

Cost Of Attrition: A Major Concern in Non-Banking Financial Institution

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Abstract—Employee attrition has emerged as a persistent challenge in India’s financial services sector, particularly among non-banking financial companies (NBFCs). As human capital drives revenue growth, risk management, and customer relationships, workforce churn creates not only immediate costs but also structural risks to organizational sustainability. This study reframes attrition from an HR metric to a balance-sheet concern with strategic implications.

The research has two objectives: to measure the cost of attrition in NBFCs using a structured framework, and to identify practical strategies for workforce stabilization. Relying on secondary data from consultancy reports, HR benchmarks, and company disclosures (2023–2025), the study finds that while overall attrition in India Inc. eased to 17% in 2023, financial services diverged, with NBFCs and private banks reporting rates of 30–50%, particularly in frontline roles.

A three-bucket model—direct, indirect, and intangible costs—captures the economic burden. Estimates suggest replacement costs range from 40% to 200% of annual salary, with early-tenure attrition disproportionately expensive.

The study recommends interventions such as structured onboarding, role redesign, compensation hygiene, managerial development, and career mobility, alongside policy-level recognition of attrition as a systemic risk. Future research should develop predictive analytics and real-time monitoring systems to link attrition costs directly to profitability and customer outcomes.

I. INTRODUCTION

Employee attrition, often referred to as turnover, remains a persistent concern in organizational management, but its impact is particularly acute in financial services. This sector relies heavily on human capital—frontline sales staff, relationship managers, credit officers, risk analysts, and compliance teams—to drive growth, safeguard credit quality, and maintain customer trust. Unlike manufacturing or technology-

driven industries, financial institutions cannot easily substitute human functions with automation. Customer acquisition, credit appraisal, and collections continue to depend on people, making attrition costly not only in terms of recruitment and training but also through erosion of institutional knowledge, customer relationships, and long-term engagement.

BACKGROUND. In India, attrition has become one of the most pressing challenges for financial institutions in the post-pandemic period. While India Inc.’s overall attrition moderated to 17% in 2023, NBFCs and private banks continued to record rates of 30–50%, particularly in sales-intensive and junior-level roles. Disclosures from HDFC, ICICI, Kotak, and Yes Bank confirm that despite some easing in FY24, workforce instability persists, signalling structural issues rather than short-term fluctuations.

STRATEGIC IMPORTANCE. NBFCs play a vital role in extending credit to underserved segments such as small businesses, rural borrowers, and first-time credit users. Their growth model depends on agile field staff, effective credit delivery, and strong compliance. High attrition disrupts each of these functions, increasing operational risk and eroding competitiveness.

RISING RISKS. Beyond costs, attrition destabilizes culture, burdens remaining employees, and undermines customer trust. For NBFCs, this often translates into revenue leakage, portfolio instability, and compliance vulnerabilities—risks that remain under-recognized in strategy.

RESEARCH PROBLEM: WHY ATTRITION COSTS ARE UNDER-RECOGNIZED IN NBFCs

Attrition is often measured narrowly as a human resources metric rather than a strategic business

challenge. HR departments typically account for the visible cash costs of hiring, onboarding, and training replacements, but the broader indirect and intangible costs—lost productivity, disruption of customer relationships, diminished brand reputation, and compliance risks—remain hidden in financial statements. This under-recognition distorts decision-making, leading to inadequate investment in retention strategies. In NBFCs, where business models are intrinsically human-capital-intensive, this oversight is particularly detrimental. There is therefore a pressing need to quantify the cost of attrition holistically and to realign managerial attention toward its strategic implications.

OBJECTIVES OF THE STUDY

This study aims to address this gap by:

- Developing a comprehensive framework to measure the cost of attrition, covering direct, indirect, and intangible dimensions.
- Analysing recent attrition trends (2023–2025) in India's financial services sector, with emphasis on NBFCs.
- Linking attrition costs to business outcomes such as portfolio stability, customer trust, and compliance integrity.
- Recommending evidence-based retention strategies tailored to the unique operating model of NBFCs.

II. LITERATURE REVIEW

Employee attrition has long been a focal point of organizational research due to its pervasive influence on workforce stability, financial sustainability, and competitive advantage. Within the financial services industry, attrition is particularly consequential because the sector's performance depends largely on skilled employees who manage customer relationships, oversee risk, and ensure compliance. This review synthesizes theoretical, empirical, and sectoral perspectives on attrition, with a focus on its costs in the financial services sector and, specifically, non-banking financial companies (NBFCs).

THEORETICAL FOUNDATIONS

Research on employee attrition is grounded in multiple theories. Turnover models provide structured

explanations of why employees leave. March and Simon's (1958) organizational equilibrium theory linked exits to the balance of inducements (e.g., pay, recognition) and contributions (effort). Mobley's (1977) model emphasized job satisfaction and intention to quit as key precursors, while later frameworks highlight the dynamic influence of organizational conditions, career prospects, and personal expectations.

HUMAN CAPITAL THEORY (Becker, 1964) views employees as investments in skills and knowledge; attrition thus represents the depreciation of valuable assets.

THE PSYCHOLOGICAL CONTRACT (Rousseau, 1989) stresses perceived fairness and reciprocity. Breaches—through lack of recognition, career stagnation, or excessive demands—heighten voluntary turnover, especially in high-pressure NBFC roles.

DEFINITIONS AND TYPES OF ATTRITION

Attrition, often used interchangeably with turnover, refers to the permanent separation of employees from an organization within a defined period. However, the literature distinguishes multiple types of attrition, each with distinct implications:

- Voluntary attrition occurs when employees choose to leave, often for better pay, career growth, or improved work-life balance.
- Involuntary attrition arises from employer-driven separations such as layoffs, restructuring, or dismissals.
- Early-tenure attrition refers to employees leaving within the first year of employment, often reflecting recruitment mismatches or inadequate onboarding. This form is particularly costly due to unrecovered hiring and training investments.
- Functional attrition denotes turnover that benefits the organization, such as the departure of consistently underperforming employees.
- Dysfunctional attrition, by contrast, involves the loss of high-performing or critical employees, which can severely damage productivity and morale.

Recognizing these categories is vital because not all attrition is equally harmful. In the financial sector, however, the balance skews toward dysfunctional and early-tenure attrition, both of which create significant business risks.

GLOBAL AND INDIAN PERSPECTIVES ON ATTRITION TRENDS

Globally, attrition has become a hallmark of post-pandemic labour markets. The “Great Resignation” accelerated voluntary exits as employees sought higher pay, flexible work, and improved well-being. McKinsey (2022) and Gallup (2023) identify disengagement and burnout as central drivers.

In India, attrition rates have traditionally exceeded global averages. Deloitte (2023) notes India Inc.’s overall attrition eased to 17% in 2023, down from 19–20% in 2022. Yet financial services diverged, with turnover often reaching 30–50% in sales, credit, and risk roles. Bank disclosures highlight this strain: HDFC’s attrition peaked at 34% in FY23 before easing to 27% in FY24; ICICI moderated from 31% to 24–25%; Kotak remained high at 40–50%. These trends underscore persistent workforce instability in BFSI.

COST OF ATTRITION: FRAMEWORKS FROM SHRM, GALLUP, AND DELOITTE

Attrition costs span direct, indirect, and intangible dimensions. SHRM (2022) estimates average cost-per-hire at USD 4,700 in the U.S., highlighting expenses in recruitment, onboarding, and training, with higher costs for senior or specialized roles. Gallup (2019, 2024) broadens the view, factoring in productivity loss, customer disruption, and morale decline, estimating replacement costs at 40–200% of annual salary. Notably, 42% of turnover is considered preventable. Deloitte (2023, 2024) links attrition to cultural gaps - limited career mobility, recognition, and workload strain - arguing for structural reforms alongside pay adjustments. Collectively, these frameworks position attrition as a strategic balance-sheet risk, not just an HR issue.

SECTOR-SPECIFIC LITERATURE: BFSI AND NBFC ATTRITION PATTERNS

The BFSI sector is highly vulnerable to attrition given its dependence on large customer-facing teams, intense sales targets, and regulatory pressures. NBFCs face sharper challenges than banks, particularly in

semi-urban and rural markets where talent attraction and retention are difficult. Frontline sales and collections roles show attrition above 35 - 40%, with collections experiencing severe monthly churn (ETHRWorld, 2024; The Economic Times, 2025). High turnover disrupts acquisition, disbursement, and repayment cycles, leading to revenue leakage and credit risk. Attrition in underwriting and compliance further raises operational vulnerabilities. Compared globally, India’s NBFCs face amplified churn due to demographics, rapid growth, and fintech poaching.

III. RESEARCH GAPS

Although attrition is increasingly recognized as a systemic challenge, several gaps remain. Most studies assess costs in aggregate, overlooking role- and tenure-specific impacts, particularly the high burden of early-tenure churn in NBFCs. Global models from SHRM, Gallup, and Deloitte offer benchmarks but lack empirical validation in the Indian financial context. Research often focuses on visible costs - recruitment and training - while intangible losses such as knowledge erosion, customer dissatisfaction, and compliance risk are underexplored. Moreover, few studies link attrition directly to portfolio outcomes, credit losses, or loyalty. Real-time monitoring and predictive analytics remain underutilized, underscoring the need for integrated, outcome-focused frameworks.

CONCEPTUAL FRAMEWORK

Understanding the cost of attrition in the financial industry requires a structured conceptual framework that captures the complexity of workforce turnover. Attrition cannot be adequately assessed through simple headcount measures; rather, it must be analysed across multiple dimensions, including rate metrics, role and tenure segmentation, and a comprehensive costing model. This section develops a framework tailored to financial institutions, particularly non-banking financial companies (NBFCs), where attrition poses disproportionate risks to operational continuity, compliance, and customer trust.

DEFINING ATTRITION RATE AND CHURN METRICS

The attrition rate is typically defined as the proportion of employees who permanently leave an organization

during a specified period, expressed as a percentage of the average workforce. The formula commonly used is:

$$\text{Attrition Rate} = \frac{\text{Number of Exits in Period}}{\text{Average Headcount in Period}} \times 100$$

While this simple measure provides a snapshot of workforce stability, it has limitations. It does not capture role criticality, tenure distribution, or geographic variations. To overcome this, organizations increasingly adopt churn metrics, which track departures across granular categories such as job families, tenure bands, and business units. In the financial industry, churn metrics provide greater diagnostic power because turnover in frontline sales or collections has very different implications compared to attrition in back-office support.

ROLE-BASED SEGMENTATION

Attrition analysis must account for the heterogeneity of roles within financial institutions. NBFCs depend on a diverse workforce that spans customer-facing, risk management, and operational roles. Segmentation by role reveals where attrition is most damaging:

- **FRONTLINE SALES:**

These employees are critical to customer acquisition and loan origination. High attrition disrupts acquisition funnels, reduces market penetration, and weakens relationship continuity. Replacement costs are also magnified because new hires require time to build trust with customers.

- **COLLECTIONS:**

Staff in this category safeguard portfolio quality by ensuring timely repayments. Attrition in collections teams is particularly harmful because it directly affects cash flow, increases delinquency rates, and raises credit losses.

- **CREDIT UNDERWRITING:**

These roles demand technical expertise and risk judgment. Losing experienced underwriters not only slows approval processes but also increases the probability of poor credit decisions, thereby amplifying portfolio risk.

- **OPERATIONS AND COMPLIANCE:**

While less visible, attrition in back-office and compliance roles introduces vulnerabilities in process execution, regulatory adherence, and internal controls. These risks can escalate into reputational damage and regulatory penalties.

By analysing attrition through role-based segmentation, institutions can prioritize retention strategies where the business impact is greatest.

TENURE-BASED SEGMENTATION

Employee tenure is another critical dimension for understanding attrition dynamics. Departures have varying cost implications depending on when they occur in the employee lifecycle:

- **≤90 DAYS (EARLY ATTRITION):**

Employees leaving within the first three months often indicate recruitment mismatches or inadequate onboarding. Early attrition is disproportionately costly because investments in sourcing, training, and orientation are entirely unrecovered.

- **91–180 DAYS:**

Departures in this window suggest challenges in role adjustment, workload expectations, or managerial quality. While some productivity may have been delivered, the employee typically has not reached full effectiveness, making replacement costs significant.

- **181–365 DAYS:**

Attrition during this period reflects unmet expectations regarding career development, compensation, or workplace culture. Costs are higher because employees at this stage often contribute meaningfully before exiting.

- **>1 YEAR:**

Departures beyond one year represent losses of experienced staff with accumulated knowledge and customer relationships. For financial institutions, attrition in this category is often dysfunctional, as it erodes organizational memory and weakens long-term client trust.

This tenure-based segmentation underscores that not all attrition carries equal weight. Early-tenure churn is particularly detrimental in NBFCs, where rapid sales

ramp-up and customer outreach are essential for business growth.

THREE-BUCKET COST ARCHITECTURE

A comprehensive understanding of attrition requires moving beyond visible costs to capture the full economic burden. The three-bucket cost architecture—direct, indirect, and intangible costs—offers a structured approach for quantification.

- **DIRECT COSTS** These are the most visible and quantifiable expenses. They include:
 - Recruitment costs: job postings, recruiter fees, assessments, and background checks.
 - Onboarding and orientation: administrative processing, technology provisioning, and induction programs.
 - Training: classroom sessions, e-learning modules, and coaching expenses. For example, SHRM (2022) estimates that average cost-per-hire in financial services can exceed USD 4,700, with higher figures for specialized roles.
- **INDIRECT COSTS** Indirect costs are less visible but equally significant. They include:
 - Productivity loss during vacancies and ramp-up periods for replacements.
 - Increased workload and stress on remaining team members, leading to further disengagement.
 - Managerial time diverted from strategic tasks to handle recruitment, training, or performance gaps. Gallup (2024) estimates that indirect costs alone can amount to 50–100% of an employee's annual salary, depending on role complexity.
- **INTANGIBLE COSTS** Intangible costs are the hardest to measure but can have the most far-reaching consequences. These include:
 - Knowledge loss: attrition erodes institutional expertise, especially in risk and underwriting roles.
 - Brand damage: high turnover can harm employer reputation, making it harder to attract top talent.
 - Customer dissatisfaction: attrition among relationship managers or collections staff disrupts client trust and loyalty.

- Compliance risks: frequent staff changes in compliance functions may lead to lapses that attract regulatory scrutiny.

In NBFCs, intangible costs can escalate quickly, as customer segments often rely on personalized trust and consistent service delivery.

IV. METHODOLOGY

A rigorous examination of the cost of attrition in the financial industry requires a clear and transparent methodology that links empirical evidence with conceptual frameworks. This section outlines the research design, data sources, analytical framework, and the scope and limitations of the study.

RESEARCH DESIGN: SECONDARY DATA ANALYSIS

RESEARCH DESIGN

This study employs a secondary data analysis approach, synthesizing existing datasets, consultancy reports, professional publications, and corporate disclosures to evaluate attrition trends and costs. This design is appropriate since employee turnover is already widely documented by industry sources, enabling reliable benchmarking across institutions, geographies, and role categories. The methodology combines descriptive and analytical elements. Descriptively, it maps attrition rates and patterns within NBFCs and the wider financial sector. Analytically, it applies established cost frameworks to estimate attrition's economic burden, distinguishing between direct, indirect, and intangible costs to provide a structured and comprehensive understanding of workforce challenges.

V. DATA SOURCES

To ensure reliability and comprehensiveness, the study triangulates data from multiple authoritative sources:

- **INDUSTRY REPORTS**
 - Deloitte's *India Workforce Trends* (2023, 2024) for macro-level attrition patterns and wage differentials.
 - PwC and McKinsey publications offering insights into financial services workforce management.

- **PROFESSIONAL ASSOCIATIONS**
 - The Society for Human Resource Management (SHRM), which provides benchmarks for average cost-per-hire, training, and onboarding.
 - Gallup reports (2019, 2024) that quantify replacement costs as percentages of annual salaries and highlight drivers of preventable turnover.
- **ANNUAL DISCLOSURES AND FILINGS**
 - Workforce-related disclosures from leading private sector banks (HDFC, ICICI, Kotak Mahindra, Axis, Yes Bank) and select NBFCs. These include attrition rates, employee demographics, and HR expenses.
 - Mahindra Finance and other NBFC DRHPs (Draft Red Herring Prospectuses) for role-specific attrition details.
- **REGULATORY SOURCES**
 - The Reserve Bank of India (RBI) reports on financial stability and NBFC sector performance, providing context for operational risks tied to workforce churn.
- **SECONDARY LITERATURE**
 - Peer-reviewed academic articles on attrition, turnover costs, and workforce stability in BFSI and related industries.

$$It = \underbrace{(\text{Vacancy Days} \times \text{Daily Contribution} \times \text{Loaded Rate})}_{\text{lost throughput}} + \underbrace{(\text{Ramp Months} \times \text{to Delca / Floribe lora Ite})}_{\text{ramp loss}}$$

- Intangible costs: knowledge erosion, customer dissatisfaction, and reputational risks (derived from case literature and industry commentaries). Where possible, cost estimates are expressed as percentages of average employee salary to enable standardization across organizations.
- **LINKING TO BUSINESS OUTCOMES** The framework connects attrition costs with business outcomes such as acquisition funnel continuity, collections efficiency, and credit-risk stability. For example, attrition in collections staff is modelled as an increase in delinquency rates, highlighting systemic financial implications.

This triangulated data strategy mitigates reliance on a single dataset and enables cross-validation of findings.

VI. ANALYTICAL FRAMEWORK

The analytical framework operationalizes attrition measurement and cost estimation in three steps:

- **ATTRITION RATE FORMULAS** The study employs the standard formula:

$$\text{Attrition Rate} = \frac{\text{Number of Exits in Period}}{\text{Average Headcount in Period}} \times 100$$

To enhance diagnostic power, attrition is segmented by role (sales, collections, underwriting, operations) and tenure (≤ 90 days, 91–180 days, 181–365 days, >1 year). This disaggregation reveals where attrition is most damaging.

- **COST ESTIMATION Models** Attrition costs are estimated using the three-bucket architecture:
 - Direct costs: recruitment expenses, onboarding, induction, and training (benchmarked from SHRM and Deloitte).

$$D_i = \text{Recruit} + \text{Assess} + \text{BG} + \text{Onboard} + \text{Train}$$

- **INDIRECT COSTS:** vacancy-driven productivity losses, managerial time, and ramp-up periods (informed by Gallup's replacement cost estimates).

VII. ATTRITION TRENDS IN NBFCs

Employee attrition has become a critical concern in financial services, particularly for non-banking financial companies (NBFCs). Unlike industries where automation cushions workforce turnover, NBFCs remain highly reliant on people for sales, credit appraisal, collections, and compliance, making churn especially disruptive. This section reviews attrition trends from 2022 to 2025, contrasting NBFCs with private banks and fintechs, and examining role-specific churn through case insights.

MACRO-LEVEL TRENDS (INDIA INC., 2022–2025). Post-pandemic India saw a spike in voluntary exits—popularly termed the “Great Resignation”—driven by pay expectations, work-life balance, and flexible work options. Deloitte (2023) estimated overall attrition at 19–20% in 2022 before moderating to 17% in 2023 as hiring slowed. Yet, financial services diverged. Gallup (2024) and The Economic Times (2024) report persistent attrition of 30–35% in banking and NBFCs, particularly in junior sales. Early 2025 figures suggest stabilization, but frontline churn remains structurally high, underscoring long-term workforce challenges.

SECTOR-SPECIFIC TRENDS: NBFCs VS. PRIVATE BANKS VS. FINTECH

NBFCs face the steepest attrition, with frontline turnover often exceeding 35–40% in sales and collections due to field intensity, aggressive targets, and limited career mobility. Private banks perform slightly better, with attrition between 25–40% across 2022–2024. Stronger brand equity and structured career ladders help retention, yet junior sales and operations remain vulnerable. FinTech, after high attrition during 2021–2022 expansion, stabilized as funding slowed in 2023–2024. Still, they attract young talent from NBFCs and banks with dynamic environments and fast career growth. This competitive poaching intensifies attrition pressures on traditional financial institutions.

ROLE-SPECIFIC CHURN

Attrition in NBFCs varies sharply by role, with frontline staff most affected. Sales teams experience the highest churn - often above 40% - driven by field stress, aggressive targets, and modest pay, with replacements requiring time to rebuild client networks. Collections staff face 30–35% attrition due to stressful recoveries and safety risks, directly harming cash flows and loan recovery. Credit underwriters show lower attrition (15 - 20%), yet departures are costly as they slow credit decisions and raise default risks. Operations and compliance roles report 12–18% attrition but exits here weaken internal controls and expose NBFCs to regulatory lapses.

CASE EXAMPLES: 2022–2025

Attrition patterns across leading banks and NBFCs between 2022 and 2025 highlight both persistence and scale. HDFC Bank saw attrition climb from 27.6% in FY22 to 34% in FY23, before moderating to 27% in FY24, with churn concentrated in junior sales roles. ICICI Bank reported 31% attrition in FY23, easing to 24 - 25% in FY24, though collections and sales continued to show high monthly exits. Kotak Mahindra Bank faced some of the steepest turnover, peaking at nearly 50% in FY23 and settling near 40% in FY24, raising concerns over service delivery. Yes, Bank recorded 43% attrition in FY23, with only partial stabilization thereafter, while IndusInd Bank hovered around 35 - 38% before slight improvement in FY24. Among NBFCs, Bajaj Finance consistently reported churn above 35% in its field sales force despite strong profitability, and Mahindra Finance experienced similar challenges, particularly in rural outreach staff. In contrast, Cholamandalam Finance maintained relatively lower attrition at 20 - 25%, aided by stronger engagement and regional workforce stability.

A key feature across institutions is early-tenure attrition, with many exits occurring within 90–180 days. This undermines recruitment investments and destabilizes portfolios, while attrition of experienced staff - though less frequent - erodes institutional knowledge and customer trust.

MEASURING THE COST OF ATTRITION

The true cost of attrition is frequently underestimated in financial institutions because it is often calculated narrowly, focusing only on visible recruitment and training expenses. However, attrition carries multidimensional costs that ripple through organizational performance, customer trust, and long-term financial stability. For NBFCs, where business models depend on field-intensive operations and customer relationships, the burden of attrition is magnified. This section applies cost formulas, presents case-based examples, and examines benchmarks and ROI implications of retention versus replacement.

Types of Cost		
Employee Attrition Cycle	Direct	Indirect
Current Employee Prior to Departure	<ul style="list-style-type: none"> • Separation administration • Accrued vacation payouts • Recruitment administration 	Lost productivity for: <ul style="list-style-type: none"> • Separated employee during the period between announcing attrition and last day • Recovery planning with colleagues, teams, and managers
Position Vacancy	<ul style="list-style-type: none"> • Replacement costs (e.g. overtime or contract workers to cover vacant position) • Candidate selection and interview administration 	Lost productivity due to: <ul style="list-style-type: none"> • Vacant position • Escalating risk of burnout for colleagues, team, and manager • Escalating risk for customer service disruptions
New Employee Onboarding and Enablement	<ul style="list-style-type: none"> • Background checks • Physical/drug screenings • Skills testing or other assessments • Referral fees • Sign-on bonuses 	Suboptimal productivity due to: <ul style="list-style-type: none"> • Learning curve during orientation • Ongoing colleague training • Reestablishment of working patterns and relationships

THE COST OF BAD HIRING – DIRECT BUSINESS IMPACT ILLUSTRATION

Role	Average Productivity	Notice period	Total
SO	30 lakh	3 Months	90 Lakh (If not resigned)
Productivity reduce in NP	1st month - 18 Lakh	Notice period	12 Lakh
	2nd month - 15 Lakh		15 Lakh
	3rd month - 12 Lakh		18 Lakh
Total loss			45 Lakh
If replacement not hired for 1 month			30 Lakh
Replacment will take time to learn and settle	1st month - 12 Lakh	Settling Period	18 Lakh
	2nd month - 15 Lakh		15 Lakh
	3rd month - 20 Lakh		12 Lakh
4th Month onwards will catch up the requirments			
Total loss			75 Lakh
Total loss			120 Lakh
* If early attrition then cycle will repeat.			

APPLICATION OF ATTRITION COST FORMULA

The most basic method of calculating attrition rate is:

$$\text{Attrition Rate} = \frac{\text{Number of Exits in Period}}{\text{Average Headcount in Period}} \times 100$$

While useful for tracking turnover trends, this metric does not capture costs. For cost estimation, several frameworks expand the formula to include three cost categories:

$$\text{Attrition Cost} = \text{Direct Costs} + \text{Indirect Costs} + \text{Intangible Costs}$$

- Direct costs: hiring, onboarding, background checks, initial training.
- Indirect costs: productivity loss during vacancy, peer workload, managerial time, lost sales.
- Intangible costs: morale decline, customer dissatisfaction, knowledge loss, reputational impact.

For example, if a mid-level sales executive exits, the direct costs (recruitment + training) may be ₹1.5 lakh, while indirect costs from lost productivity during replacement and ramp-up could reach ₹3 - 4 lakh. Intangible costs, such as weakened customer relationships and reduced morale, though harder to quantify, may equal or exceed tangible costs. Thus, the real attrition cost can be 1.5 - 2.5 times the employee's annual salary.

CASE-BASED CALCULATION FOR FRONTLINE SALES ROLES

Frontline sales employees in NBFCs are among the most vulnerable to attrition, with annual churn often exceeding 35 - 40%. To illustrate, consider a case example of a sales officer with an annual cost-to-company (CTC) of ₹4.0 lakh.

- **DIRECT COSTS**
 - Recruitment (job posting, recruiter time, assessments): ₹50,000
 - Onboarding and orientation: ₹25,000
 - Training programs (initial and refresher): ₹75,000
 - Subtotal: ₹1.5 lakh
- **INDIRECT COSTS**
 - Productivity loss during vacancy (assume 2 months): ₹0.65 lakh
 - Ramp-up time for replacement (assume 3 months of partial productivity): ₹0.85 lakh
 - Managerial time diverted to mentoring replacement: ₹0.40 lakh
 - Missed sales opportunities (lost conversions, stalled pipeline): ₹1.25 lakh
 - Subtotal: ₹3.15 lakh
- **INTANGIBLE COSTS**
 - Customer dissatisfaction due to relationship disruption: estimated at ₹1.0 lakh (based on lost cross-sell potential).

- Knowledge erosion (local market insights, competitor intelligence): ₹0.5 lakh
- Morale impact on team, contributing to further disengagement: ₹0.5 lakh
- Subtotal: ₹2.0 lakh

Total Cost of Attrition per Sales Role = ₹6.65 lakh

This estimate shows that replacing a ₹4.0 lakh CTC sales officer can cost over 1.6 times annual salary when all categories are considered. Extrapolated across hundreds or thousands of exits, the financial burden becomes enormous.

COST BURDEN AT PORTFOLIO LEVEL

Attrition in NBFCs has portfolio-wide implications, affecting acquisition, collections, and risk management.

- **CUSTOMER ACQUISITION.** Sales exits disrupt loan pipelines. If each officer originates ₹1 crore annually, 30% attrition across 1,000 officers implies ₹300 crore in lost potential, with delays reducing disbursement velocity and revenue growth.
- **COLLECTIONS PERFORMANCE.** Turnover in collections is even more damaging. For instance, a collections officer managing a ₹20 crore portfolio at 95% efficiency may see efficiency fall to 92% during transition, resulting in a ₹60 lakh slippage. Scaled across multiple exits, losses erode profitability.
- **COMPLIANCE AND RISK.** Departures in underwriting or compliance increase approval errors, default risks, and regulatory vulnerabilities, weakening loan book quality.
- **COMPARATIVE BENCHMARKS.** Attrition costs in NBFCs average 1.5–2 times annual salary—higher than banks (1.2–1.5x), fintech's (lower direct costs but higher innovation risks), or manufacturing/IT (0.8–1.2x). This underscores NBFCs' heightened sensitivity, where workforce churn directly disrupts loan book economics.

ROI ANALYSIS OF RETENTION VS. REPLACEMENT

A critical aspect of cost analysis is comparing the economics of retention investments versus replacement costs.

Consider again the frontline sales officer example, where replacement cost equals ₹6.65 lakh. Suppose

the organization invests ₹50,000 annually per employee in retention initiatives such as structured onboarding, recognition programs, and career development. Even if these initiatives reduce attrition by only 20%, the cost savings far outweigh the investment.

$$\text{Net Savings} = (\text{Reduction in Attrition Rate} \times \text{Replacement Cost}) - \text{Retention Investment}$$

If 20% of potential exits are prevented, savings per employee equal ₹1.33 lakh (20% of ₹6.65 lakh). After deducting the ₹50,000 investment, the net benefit is ₹83,000. Scaled across 1,000 employees, this translates into ₹8.3 crore in annual savings.

Similarly, in collections roles, targeted retention through safety protocols, recognition, and workload balancing can reduce slippages, improving repayment rates. A one-percentage-point improvement in repayment efficiency can protect crores of rupees in portfolio quality—far exceeding the cost of retention programs.

This ROI analysis demonstrates that investing in retention is not a discretionary HR expense but a high-return strategic investment. Replacement is consistently costlier, while retention stabilizes both workforce morale and financial performance.

VIII. DISCUSSION

Attrition in the financial industry, and particularly in non-banking financial companies (NBFCs), is more than a human resources challenge - it is a direct strategic risk with material business consequences. Unlike other industries where workforce turnover can be absorbed by automation or standardized processes, financial services depend on human capital for every stage of value creation, from customer acquisition to risk assessment and collections. This section discusses how attrition shapes business outcomes, the strategic implications for NBFC sustainability, and comparisons with global practices.

LINKING ATTRITION TO BUSINESS OUTCOMES

Attrition in NBFCs directly affects critical business outcomes across growth, customer relationships, and risk management.

- **ACQUISITION FUNNEL DISRUPTION.**

Frontline sales staff drive lead conversion and loan disbursement. High turnover delays replacements, causes lead leakage, and weakens disbursement pipelines. New recruits require months to reach productivity, creating structural gaps. For instance, with each sales officer contributing ₹1 crore annually, a 30% attrition rate among 1,000 officers translates into ₹300 crore in lost acquisition potential. Frequent employee changes also erode customer trust, raising acquisition costs.

- **REDUCED CROSS-SELL AND LOYALTY.**

Sustained customer relationships are essential for cross-selling and retention. Attrition severs continuity, weakening trust and lowering Net Promoter Scores (NPS). Gallup (2024) finds firms with high turnover report 20–30% weaker loyalty, directly reducing profitability.

- **CREDIT RISK AND COMPLIANCE LAPSES.**

Departures in underwriting and collections increase NPAs due to weaker credit assessments and repayment follow-up. Attrition in compliance staff further heightens vulnerability, exposing NBFCs to penalties, reputational damage, and regulatory scrutiny.

STRATEGIC IMPLICATIONS FOR NBFC SUSTAINABILITY

Attrition trends highlight systemic risks that directly affect NBFCs' long-term sustainability.

- **COST-EFFICIENCY Erosion.** Persistent churn raises recruitment and training expenses while reducing productivity. These recurring costs accumulate into major balance-sheet pressures, eroding margins in an already cost-sensitive industry.

- **OPERATIONAL INSTABILITY.** Turnover disrupts continuity in customer acquisition, loan disbursement, and collections. In semi-urban and rural markets, where NBFCs rely heavily on frontline stability, high churn undermines customer trust and creates exploitable service gaps.
- **CULTURAL FRAGILITY.** Constant exits weaken institutional culture. Employees rarely internalize organizational values before leaving, fuelling disengagement and reinforcing a cycle of turnover.
- **TALENT BRAND CHALLENGES.** High attrition damages employer reputation, making it harder to attract younger talent seeking career visibility and stability. Recruitment costs rise as brand credibility declines.
- **STRATEGIC VULNERABILITY.** Without robust retention, NBFCs risk losing both customers and employees to banks with stronger reputations and fintech's offering dynamic career paths.

Together, these factors confirm attrition as a strategic risk that threatens profitability, compliance, and trust.

COMPARISON WITH GLOBAL PRACTICES

Global benchmarks reveal critical gaps in how Indian NBFCs manage attrition. In the United States and Europe, banks treat attrition as a board-level concern, deploying AI-driven predictive analytics, role-specific retention strategies, flexible work models, and wellness initiatives. Southeast Asian markets, such as Singapore and Malaysia, mandate disclosure of workforce stability indicators, pushing firms to invest in structured career pathways and recognition systems. By contrast, many Indian NBFCs adopt reactive approaches—incremental pay hikes, basic training, and limited career planning. Without systematic role- and tenure-based frameworks, workforce vulnerabilities persist despite increasing awareness of attrition risks.

Global best practices emphasize real-time monitoring, role prioritization, and cultural alignment. Indian NBFCs could benefit from adopting these approaches by:

- Investing in attrition analytics platforms that provide predictive insights.

- Embedding retention strategies into business planning, with direct accountability at leadership levels.
- Expanding non-financial incentives such as recognition, mobility, and professional development.
- Treating attrition as a balance-sheet risk disclosed in annual reports, thereby increasing institutional accountability.

IX. RECOMMENDATIONS

The analysis of attrition trends and costs in NBFCs underscores that addressing turnover requires a structured, multi-layered approach. Retention cannot be achieved through ad hoc salary revisions or reactive recruitment; rather, it demands a comprehensive playbook anchored in employee lifecycle management, role segmentation, and strategic alignment with business objectives. This section presents a set of actionable recommendations, divided into two levels: organizational interventions that NBFCs can implement internally, and policy-level measures at the industry and regulatory scale.

PRACTICAL RECOMMENDATIONS FOR NBFCs
High attrition in NBFCs demands targeted interventions that go beyond generic HR practices. A concise retention strategy can be framed around five organizational levers, complemented by policy-level reforms.

- **EARLY-TENURE ONBOARDING.**
Since many exits occur within the first 90–180 days, structured onboarding must emphasize role preparedness, product knowledge, and cultural integration. Peer mentoring and early feedback loops can significantly lower early churn.
- **MANAGERIAL QUALITY AND RECOGNITION.**
Employees often leave managers rather than organizations. Investments in leadership development, coupled with recognition systems that celebrate both performance and compliance, foster engagement and reduce disengagement risks.
- **TARGETED COMPENSATION.**

While financial incentives alone are insufficient, revising pay structures to reduce volatility, along with role-specific benefits such as safety allowances or travel stipends, can improve retention in frontline roles. Spot bonuses for exceptional contributions offer timely reinforcement.

- **INTERNAL MOBILITY AND CAREER PROGRESSION.**

Transparent career maps and mobility programs allow employees to envision long-term growth. Enabling transitions from sales to underwriting or customer relationship management builds loyalty while lowering external recruitment costs.

- **FRONTLINE ENABLEMENT.**

Digital tools, balanced workloads, and wellness initiatives tailored to high-pressure roles can mitigate burnout and strengthen workforce stability.

At the policy level, the Reserve Bank of India could mandate standardized attrition disclosures, while industry associations develop benchmarking databases. Public-private skill partnerships and tax incentives for retention initiatives would further encourage proactive practices. Collectively, these measures reframe retention as a strategic investment critical to NBFC sustainability.

X. LIMITATIONS AND FUTURE RESEARCH

This study enhances understanding of attrition costs in the financial sector, particularly NBFCs, yet certain limitations remain. These constraints highlight areas for future inquiry that can strengthen both academic knowledge and managerial application.

- **DATA CONSTRAINTS.**

The analysis is based primarily on secondary data—consultancy reports, regulatory filings, and company disclosures. While these sources are authoritative, they often provide aggregated attrition figures that obscure role-, tenure-, or region-specific patterns. Moreover, inconsistent reporting practices among NBFCs limit comparability. The absence of primary surveys or interviews further restricts insight into employee motivations, cultural dynamics, and lived experiences.

- **REAL-TIME MONITORING.**

Attrition is generally measured retrospectively, offering little scope for timely intervention. Future research should focus on designing real-time monitoring systems that synthesize HR data, attendance anomalies, and engagement scores to flag “at-risk” employees early.

- **AI/ML PREDICTIVE MODELS.**

The growing use of artificial intelligence and machine learning offers opportunities to forecast turnover with greater accuracy. Future studies could test predictive models tailored to NBFC contexts, particularly in high-stress sales and collections roles.

- **CROSS-SECTOR INSIGHTS.**

Finally, comparative research across IT, retail, healthcare, and manufacturing could reveal transferable practices, offering NBFCs new perspectives on workforce stability.

XI. CONCLUSION

Employee attrition has emerged as a structural challenge in the financial industry, with NBFCs particularly vulnerable due to their field-intensive, customer-centric operating models. This paper has demonstrated that the costs of attrition extend well beyond recruitment and training expenses, encompassing indirect productivity losses, portfolio-level disruptions, and intangible damage to customer trust and institutional reputation. By reframing attrition as a strategic and balance-sheet risk, rather than a narrow HR metric, the analysis underscores its centrality to long-term organizational sustainability.

The findings highlight several critical insights. First, attrition trends in India Inc. between 2022 and 2025 reveal that while overall corporate turnover has moderated, financial services—and especially NBFCs—continue to report churn rates above 30%. Second, attrition is not evenly distributed; it is disproportionately concentrated among frontline sales, collections, and early-tenure employees, where replacement costs often exceed 1.5 - 2.0 times annual salary. Third, attrition’s ripple effects are visible at the portfolio level: disruptions to acquisition funnels, increased credit losses due to weakened collections,

and compliance vulnerabilities stemming from staff instability. By applying a structured cost architecture and case-based calculations, the study contributes a more holistic and financially grounded understanding of attrition in NBFCs.

The paper's contributions extend beyond quantification to practice. For HR leaders, the evidence underscores the importance of building a retention playbook that combines robust onboarding, managerial capability, recognition systems, targeted compensation, career mobility, and frontline enablement. For policymakers and regulators, the findings suggest the need for standardized attrition disclosures, industry benchmarking platforms, and policy incentives that reward firms for investing in workforce stability. Together, these measures can create an ecosystem where retention is treated not as a discretionary cost but as a strategic investment in resilience.

At a broader level, the study calls for a cultural shift in how financial institutions perceive human capital. Just as credit risk, market risk, and operational risk are formally embedded into governance frameworks, attrition risk must be institutionalized as a structural concern. By adopting real-time monitoring systems, predictive analytics, and cross-sector learning, NBFCs can move from reactive hiring cycles to proactive retention strategies.

In conclusion, addressing attrition in NBFCs is not merely an HR function but a business imperative. The costs of inaction are visible in eroded margins, weakened customer loyalty, and heightened systemic risks. Conversely, the benefits of action—stability, trust, and sustained growth—reinforce the case for treating retention as a core element of strategy. For NBFCs and the wider financial sector, the time has come to elevate attrition management to the same level of priority as credit quality and regulatory compliance. Only then can the sector safeguard its future in a competitive and evolving financial landscape.

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