Early Workforce Attrition in India's Financial Sector: Implications for Viksit Bharat 2047

Ratnesh Kumar Shrivastav
Research Scholar
Teerthankar Mahaveer Institute of Management & Technology
Teerthankar Mahaveer University
Moradabad – Uttar Pradesh

M.P Singh
Professor
Teerthankar Mahaveer Institute of Management & Technology
Teerthankar Mahaveer University
Moradabad – Uttar Pradesh

Abstract

The Indian government's "Viksit Bharat 2047" initiative envisions transforming India into a fully developed nation by its 100th year of independence. Central to this vision is the role of Non-Banking Financial Companies (NBFCs), which significantly contribute to economic inclusivity and financial penetration, particularly among underserved communities. However, NBFCs face a pressing challenge—early employee attrition, where new hires exit the organization within the first few months of employment. This trend jeopardizes operational stability, increases recruitment costs, and hampers long-term institutional growth.

This research explores the antecedents of early attrition in the NBFC sector, examining key factors such as mismatch between expectations and reality, inadequate onboarding, poor managerial relationships, compensation dissatisfaction, and lack of career development opportunities. Drawing on recent industry data—including an attrition rate of 96% in FY25 for NBFCs and high turnover among entry-level employees—the study highlights the systemic nature of the problem across the broader NBFC industry.

The research further identifies strategic solutions to mitigate early attrition, emphasizing structured onboarding, role-person fit, transparent compensation, continuous learning, workplace engagement, data-driven HR analytics, and internal career mobility. By addressing these dimensions holistically, NBFCs can enhance workforce retention, support institutional stability, and contribute meaningfully to India's journey toward becoming a developed nation by 2047.

Introduction

"Viksit Bharat," meaning "Developed India," is a visionary initiative by the Indian government aimed at transforming the nation into a fully developed country by the year 2047—marking a century of independence. The "Viksit Bharat 2047" mission aspires to drive holistic development across key areas such as social equity, environmental sustainability, robust governance and economic advancement. A pivotal component in realizing this vision lies in the strength and stability of key economic sectors—particularly the Non-Banking Financial Companies (NBFCs), which serve as catalysts for inclusive financial growth.

Non-Banking Financial Companies (NBFCs) sector plays a crucial role in driving economic advancement, as it provides essential support to individuals—particularly aspiring entrepreneurs—thereby contributing to the government's vision of a developed India. For financial institutions to remain stable and effective, it is vital to have skilled and committed professionals aligned with a long-term vision. However, in recent years, the sector has faced a growing challenge in employee attrition, with early attrition emerging as a significant concern.

Non-Banking Financial Companies (NBFCs) are grappling with high employee attrition, which poses serious operational risks. These include disruptions in customer service, loss of institutional knowledge, and rising recruitment and training costs. According to Team Lease Services, the attrition rate among front-line employees has reached 103%, while some Microfinance Institutions (MFIs) report attrition rates exceeding 50%. Notably, 25% of employees are leaving their positions without securing alternative employment.

Viksit Bharat 2047: A Vision for a Developed India

Viksit Bharat 2047 is an ambitious initiative by the Government of India aimed at transforming the nation into a fully developed country by the centenary of its independence in 2047 (NITI Aayog, Mar 2025). More than just a slogan, it presents a comprehensive strategic framework designed to propel India toward sustainable growth across economic, social, environmental, and governance domains.

The vision is anchored in five core pillars:

1. **Economic Growth** – Targeting a $30 trillion economy, the focus is on advanced manufacturing, digital services, infrastructure, and innovation.
2. **Social Development** – Ensuring inclusive progress through equitable access to education, healthcare, employment, and the empowerment of youth and women.

3. **Environmental Sustainability** – Committing to net-zero emissions by 2070 and investing in clean energy and climate resilience.
4. **Infrastructure and Connectivity** – Expanding high-speed corridors, smart cities, and digital networks nationwide.
5. **Governance Reforms** – Promoting transparent, tech-driven, and citizen-focused governance.

Execution is being led by **NITI Aayog**, with broad-based public engagement through platforms like *Ideas for Viksit Bharat*. Youth participation is being mobilized via initiatives like **Mera Yuva Bharat**, while cutting-edge technology and performance tracking frameworks are being adopted to guide and measure progress toward this transformative goal

Non-Banking Financial Companies (NBFCs)

The origin of Non-Banking Financial Companies (NBFCs) in India dates to the **1960s**, primarily emerging as alternative financial intermediaries to bridge gaps left by traditional banking institutions (Umrethwala H. Daud, Dec 2021). Initially, their role was confined to offering loans, hire purchase financing, and leasing services to niche segments. Over time, they evolved into structured financial entities recognized under the **Reserve Bank of India Act, 1934** (specifically Chapter III-B), which empowered the RBI to regulate and supervise their operations.

NBFCs gained momentum during the **liberalization era of the 1990s**, which opened India's financial sector to private participation and increased demand for diversified financial products. Their agility, customer-centric approach, and ability to penetrate rural and semi-urban markets allowed them to serve sectors underbanked by traditional banks.

Throughout the **2000s and 2010s**, NBFCs diversified into multiple verticals like **Retail finance**, **Microfinance**, **Infrastructure finance**, **Housing finance** and **SME lending**

As of 2024–25, Non-Banking Financial Companies (NBFCs) form a crucial pillar of India's financial ecosystem, accounting for nearly 25% of the total credit extended within the economy. According to the Reserve Bank of India, there are over 9,000 registered NBFCs. The sector, however, faces several pressing challenges, such as high early employee attrition—particularly in sales and frontline roles

Despite these obstacles, NBFCs continue to exhibit remarkable resilience. Leading players in the sector are effectively navigating the evolving landscape through digital transformation, innovative funding models, and a strong focus on customer-centric solutions.

The future of NBFCs in India appears highly promising, driven by key macroeconomic and sector-specific trends. These include greater financial inclusion and rural outreach, as NBFCs are well-placed to serve underserved Tier II and III cities. Digital transformation through AI and analytics is enhancing efficiency, while collaborations with fintech are enabling innovative offerings like co-lending. Government initiatives and regulatory support are boosting credit demand, alongside emerging opportunities in green finance and improved access to capital markets.

Employee attrition

Employee attrition has emerged as a critical concern in India's financial services sector, with Non-Banking Financial Companies (NBFCs) witnessing particularly high turnover rates. In FY25, attrition among temporary and entry-level employees in NBFCs peaked at an alarming 96%. (Financial Express, Apr 2025) Key factors contributing to this trend include low starting salaries, high-pressure roles, lack of structured onboarding, and limited career visibility. Customer-facing roles—such as loan and credit card sales—are especially impacted, where even a marginal salary hike of ₹1,000 often prompts employees to switch jobs.

This issue extends beyond NBFCs; private banks have also reported high attrition levels, averaging 25% in FY24. The Reserve Bank of India (RBI) has flagged these trends as concerning due to their implications for service quality, continuity, and increased hiring costs.

A specific concern is early or "infant" attrition, referring to employees who exit within the first six months of employment. Reports suggest this rate has been rising steadily by 4–5% annually, especially among the 22–32 age group. Common reasons include poor work-life balance, job dissatisfaction, and inadequate support structures.

To tackle this, NBFCs must view attrition not merely as an HR issue but as a strategic risk, requiring proactive investment in employee engagement, fair compensation, and clear growth pathways

Antecedents of Early Employee Attrition

When a new employee joins an organization, the company naturally holds certain expectations regarding their performance and integration. However, in recent times, candidates have become increasingly selective and particular about their work environment and job fit. As a result, early employee attrition has emerged as a significant challenge for organizations. The reasons behind early exits—typically within the first few months—are varied, but generally fall into a few key categories, outlined below:

1. **Mismatch Between Expectations and Reality:** It is crucial for hiring managers to clearly communicate expectations regarding work culture, job responsibilities, and organizational goals during the interview process. However, in some cases, employees later realize that the actual job role, workplace environment, or organizational culture does not align with what was conveyed during recruitment
2. **Poor Onboarding and Integration:** Effective onboarding is a shared responsibility between HR and the employee’s manager. It is essential that new hires receive structured orientation, proper guidance, and consistent support—especially during the initial months. Without adequate training, mentorship, or a designated buddy system, employees may struggle to adapt, resulting in confusion, disengagement, and ultimately, early attrition.
3. **Lack of Role Clarity or Purpose:** It is the joint responsibility of the manager and HR to ensure that new employees clearly understand their roles, including defined tasks, performance expectations, and how their contributions support the broader objectives of the team and organization. In the absence of this clarity, employees may experience confusion, feel undervalued, or become disconnected from their work—factors that often lead to early dissatisfaction and eventual resignation.
4. **Inadequate Compensation or Benefits:** It is the responsibility of the recruiter to ensure that new hires are offered competitive compensation, including both salary and benefits, that align with their job responsibilities and industry standards. If employees feel that their total compensation package—salary, perks, and benefits—does not meet market expectations, they may begin seeking better opportunities elsewhere, leading to early attrition
5. **Weak Relationship with Manager**: A weak or strained relationship with one’s direct manager is a significant antecedent of early employee attrition. The manager plays a

pivotal role in shaping the new employee's experience and their integration into the organization. Several factors contribute to this dynamic:

a. **Insufficient Communication**: Lack of clear and regular communication regarding job expectations, feedback, and performance often leaves employees feeling uncertain and undervalued (Bauer & Erdogan, 2011). Without proper guidance and feedback, employees are likely to become disengaged, which can lead to early exits.
b. **Leadership Style:** Managerial behaviour significantly impacts employee retention. For instance, micromanagement, lack of autonomy, and inconsistent decision-making can foster an environment of mistrust and frustration (Wollard & Shuck, 2011). When employees feel they have no room to develop or contribute meaningfully, they may seek opportunities where their talents are better recognized.
c. **Lack of Support and Development**: The absence of mentorship, inadequate resources, and failure to provide professional development opportunities can hinder an employee's ability to succeed within the organization. This lack of support, particularly during the critical initial months, often leads to feelings of inadequacy and frustration, accelerating the likelihood of voluntary turnover (Allen, 2008).

6. **Limited Growth or Learning Opportunities:** New employees often join an organization with aspirations of learning and advancing their careers. However, upon observing the current state of existing employees, if they perceive a lack of clear opportunities for development or skill enhancement, they may become discouraged. This perceived stagnation can lead ambitious employees to exit the organization early in search of better career growth prospects
7. **Cultural Misalignment:** Organizational culture refers to the shared values, beliefs, and norms that guide how employees interact with each other and with the organization. When an employee's personal values, working style, or expectations conflict with the organization's culture, it can lead to feelings of disengagement, dissatisfaction, and ultimately early attrition.
8. **Job-Personal Life Conflict**: Early employee attrition is often influenced by conflicts between job demands and personal life responsibilities. Inflexible work hours,

demanding schedules, or inconvenient locations can hinder an individual’s ability to maintain a healthy work-life balance. When new employees perceive that their role negatively impacts personal obligations, they may choose to resign early in search of more flexible and supportive employment environments that align better with their lifestyle needs

Recent Attrition Trende

The alarming attrition rates within the NBFC sector are not isolated occurrences but interconnected symptoms of systemic challenges. The industry data paints a concerning picture, revealing an average annual attrition rate of 30-40 percent, with even higher figures observed in specific sectors such as insurance (60-70 percent) and retail banking (35-40 percent).

Retail-facing roles in personal loans, credit cards, and other sales-related segments continue to face high attrition. This is seen largely at the entry level and among junior staff. "Junior staff are often moving jobs in search of a quick raise. Their starting salary is around ₹15,000 a month, and even a modest monthly increase of ₹1,000 is enough to entice them to switch roles," said Krishnendu Chatterjee, VP and business head, Team Lease Services.

As of the latest available data, **Bajaj Finance** reported an annualized employee attrition rate of **16.2%** as of December 31, 2024. This reflects a slight improvement from the previous quarter's rate of **16.4%**.

NBFCs have reported an alarming annual attrition rate of **96%** in FY25, a significant increase from **77%** in FY24. Loan sales teams are experiencing monthly attrition rates between **9% and 13%**, highlighting the volatility in customer-facing roles

Strategies to Address Early Employee Attrition

Early employee attrition—where new hires leave an organization within the first 6 to 12 months—poses a significant challenge for companies, particularly in high-pressure sectors like Non-Banking Financial Companies (NBFCs). High attrition leads to increased hiring costs, loss of training investment, reduced team morale, and service disruptions. Addressing early attrition requires a holistic strategy that spans recruitment, onboarding, employee engagement, and continuous support.

1. Structured Onboarding and Orientation

An ineffective onboarding process is a key contributor to early exits. Organizations must adopt a structured, multi-stage onboarding program that goes beyond administrative formalities. Effective onboarding should include:

- Clear role definition and expectation setting
- Cultural assimilation and team integration
- Regular check-ins during the first 90 days
- Mentorship pairing to guide the employee through early challenges

2. Role-Job Fit and Realistic Job Previews

Attrition often stems from a mismatch between job expectations and the reality of the role. Recruiters should provide realistic job previews (RJPs) during hiring to ensure candidates have an accurate understanding of the position. Psychometric tests and structured interviews can also improve role-person fit.

3. Competitive and Transparent Compensation

In NBFCs and similar sectors, early attrition is frequently driven by salary dissatisfaction. Entry-level employees often leave for marginal increases (e.g., ₹1,000/month). Organizations must offer competitive base pay and ensure transparency in compensation growth paths.

4. Learning and Development Opportunities

Providing early career learning opportunities is crucial for motivation and retention. New hires are more likely to stay if they see a clear path for skill enhancement and internal mobility. Organizations should:

- Introduce continuous training programs
- Offer certifications or partnerships with academic institutions
- Implement individual development plans (IDPs)

5. Positive Workplace Culture and Engagement

A culture of support, inclusiveness, and recognition can significantly reduce early attrition. Key cultural elements include:

- Open communication channels with supervisors
- Regular feedback and recognition
- Wellness and mental health support
- Celebration of small wins and team bonding activities

6. Proactive Retention Analytics

Data-driven HR practices help predict and prevent early attrition. Companies should monitor:

- Attrition hotspots by team, manager, or location
- Early warning signs through pulse surveys and engagement scores
- Exit interviews to identify common early-leaving causes

7. Career Pathing and Internal Mobility

Employees, especially millennials and Gen Z, are motivated by growth. Clearly defined internal career ladders and upskilling opportunities improve retention. Creating a roadmap of promotions, lateral moves, and role transitions helps new employees see their future within the organization.

Conclusion

The vision of *Viksit Bharat 2047* aims to elevate India into a developed nation through comprehensive economic, social, and environmental reforms. As a vital component of India’s financial infrastructure, Non-Banking Financial Companies (NBFCs) have a significant role to play in this transformation by fostering financial inclusion, supporting underserved markets, and enabling entrepreneurial growth. However, the sector's long-term contribution to this vision is contingent upon its ability to address critical human resource challenges—most notably, early employee attrition.

High attrition, particularly among entry-level and frontline staff, has emerged as a structural concern that threatens operational continuity, customer service, and organizational stability. The increasing prevalence of early attrition, driven by factors such as low compensation, poor onboarding, lack of managerial support, and job-personal life conflicts, highlights an urgent need for systemic intervention.

To achieve sustained success and align with the aspirations of *Viksit Bharat 2047*, NBFCs must adopt a proactive, strategic approach to workforce management. This includes investing in structured onboarding programs, competitive pay structures, career development pathways, and a supportive workplace culture. By focusing on talent retention and employee engagement, NBFCs can build a resilient workforce—one that not only supports institutional growth but also contributes meaningfully to India's development journey.

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