, 70 %, 90 % and 95 % respectively.

Table 6-5, on the next page, shows the results from the regressions for interaction between female leader and the percentage of female clients. The first interaction showed no significant impact on staff turnover. Interactions where the percentage of female clients were equal to or above 50 %, 70 %, 90 % and 95 % also had no significant influence on turnover. One cannot therefore conclude a female CEO of an MFI that serves high proportions of female clients would have an impact on staff satisfaction. The interaction regression for 95 % is presented in appendix B.

Table 6-5 Interaction regression with female clients and female CEO

Regression model	All	50 ≥	70 ≥	90 ≥
_cons	-1.519 (-1.25)	-1.563 (-1.25)	-1.489 (-1.25)	-1.452 (-1.23)
Interaction	0.107 (0.14)	0.106 (0.23)	-0.044 (-0.13)	-0.420 (-1.27)
Gender of CEO	-0.120 (-0.23)	-0.108 (-0.36)	-0.031 (-0.16)	0.050 (0.28)
Percentage female staff	0.350 (0.62)	0.343 (0.60)	0.376 (0.67)	0.463 (0.84)
Percentage female clients	-0.130 (-0.26)	-0.139 (-0.29)	-0.083 (-0.17)	0.107 (0.22)
Staff productivity	-0.253** (-1.98)	-0.253** (-1.98)	-0.254** (-1.99)	-0.259** (-2.03)
Salary per staff	0.114 (0.74)	0.113 (0.76)	0.123 (0.79)	0.142 (0.95)
Loan per client	-0.162 (-1.42)	-0.163 (-1.42)	-0.164 (-1.44)	-0.161 (-1.44)
OSS	-0.048 (-0.18)	-0.049 (-0.18)	-0.044 (-0.17)	-0.037 (-0.14)
Age	-0.015 (-1.44)	-0.015 (-1.45)	-0.015 (-1.41)	-0.014 (-1.37)
Total assets	-0.043 (-0.67)	-0.042 (-0.66)	-0.047 (-0.75)	-0.057 (-0.94)
Market competition	0.050 (0.88)	0.050 (0.88)	0.048 (0.86)	0.045 (0.80)
Regulation	0.046 (0.33)	0.048 (0.34)	0.045 (0.32)	0.052 (0.37)
Ownership	0.313** (2.05)	0.313** (2.06)	0.319** (2.09)	0.346** (2.22)
HDI	0.806 (0.76)	0.823 (0.77)	0.775 (0.73)	0.714 (0.67)
Regional dummies	included	included	included	included
Time dummies	included	included	included	included
Overall R ²	0.2996	0.2998	0.2975	0.2995
Wald χ^2	(27) 163.04	(27) 162.26	(27) 162.45	(27) 167.77
Prob > χ^2	0.0000	0.0000	0.0000	0.0000
N	214	214	214	214

Staff turnover is the dependent variable

z statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

First interaction term is with all percentages for female clients

Second only includes percentage values equal to or above 50 %, and so on.

Age and staff productivity

Regressions were also developed for interactions between female CEO and age, and female CEO and staff productivity. None of these interaction terms had a significant impact on staff satisfaction. These regressions are presented in appendix C.

6.6 Robustness check

As mentioned earlier, the regressions were run with robust standard errors to take the autocorrelation into account.

A pooled OLS was run as a part of the robustness check. The pooled OLS showed that the gender of the CEO has no significant impact on staff turnover. The results are presented in appendix D.

7 Discussion of results

7.1 Introduction

This chapter provides a discussion of the findings presented in chapter six and includes possible explanations of the results.

7.2 Previous research

As presented in chapter three, previous research shows mixed expectations with regard to which gender is preferred by the staff as leader. One can, as a part of the discussion of this study's results, seek explanations from several scholars which suggest leadership characteristics are more congruent with a masculine gender role (Eagly & Karau, 2002; Garcia-Retamero & López-Zafra, 2006). Some scholars also found that the staff grant more authority to men (Carli, 2001; Rudman & Kilianski, 2000), thus one can argue that some staff in MFIs might prefer a more authority leadership hierarchy. The findings in this study show that the gender of the CEO has no significant influence upon staff satisfaction. Women and men leaders are assumed to be equally good at facilitating staff to remain in their jobs. One can wonder whether women and men do not act differently as leaders related to maintaining staff. Staff satisfaction is therefore unaffected by the gender of the CEO.

7.3 Theory of transformational leadership

The theory of transformational leadership created an expectation that a female CEO would lead to higher staff satisfaction in MFIs. The TTL expectation was based on previous studies from the banking industry. Bushra et al. (2011) found that employees with a transformational leader were more satisfied. Carless (1998) furthermore argued that female leaders are more transformational. These arguments, obtained from studies from banking, were included under the assumption that the banking industry is closely comparable to the microfinance industry, and one could therefore expect the same result in MFIs.

The findings from our study still do not correspond to the findings presented for the banking industry. One explanation can be differences in leadership cultures. Banking is described as being a masculine industry, where the leader role is more commonly held by male leaders than female leaders (Careless, 1998). This differs from the microfinance industry, where a masculine leadership culture has not been integrated (Strøm et al., 2014). As a result, more female leaders are represented in MFIs than the banking industry. One could argue that the leadership cultures

in banking and MFI are very different, which might be a reason for the dissimilar leadership styles. Another explanation for this study's result can be the possibility that female leaders in MFIs are in fact not transformational, and therefore, the staff do not perceive the benefits that TTL presumed from transformational leaders.

7.4 Theory of role congruity

The theory of role congruity created expectations that a female CEO would not lead to higher staff satisfaction. TRC can serve as a possible explanation for our findings. One could argue, based on this theory, that some staff in MFIs might be prejudiced against female leaders (Ritter & Yoder, 2004). Staff would therefore not perceive any satisfaction from having a female CEO.

7.5 Control variables

Chapter five explained a number of control variables that could be relevant in this study. These were included as they were expected to influence staff satisfaction. Generally, staff productivity and ownership have a significant impact on staff satisfaction in all the regressions, also the interaction term regressions. Staff productivity had a negative significant impact on turnover. This was expected and was reasoned by high productivity implying that the staff were successful in their work. Ownership had a positive significant influence on turnover. Non-shareholder MFIs are associated with lower staff turnover rates. This can be reasoned by non-shareholder MFIs serving more female clients and having potentially more female leaders. A few other variables were also significant in some of the regressions. In regression model 2, which only included micro specific controls, the percentage of female staff, percentage of female clients, loan per client and market competition had a significant impact on staff turnover. In regression model 3, which consisted of micro and macro specific controls, age of the MFI was significant. Exclusion of relevant independent variables is a severe source of error in the model (Midtbø, 2012, p. 123). One might, therefore, argue that regression model 4 can be considered to be the most correct model, as all variables are included. On the other hand, every additional variable reduces degree of freedom (Gujarati, 2011, p. 285).

7.6 Interaction term regressions

Interaction between female CEO and female staff had no impact on staff satisfaction. However, at a certain threshold for percentage of female staff, the interaction became significant. Female CEOs and staff where 70 % or more are women, was associated with a lower staff turnover. As

mentioned, a previous study found that a female CEO has a better understanding of female clients (Wahitika et al., 2012), and thus one could argue that this could also apply to female staff. A gender match between leader and staff could improve the relationship between them (Grissom et al., 2012; Schein, 2001). This study's findings are consistent with these arguments, but only when female staff reaches a threshold of 70 %. This can imply that staff satisfaction is only to a certain extent affected by a female leader. The interaction was presumed to create shared values and experiences which improve the relationship between the staff and the CEO, so leading to higher staff satisfaction. MFIs with a high proportion ($70\% \geq$) of female staff will benefit from having a female CEO, in terms of increased staff satisfaction.

The interaction between female leaders and female clients had no significant impact on staff satisfaction. Interaction furthermore showed no significance even where the share of female clients reached a threshold of 50, 70, 90 and 95 percent. This implies that the gender match between CEOs and clients is independent of staff satisfaction. The presumed relationship that a female leader better understands female clients, and therefore affects staff satisfaction, was not supported. Regarding staff satisfaction, it does not matter whether the MFI serve many female clients or not.

8 Conclusion, implications, limitations and future research

Today's microfinance industry is facing rapid growth and new challenges in terms of the loss of highly-skilled and valued staff (Selvaraj, 2012). Firms and managers are dependent on having competent and valuable staff to remain competitive. An important factor in controlling staff turnover in a firm is leadership (Mwangi, 2016). The high proportion of female CEOs in MFIs and little existing literature that focuses on staff in MFIs (Beisland et al., 2017; Labie et al., 2015) has led this study to seek a better understanding of whether a female CEO has a positive impact on staff satisfaction in MFIs. The analyses used a final data set of 225 MFIs from 59 countries in the time period 2003-2015. A multiple regression found that a female CEO has no significant influence on staff satisfaction in MFIs. However, when checking for interactions between female CEOs and percentage of female staff, the results implied that interaction significantly influenced satisfaction where female staff reach a threshold of 70 %. This means that a female leader and female staff proportion equal to or above 70 % has a strong impact on MFI staff satisfaction.

The main conclusion for the study is that there is no evidence that a female CEO leads to higher staff satisfaction in MFIs. This is in line with TRC, which suggests that some staff might be prejudiced against female leaders, making it harder for them to succeed as leaders (Ritter & Yoder, 2004). The hypothesis was developed based on previous research and the assumptions underlying TTL. These assumptions were that female leaders are more transformational than men (Carless, 1998), and that transformational leaders lead to more satisfied employees (Bushra et al., 2011). The findings, through running a multiple regression model, showed no significant relationship between a female CEO and staff satisfaction. The hypothesis that a female CEO would lead to higher staff satisfaction was therefore not confirmed. However, this study has found one exception. The interaction of having a female CEO and female staff equal to or higher than 70 % has a significant influence on staff satisfaction. This finding can be supported by Grissom et al. (2012), who argued that shared gender between staff and leaders could lead to higher staff satisfaction. The interaction between a female leader and percentage of female clients gave insignificant results, even at a threshold of 95 %. This means that staff satisfaction is independent of the number of female clients the MFI serves, even though female clients were presumed to be beneficial for staff satisfaction.

The results presented in this research study, along with implications regarding the impact of the CEO's gender on staff satisfaction, can mainly contribute to the microfinance literature. The

study is also representative for firms with a high proportion of female leaders or for firms operating in emerging markets.

Even though this study did not find a significant relationship between female CEO and staff turnover rates, it is still important for firms and managers to obtain a better understanding of how to retain employees and keep them satisfied. The implications of this study are that if an MFI is recruiting a new CEO to improve staff satisfaction, then the gender of the leader is insignificant. However, this study established one exception. MFIs with a large proportion of female staff (70 % \geq) can benefit from having a female leader.

This study has some limitations. One limitation is the existence of missing values in the data set, particularly social and leadership measures such as percentage of female staff and clients, and gender of the CEO. This results in a smaller data set, potential loss of valuable information and could influence the accuracy of the analyses. A variable that expresses whether the staff received training or not did not contain enough observations to be included in the analyses, making it impossible to control for this. Other leadership measures such as the gender of the board director contained a lot of missing observations, hence the focus on the CEO in this study.

Another limitation is the possibility that not all factors which affect staff turnover are included in the analyses, either because they are not available or are hard to measure. Such measures might include the staff's individual preferences and psychological factors such as the importance of advancement possibilities and variety in work tasks. Future studies can benefit from collecting more comprehensive information about the CEO and staff. A qualitative approach can provide a better insight into which personal traits influence staff satisfaction. Future research can also benefit from examining whether decisive differences exist between women and men regarding who chose to stay or leave, and perhaps achieve a more targeted approach to retaining employees.

Leadership characteristics can vary across countries and cultures (Bass, 1997). We controlled for HDI and differences between regions. Some of these aspects may, however, not be entirely controlled for in the analysis, which results in a limitation.

Reducing staff turnover is important in microfinance (Selvaraj, 2012) and the leader is found to be important in retaining employees (Mwangi, 2016). This study found a leader being female

instead of male has an insignificant impact on staff turnover. Future studies may, however, benefit from investigating other aspects which might affect turnover in MFIs. Such aspects can be job training and the recruitment process, or other CEO characteristics such as tenure, education and experience. Future research can, based on the significant impact the interaction a female leader and female staff equal to or above 70 % has on staff turnover, investigate whether this interaction influences other aspects of MFI performance.

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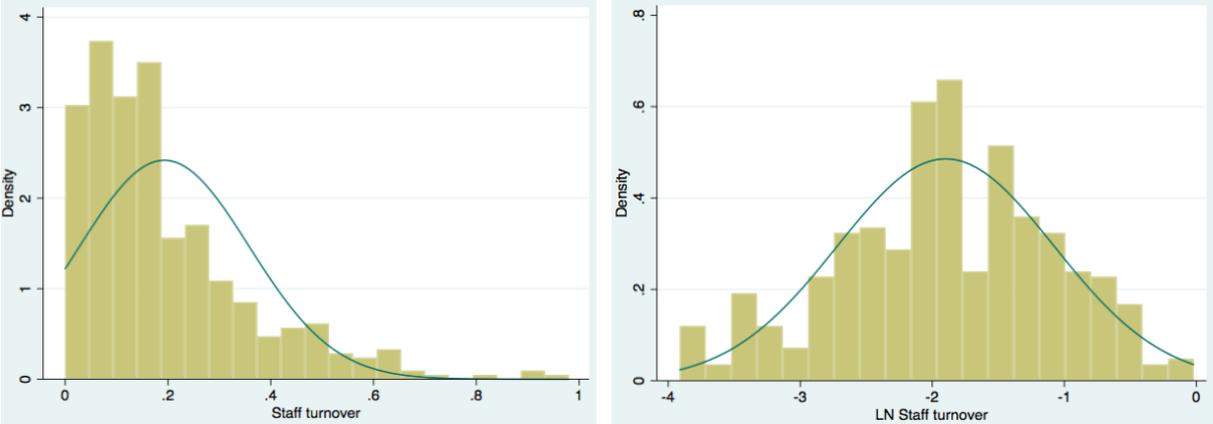
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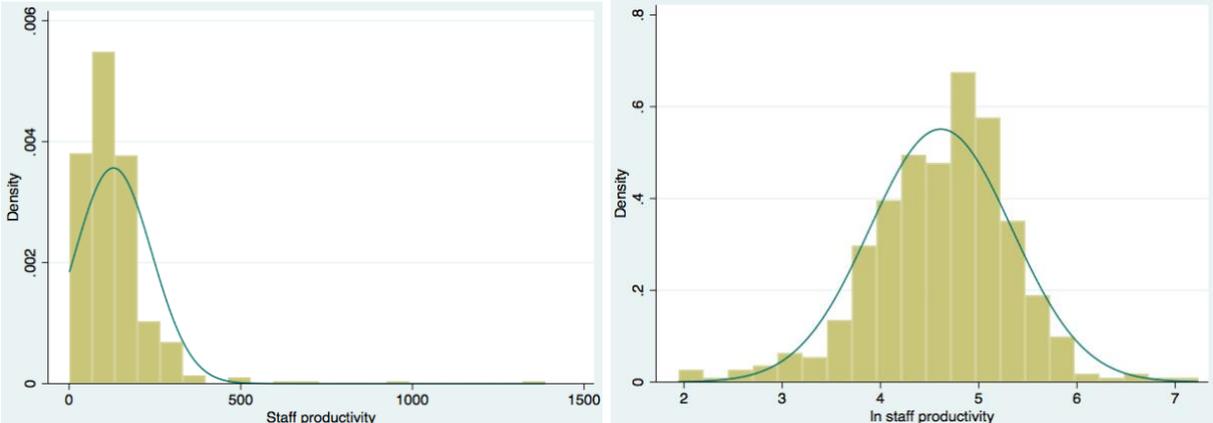
Appendix

A. Transformation of variables

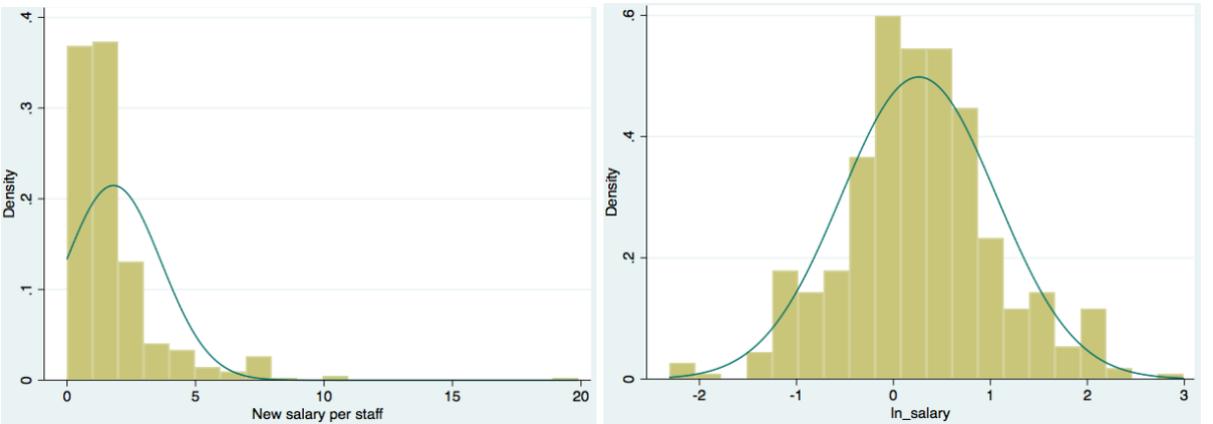
Staff turnover before and after transformation with natural logarithm:



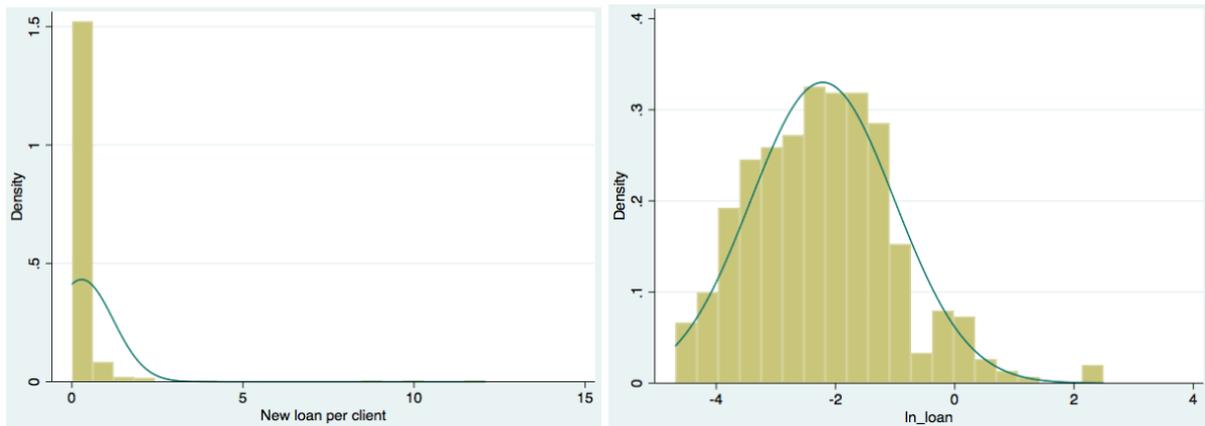
Staff productivity before and after transformation with natural logarithm:



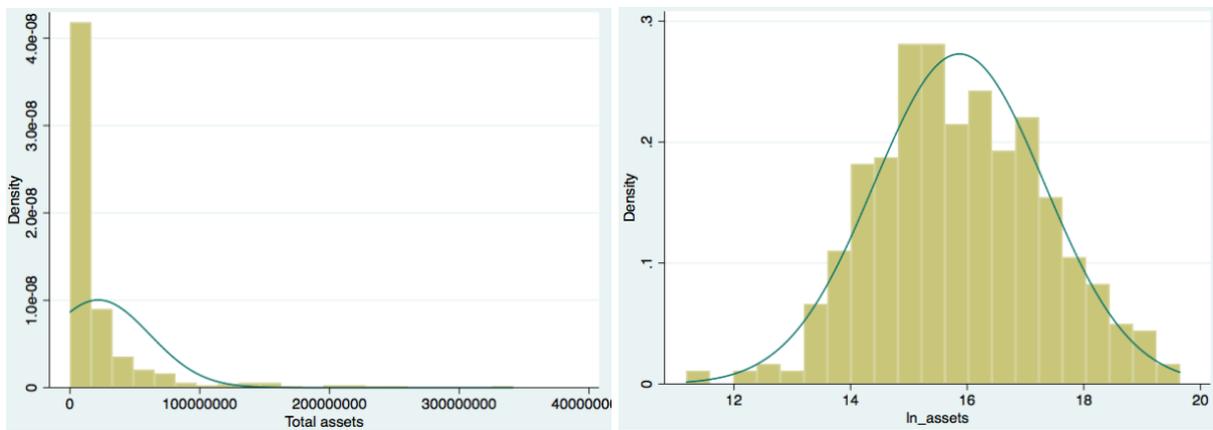
Salary per staff before and after transformation with natural logarithm:



Loan per client before and after transformation with natural logarithm:



Total assets before and after transformation with natural logarithm:



B. Interaction regression with female CEO and 95 % female clients

Regression model	95 ≥
_cons	-1.405 (-1.18)
Interaction	-0.590 (-1.64)
Gender of CEO	0.082 (0.47)
Percentage female staff	0.494 (0.90)
Percentage female clients	0.181 (0.37)
Staff productivity	-0.258** (-2.01)
Salary per staff	0.146 (0.97)
Loan per client	-0.155 (-1.39)
OSS	-0.048 (-0.18)
Age	-0.014 (-1.35)
Total assets	-0.061 (-1.01)
Market competition	0.044 (0.78)
Regulation	0.056 (0.39)
Ownership	0.356** (2.26)
HDI	0.684 (0.63)
Regional dummies	included
Time dummies	included
Overall R ²	0.3000
Wald χ^2	(27) 172.70
Prob > χ^2	0.0000
N	214

Staff turnover is the dependent variable

z statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

Interaction term with female CEO and female clients ≥ 95 %

C. Interaction regression with female CEO and respectively age and staff productivity

Regression model	Age	Productivity
_cons	-1.402 (-1.17)	-1.749 (-1.45)
Interaction	-0.029 (-1.00)	-0.265 (-1.27)
Gender of CEO	0.616 (0.89)	1.199 (1.22)
Female staff	0.322 (0.55)	0.474 (0.80)
Female clients	-0.088 (-0.21)	-0.107 (-0.25)
Productivity	-0.268** (-2.13)	-0.194 (-1.39)
Salary per staff	0.119 (0.79)	0.152 (1.01)
Loan per client	-0.167 (-1.48)	-0.163 (-1.42)
OSS	-0.039 (-0.15)	-0.059 (-0.22)
Age	-0.012 (-1.16)	-0.015 (-1.47)
Total assets	-0.047 (-0.78)	-0.051 (-0.82)
Market competition	0.046 (0.82)	0.048 (0.87)
Regulation	0.043 (0.31)	0.048 (0.33)
Ownership	0.300** (2.01)	0.329** (2.12)
HDI	0.792 (0.73)	0.749 (0.71)
Regional dummies	Included	Included
Time dummies	Included	Included
Overall R ²	0.3001	0.3030
Wald χ^2	(27)165.72	(27) 166.55
Prob > χ^2	0.0000	0.0000
N	214	214

Staff turnover is the dependent variable

z statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

First interaction term is with female CEO and age

Second interaction term is with female CEO and staff productivity

D. Pooled OLS

Regression model	
_cons	-1.272 (-0.94)
Gender of CEO	-0.113 (-0.91)
Percentage female staff	0.338 (0.78)
Percentage female clients	-0.150 (-0.41)
Staff productivity	-0.269* (-1.93)
Salary per staff	0.214 (1.41)
Loan per client	-0.209* (-1.87)
OSS	-0.122 (-0.45)
Age	-0.017* (-1.91)
Total assets	-0.037 (-0.65)
Market competition	0.085 (1.53)
Regulation	-0.010 (-0.06)
Ownership	0.319** (2.14)
HDI	0.519 (0.51)
Regional dummies	included
Time dummies	included
Adjusted R ²	0.2297
F(26. 187)	3.44
Prob > F	0.0000
N	214

Staff turnover is the dependent variable

t statistics in parentheses

** equals $p \leq 0.10$, ** equal $p \leq 0.05$, *** equal $p \leq 0.01$*

E. Reflection note – Berit Rødland Hauge

Summary

The purpose of this study was to obtain a better understanding of whether or not a female CEO influences staff satisfaction in MFIs. The microfinance industry has faced rapid growth and stiffer competition in recent decades, where the main MFI challenge being the loss of important and competent staff. Managers should, to prevent staff from leaving their jobs, ensure that the staff is satisfied with the workplace. The analyses used a final data set of 225 MFIs from 59 countries in the time period 2003-2015. A multiple regression found that a female CEO has no significant influence on staff satisfaction in MFIs. A multiple regression model was carried out, findings showing that a female leader has no significant influence on staff satisfaction in an MFI. However, findings showed that the interaction between a female CEO and a threshold above 70 % female staff positively influenced staff satisfaction. The implications of this study are that if an MFI is recruiting a new CEO to improve staff satisfaction, then the gender of the leader is insignificant. There is, however, one exception. MFIs with a female staff proportion equal to or above 70 % can benefit from having a female leader in MFIs.

1. Explain how the topic relates to international trends/issues

The main topic of this master thesis is microfinance institutions (MFI). The last decades, the microfinance industry has grown and expanded in both developing and industrialized countries. Today, MFIs are situated in several countries all over the world.

Commercialization is one of the current international trends the microfinance industry is facing today. Traditional banks have realized that targeting poor people can be profitable and have started target low income customers. The borders across countries have faded and the MFIs which are interested in operating in the current MFI industry are forced to adopt to traditional market strategies. Commercialization have increased the competition among MFIs, making it easier for the staff to quit their job, in favor for working for other MFIs. The increased competition has also created a harder competition for the customers, making it harder for MFIs to create lasting customer loyalty.

Microfinance is an industry having a large proportion of female leaders. The high proportion of female leaders in MFIs is a trend which most likely will continue in the future. This is

explained as women more often take higher education and gain access to valuable professional networks.

Microfinance is an industry affected by international issues, such as the financial crisis. In 2008, as a result of the financial crisis, USA found it necessary to offer microfinance services to some of the poor people affected by the crisis. The financial crisis also affected MFIs as it became harder for some clients to repay back their loans.

2. Explain how this topic thesis link to innovation

Microfinance was developed in 1976 and is considered an innovative and recent field. In the following subchapter I will present some possible explanations for why microfinance is considered to be such an innovative industry.

First of all, microfinance targets a “new market”. MFIs customer segments are poor customers, mainly situated in developing and highly industrialized countries. MFIs are targeting poor people and MFIs offer numerous services to their clients. The main focus being to provide financial services such as loans, deposits and money transfers. Some MFIs also provide other services such as marketing, technical assistance, vocational training and legal services. Second, microfinance stands out by targeting female clients. Targeting poor females is also considered a “new customer segment” compared to many other industries. Microfinance is known for being an industry for empowering females.

As mention before, MFIs are normally target poor people. Normally, poor people do not have access to technology used by the traditional banks. As a solution for this problem, an innovation created by microfinance was new lending sources. This innovation is called group loans and should make it easier for poor people to get loans, without the need for high technology tools.

2.1 Suggest one gap

MFIs has met challenges regarding high costs and low earnings. In order to ensure a sustainable microfinance industry, increased focus on cost-effectiveness could be needed. An existing gap could be for MFIs to focus more on how to become more cost-efficient in order to lower the costs and increase the earnings.

A possible way to become more cost-efficient is to create a better understanding on staff related to recruitment and training. MFIs should make sure the staff are capable and high-skilled, in order to provide the best services for the customers and also to be efficient at work. By having a capable staff, MFIs could increase earnings and reduce cost. Skilled staff is a key factor in order to remain competitive in the fast-growing MFI industry.

3. Discuss how the thesis topic relates to responsibility

Microfinance is known as a tool for reducing poverty. The founder of microfinance, Mohammad Yunus, received the Nobel Peace Prize for his effort to reduce poverty in Bangladesh. Microfinance takes responsibility for poor people by providing services such as loans, making it easier for poor people to access education and also health services. Based on this, one can say that microfinance is an industry which takes a great responsibility regarding reducing poverty.

Even though microfinance has received a lot of positive review, the industry is still facing some critic. MFIs are criticized for having an unaffordable high interest on the loans issued to the clients, which results in clients having an eternal debt, struggling paying back their loans. For MFIs to strengthen their responsibility, MFIs should make sure to issue loans with a manageable interest, possible for customers to handle. By offering a lower interest, this could lead to a competitive advantage because it would most likely attract more customers to the MFI. A lower interest could also positively influence the staff as it could be beneficial for the staff working with satisfied customers.

F. Reflection note – Karoline Sørensen

1.0 Introduction

This reflection notes presents a summary of the findings from the master thesis, and reflective thoughts about the thesis related to international trends, innovation and responsibilities are presented.

2.0 Summary of main theme and findings

The main purpose of this master thesis was to investigate if a female leadership influenced staff satisfaction in microfinance institutions. A female leadership was proxied by a female CEO, and staff satisfaction was measured in terms of staff turnover. Microfinance' customer segment is poor individuals, mostly women, and small businesses. MFIs is said to have double objectives, meaning a purpose of reducing poverty and being financial sustainable at the same time. The staff serves an important role in the MFIs as they have direct contact with the clients and are important for achieving MFIs' goals and performance. A characteristic with MFI is the high proportions of women in leadership positions compared to other traditional firms, as well as a high proportion of female clients. In our data set, women represent 22 % of CEOs, 46 % of the staff and 65 % of the clients.

The multiple regression found that the gender of CEO does not influence staff satisfaction. It means that men and women, as leader, are equally good at facilitating staff to remain in their jobs. The hypothesis of this thesis presumed a negative relationship between female CEOs and staff turnover rates. The hypothesis was developed based on former research and the theory of transformational leaders, as female leaders are assumed more transformational compared to men (Carless, 1998), and that transformational leaders lead to more satisfied employees (Bushra et al., 2011). However, the hypothesis was not supported, which is in line with the theory of role congruity, suggesting that some staff might have prejudices towards female leaders, making it harder for them to become and to succeed as leaders (Ritter & Yoder, 2004).

Still, one expectation was found. The interaction of a female CEO and female staff above a threshold of 70 % had a significant impact on staff satisfaction. It means, MFIs with a high proportion of female staff can benefit from having a female CEO regarding satisfaction among the employees. This is supported by Grissom et al. (2012), which argued that same gender between staff and leaders improved the relationship between them.

The findings presented in this master thesis can mainly contribute to the microfinance literature, and are also representative for firms with high proportion of female leaders or are operating in emerging markets.

3.0 International trends

Microfinance has experienced rapid growth and increased competition the last decades. It is a global industry with MFIs located in all regions of the world. The increased competition among the MFIs is an international trend, and is explained by liberalization and commercialization which have affected the industry. MFIs which wanted to keep operating in the market, changed their strategies and adopted a more traditional market strategy. As a result of stiff competition and high commercialization, the MFIs may be turning into more traditional banks, with main focus on being financial sustainable, which can be on the expense of the social objective, by excluding the poorest clients. On the contrary, traditional banks has realized that poor individuals are an attractive customer segment, which, in turn, increases the competition in the industry. This trend may be a challenge in the microfinance industry, and the MFIs may have to adjust in order to maintain the social objective while being financial sustainable.

MFIs is a part of the global market and is affected by the global economy. The financial crisis in 2008 increased the demand for MFIs in the US as more Americans became poor. However, clients also may suffer from repayment difficulties during recessions. Since MFIs are affected by the global economy, the industry should comply with the increased demand. Still, the MFIs should be aware of the danger that some clients may be struggling to repay the loans.

Globally, it is a trend that females take higher education and aim for leadership positions. This trend has also reached the MFIs, and it might be easier for women to enter leadership positions in MFIs since it is a young industry where a masculine culture not yet has settled. Women are well represented in leadership positions in MFIs, and this is a trend which is most like to continue.

4.0 Innovation

Microfinance is a relative new industry which has experienced rapid growth the last decades. It received a lot of attention after the Grameen Bank and its founder Mohammad Yunus won the Nobel Peace Prize in 1976. It is an innovative industry with focus on lowering poverty and targeting female clients. High turnover rates are considered one of MFIs main challenges, and

focus on retaining the competent staff can be considered as a gap in the industry, as the staff is not sufficiently maintained. Managers promote new employees quickly to meet the demand, and as a result, the employees are less taken care of in the training and recruitment process. The high turnover rates might imply that there is a gap in MFIs' routines and practices regarding maintaining the employees. A possible way to better retain the employees, might be providing a better training process and provide the employees with incentives to stay. A focus on the social aspect in the work place and facilitate for a better team work environment among the employees, might be beneficial for staff satisfaction. Additional, good advancement opportunities are said to increase staff satisfaction. Finally, based on the findings in this thesis, MFIs with a proportion of female staff equal to or above 70 %, can obtain lower staff turnover rates by electing a female CEO.

5.0 Responsibility

The MFIs have been criticized for having high interest rates on their loans. The clients are poor, and high interest rates are not sustainable for the clients. It is important to take care of the clients, and offering interest rates at a level which is sustainable for both clients and MFIs can perhaps become a competitive advantage. Satisfied clients are assumed to have an effect on staff, which might result in increased staff satisfaction.