

# Impact of Training and Development on Employees Performance in Banking Sector of Pakistan

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## Abstract

The objective of this paper is to explore the training & development practices in the banking sector of Pakistan. The banks continuously provide training to different levels of officers at different times to enhance their capability and knowledge. The banks have established staff training institutes where different courses are offered. In order to measure the impact of training on employees we have selected 22 branches of different banks located in Multan city and recorded the views of 200 employees (including managements, operational and non-operational staff. We used five point likert scale to measure the impact of training and development of the banks' employees. Our results show that, banks are providing training & development opportunities to their employees, but there is still gap which should be addressed. Training facilities is not sufficient and training methods are not up today. Most of the trainers belong to operational background and they are unable to provide the sufficient training to develop the good workers. Our study also shows that Banks do not have sufficient training and development plan for the top-level management. Our study suggest that the banks should have a proper training plan and execute it effectively. They should also develop training curriculum and risk management techniques to enhance the knowledge and skills of trainees.

**Keywords:** Training & Development, performance, skill, working environment

## 1. Introduction

Pakistan is emerging as an economy much ready to accept the challenges from external environment being one of the most consistently called developing countries. Pakistan has shown with times an urge to accept change when it was needed the most year 1991 marked a great change with arrival of major policy reforms in the form of deregulation, privatization, degeneration, foreign investment, export promotion and import substitution so on these policies no lesser than a boon to Pakistan economy. It seems that most of the things have been done but only on papers that is as far as making policies are concerned but practical ground has not been touched completely. The aim of any training program is to provide instruction and experience to new employees to help them reach the required level of performance in their jobs quickly and economically. For the existing staff, training will help develop capabilities to improve their performance in their present jobs, to learn new technologies or procedures, and to prepare them to take on increased and higher responsibilities in the future. Employee Development Programs are designed to meet specific objectives, which contribute to both employee and organizational effectiveness. There are several steps in the process of management development. These includes reviewing organizational objectives, evaluating the organization's current management resources, determining individual needs, designing and implementing development programs and evaluating the effectiveness of these programs and measuring the impact of training on participants quality of work life.

### 1.1 Background of the study

In recent years, globalization has led to a huge change in the financial sector worldwide. Although developing countries have not yet fully accommodated all the changes in the financial world, yet they have begun to cater for recent developments in the money and capital markets. Financial liberalization is an important concept in this regard. This study attempts to analyze foreign and local commercial banks on the basis of their human resource activities, which play an important role in the development of the economy's banking sector. Training and development have become the most important factor in the business world today, because training increases the efficiency and the effectiveness of both employees and the organization. As banking business involve high risk of default, it is an imperative need to train the employees how to reduce risks by strictly evaluating the worth of clients [1]. Training is a systematic restructuring of behavior, attitude, and skills through learning- education, instruction, and planned experience. Training is designed to change or improve the behavior of employees in the work place so as to stimulate efficiency. The cardinal purpose of training is to assist the organization achieves its short and long term objectives by adding value to its human capital. Training and development are not undertaken for the sake of training, but rather are designed to achieve some needs. Therefore, training and development are need based in the sense that they are undertaken to fill some knowledge gap within an organization. Many organizations have over the years introduced good manpower training and development

strategies in order to enhance better employee performance at work and increase their productivity. However, the efforts of such strategies in most cases have always been jeopardized in most organizations, as a result of some factors that impede against the achievement of their objectives. Some of the impeding factors include recruitment/selection problems, training procedure and inadequate facilities, government policy, the economy, and labor legislation [2].

Generally, it has been observed that the environment that hosts the organizations is dynamic. The dynamism of the environment has many implications on the organizations: It is the determinant of the product that the organizations will produce; there must be a market before the organizations will produce a product. Thus as the consumers' taste and preference change, there is need for the organizations to also change their product and work process. [3]. Training and development therefore, become necessary. It reduces high employees turn over cost and create sense of loyalty among them. They devote their times to their job rather than searching a new job [4]. Working environment also plays a vital role in motivation of the employees and enhancing their output. It facilitates the workers to work wholeheartedly to complete their assigned tasks in satisfactory manner, which satisfy not only to workers but also the employers as well [5]. Professional training enhances the skill and experience of the workers who learn new ideas, new methods, and new process during the training. After professional training they can perform multi-dimensional tasks and give benefit the business firm to utilize their expertise in different fields [6]. Today the managers use quality management practices to enhance the working quality of their workers and to produce qualitative products. It gives the business firm a competitive edge over its competitors. Quality management practices and training transform the working force into human capital and the management avails opportunity to encash this valuable capital to achieve its business objectives [7].

### **1.2 Main research problem**

Our main research problem is "Impact of training and development on employees' performance in banking sector of Pakistan."

### **1.3 Objective of the study**

1. To study existing status of training and development programs of the banks for their employees.
2. To examine the effectiveness of training and development programs for enhancement of the employees performance.

## **2. RESEARCH METHODOLOGY**

### **2.1 Research Philosophy**

Each scientific discipline has developed its own methods and techniques to collect the data and information. Like other social sciences has also developed its research methodology. Social science has used the specific methods and techniques for conducting the research. The researcher has used the scientific method to collect the data and information. In the research methodology the researcher had used such techniques that helped in data collection, presentation, tabulation and analytical techniques to be used in the literature review.

### **2.2 Research Design**

There are different types of research methods that could be used when doing research. The methods include: qualitative research, quantitative research, and a mixture of both qualitative and quantitative research. The difference between qualitative and quantitative research arise from their procedures [8].

### **2.3 Sample of the study**

The research was made by taking Banking sector as population. To analyze the correlation of training impact on individual performance of employees in Banks of Pakistan, 22 branches of different banks from Multan, Punjab Pakistan were visited for data collection; survey was targeted 200 employees (managers, clerical staff, and operational staff). The convenient sampling method was used in data collection.

### **2.4 Estimation Techniques**

Data related to the variables training, development, and performance collects through questionnaire. 16 elements were used for data collection, different type of questions about employee's training, development and performance with their job, the employees of banks, 230 questionnaires were distributed and 200 were received which were filled accurately. Age, gender, education, income, designation are controlled variable in the questionnaire. Five point liker scale (1=poor, 2=fair 3= good, 4=very good, 5= excellent) used for authentic results.

## **3. Data Analysis**

Panel data was used in this study. The data was analyzed through SPSS (Statistical Packages for Social Sciences),

used as a tool for testing hypothesis..Our study about training as a core solution for human resources development especially in Pakistan where labor is available with less matching training facilities. As A result of training the trainee learn new habits, refined skills, and useful knowledge during the training that helps him improve performance. The banks undertake the business of risk. Training and development have become the most important factor in the business world today, because training increases the efficiency and the effectiveness of both employees and the organization. Training is designed to change or improve the behavior of employees in the work place so as to stimulate efficiency. Training and development are not undertaken for the sake of training, but rather are designed to achieve some needs. Therefore, training and development are need based in the sense that they are undertaken to fill some knowledge gap within an organization. Many organizations have over the years introduced good manpower training and development strategies in order to enhance better employee performance at work and increase their productivity. Training and development therefore, become necessary. For example the introduction of e-banking system has rapidly changed work process in the banking industry, thus the need for constant up date of knowledge by the employees to meet the continuous challenges. Employee training is different from management development or executive development. In case of a large banks, there are two ways of conducting training programs – through an established department having a full time HRD functionary who oversees all the training and development functions of the Banks or through an external trainers coordinated by the HRD department these days Banks have recognized the need for training and re-training their staff, in order to develop a competitive edge over their competitors in delivering high quality services to the customers. Traditionally, banks have recruited young school leavers, and their initial training was either long apprenticeship or on-the-job or formal training in basic routine operations. It was argued that banking requires exercise of sound training and development programs for their employees. Training becomes inevitable the moment an organization realizes the need for improvement and expansion in the job. It will also help the management in planning for the development and implementation of effective and efficient training needs that will lead to increased performance of the banks. According to State Bank of Pakistan Report, the introduction of the Banking Act of 2002 paved the way for the mushroom growth of the branches of local and foreign banks all over Pakistan including Multan. The banks tap the potential of customers widen their financial services to maximize their profitability. The period of 2000-2010 was the period of vertical growth of banking sector in Pakistan. In 1990s the mostly public sector banks closed their around 2000 branches in order to reduce losses but during 2000-2010 they opened their branch network rapidly because most of public sector banks were privatized. Similarly, 10 newly established banks also expanded their network and introduced latest banking technology to provide maximum facilities to their customers [1]. The main objectives of our study is to analyze existing status of training and development programs of the banks for their employees and examine the effectiveness of training and development programs in fulfillment of their duties. We used structured questionnaire to collect the data. We also used Cronbach’s Alpha technique to check reliability of data, which is shown in table 1.

Table 1 Reliability Statistics

Cronbach's Alpha	No. of Items
0.875	15

The above table shows the reliability statistic Cronbach’s Alpha Coefficient for the Questionnaire. The value of Alpha coefficient is 0.875 shows the scale is appropriate for the target population.

Table 2 Demographic Statistics

Variables	Categories	Frequency	Percent
Gender	Male	63	63.0
	Female	37	37.0
	Total	100	100.0
Education	Graduate	68	68.0
	Master	32	32.0
	Total	100	100.0
Age	20 -30	59	59.0
	31-40	30	30.0
	Above 40	11	11.0
	Total	100	100.0
Designation	Manager	35	35.0
	Officer	37	37.0
	Clerical	28	28.0
	Total	100	100.0

Table 2 show the results with respect to respondent gender, education, age, and designation that 63.0

percent of the banks employees were male and 37.0 percent of the banks employees were female and results about banks employees education, 68.0 percent of the banks employees were education till than gradation, 32.0 percent of the banks employees were educated till master, while results regarding banks employees age level, 59.0 percent of the banks employees were 20 to 30 years of age group and 30.0 percent of bank employees were belong to 31-40 years of age group and 11.0 percent of the banks employees were belong to above 40 years of age group on the other hand the results about designation of banks employees were 35.0 percent of the banks employees were working as a manager post while 37.0 percent of the banks employees were working as a officers and 28.0 percent of the banks employees were working.

**Q.1.** Is induction of training important for development?

Table 3 Importance of training for employees

Opinions	Frequency	Percent
Poor	16	8.0
Fair	106	53.0
Good	20	10.0
Very Good	26	13.0
Excellent	32	16.0
Total	200	100.0

The table 3 shows the result of response induction of training is agreed adequate importance for development. 9.0 percent of the banks employees said poor, 53.0 percent of the banks employees said fair, 10.0 percent of the bank employees said good while 13.0 percent of the banks employees said very good and 16.0 percent of the bank employees said excellent. The majority 53% of the bank employees said fair and good impact of training on adequate development.

**Q. 2.** Is the training courses effective for the development of employees?

Whether the training program of banks are effective for their employees, the response of the selected employees are shown in the table 4.

Table 4. Response training courses.

Opinions	Frequency	Percent
Poor	18	9.0
Fair	64	32.0
Good	64	32.0
Very Good	34	17.0
Excellent	20	10.0
Total	200	100.0

The table 4 shows the result of response training courses are well for the development of employees. 9.0 percent of the banks employees said poor, 32.0 percent of the banks employees said fair, 32.0 percent of the bank employees said good while 17.0 percent of the banks employees said very good and 10.0 percent of the bank employees said excellent. The majority 53% of the bank employees said fair impact of training on adequate development of employees

**Q. 3** Were the norms and values explained to new employees during induction training for development?

The response of the selected group of employees are given in table 5 regarding the norms and values of the banks for newly appointed employees.

Table 5 Aware of new employees about the norms and values

Opinions	Frequency	Percent
Poor	4	2.0
Fair	42	21.0
Good	80	40.0
Very Good	68	34.0
Excellent	6	3.0
Total	200	100.0

The table 5 shows the result of norms and values of the explained to new employees during induction

training for development 2.0 percent of the banks employees said poor, 21.0 percent of the banks employees said fair, 40.0 percent of the bank employees said good while 34.0 percent of the banks employees said very good and 3.0 percent of the bank employees said excellent. The majority 40% of the bank employees said good impact of training on norms and values of employees during for development.

Q. 4 Was training for developmental courses sometimes to improving among the employees?

Table 6. Improvement of employees through developmental courses

Opinions	Frequency	Percent
Poor	18	9.0
Fair	80	40.0
Good	36	18.0
Very Good	42	21.0
Excellent	24	12.0
Total	200	100.0

The table 6 shows the result of training for developmental courses was sometimes to improving among the employees 9.0 percent of the banks employees said poor, 40.0 percent of the banks employees said fair, 18.0 percent of the bank employees said good while 21.0 percent of the banks employees said very good and 12.0 percent of the bank employees said excellent. The majority 40.0 of the bank employees said fair impact of training on adequate improvement in developmental courses for employees.

Q.5 Was the training and development of employees acquired technical knowledge?

Table 7 Acquiring technical knowledge by employees through training

Opinions	Frequency	Percent
Poor	28	14.0
Fair	48	24.0
Good	18	9.0
Very Good	58	29.0
Excellent	48	24.0
Total	200	100.0

The table 7 shows the result of training and development of employees acquired technical knowledge 14.0 percent of the banks employees said poor, 24.0 percent of the banks employees said fair, 9.0 percent of the bank employees said good while 29.0 percent of the banks employees said very good and 24.0 percent of the bank employees said excellent. The majority 29% of the bank employees said very good impact of training on employee's technical knowledge.

Q. 6 Is training genuine need for the development of Banks?

Table 8 Role of training in the growth of Banks

Opinions	Frequency	Percent
Poor	18	9.0
Fair	92	46.0
Good	34	17.0
Very Good	36	18.0
Excellent	20	10.0
Total	200	100.0

The table 8 shows the result of training is genuine need for the development of Banks 9.0 percent of the banks employees said poor, 46.0 percent of the banks employees said fair, 17.0 percent of the bank employees said good while 18.0 percent of the banks employees said very good and 10.0 percent of the bank employees said excellent. The majority 46% of the bank employees said fair need for the development of Institute.

Q.7 Is Training increases the skill of employees?

Table 9 Improvement of skill through training.

Opinions	Frequency	Percent
Poor	12	6.0
Fair	78	39.0
Good	40	20.0
Very Good	54	27.0
Excellent	16	8.0
Total	200	100.0

The table 9 shows the result of training increases the skill of employees 6.0 percent of the banks employees said poor, 39.0 percent of the banks employees said fair, 20.0 percent of the bank employees said good while 27.0 percent of the banks employees said very good and 8.0 percent of the bank employees said excellent. The majority 39% of the bank employees said fair impact of training increases the skill of employees.

Q. 8 Is training enhances the quality of services being performed by employees?

Table 10 Enhancing quality of services through training

Opinions	Frequency	Percent
Poor	34	17.0
Fair	48	24.0
Good	26	13.0
Very Good	56	28.0
Excellent	36	18.0
Total	200	100.0

The table 10 shows the result of training enhances the quality of services being performed by employees 17.0 percent of the banks employees said poor, 24.0 percent of the banks employees said fair, 13.0 percent of the bank employees said good while 28.0 percent of the banks employees said very good and 18.0 percent of the bank employees said excellent. The majority 28% of the bank employees said very good impact of training on adequate quality of services.

Q. 9 Does training satisfy the ego of employees?

The response of the respondents is given in the Table 11

Table 11 Satisfaction of employees over training

Opinions	Frequency	Percent
Poor	8	4.0
Fair	100	50.0
Good	40	20.0
Very Good	30	15.0
Excellent	22	11.0
Total	200	100.0

The table 11 shows the result of training satisfies the ego of employees 4.0 percent of the banks employees said poor, 50.0 percent of the banks employees said fair, 20.0 percent of the bank employees said good while 15.0 percent of the banks employees said very good and 11.0 percent of the bank employees said excellent. The majority 50.0% of the bank employees said fair impact of training on adequate satisfaction of employee ego.

Q.10 Does training enhance the developmental efficiency and effectiveness of the work?

Table 12 Improvement of efficiency and effectiveness of the work through training

Opinions	Frequency	Percent
Poor	32	16.0
Fair	38	19.0
Good	58	29.0
Very Good	68	34.0
Excellent	4	2.0
Total	200	100.0

The table 12 shows the result of training enhances the developmental efficiency and effectiveness of the work being performed by employees 16.0 percent of the banks employees said poor, 19.0 percent of the banks employees said fair, 29.0 percent of the bank employees said good while 34.0 percent of the banks employees said very good and 2.0 percent of the bank employees said excellent. The majority 34% of the bank employees said very good impact of training on efficiency and effectiveness of the work.

Q. 11 Does training minimize the faults in work?

The response of the sampling population is given in table 13.

Table 13 Reducing errors due to training

Opinions	Frequency	Percent
Poor	4	2.0
Fair	78	39.0
Good	42	21.0
Very Good	32	16.0
Excellent	44	22.0
Total	200	100.0

The table # 13 shows the result of training minimizes the faults in operations 2.0 percent of the banks employees said poor, 39.0 percent of the banks employees said fair, 21.0 percent of the bank employees said good while 16.0 percent of the banks employees said very good and 22.0 percent of the bank employees said excellent. The majority 39.0% of the bank employees said fair impact of training on minimizing the fault in works.

Q.12 Does training improve the adequate managerial and leadership skills.

Table 14 Improvement of managerial and leadership skills

Opinions	Frequency	Percent
Poor	28	14.0
Fair	48	24.0
Good	16	8.0
Very Good	68	34.0
Excellent	40	20.0
Total	200	100.0

The table 14 shows the result of training improves the leadership and managerial skills 14.0 percent of the banks employees said poor, 24.0 percent of the banks employees said fair, 8.0 percent of the bank employees said good while 34.0 percent of the banks employees said very good and 20.0 percent of the bank employees said excellent. The majority 34.0% of the bank employees said very good impact of training on adequate improvement of managerial and leadership skills.

Q. 13 Does Training in reducing the stress level of banks employees?

Table 15 Reducing stress level through training

Opinions	Frequency	Percent
Poor	8	4.0
Fair	84	42.0
Good	54	27.0
Very Good	36	18.0
Excellent	18	9.0
Total	200	100.0

The table 15 shows the result of training reducing the stress level of employees. 4.0 percent of the banks employees said poor, 42.0 percent of the banks employees said fair, 27.0 percent of the bank employees said good while 18.0 percent of the banks employees said very good and 9.0 percent of the bank employees said excellent. The majority 42% of the bank employees said fair impact of training in reducing the stress level of banks employees.

**Q. 14 Is Training in stabilizing the Banks?**

Whether training stabilizes the business of the banks and reduces fluctuations in their profitability, the response of target population is shown in table 16.

Table 16 Stabilizing bank business through training

Opinions	Frequency	Percent
Poor	16	8.0
Fair	50	25.0
Good	78	39.0
Very Good	54	27.0
Excellent	2	1.0
Total	200	100.0

The table 16 shows the result of Training stabilizes the Banks. 8.0 percent of the banks employees said poor, 25.0 percent of the banks employees said fair, 39.0 percent of the bank employees said good while 27.0 percent of the banks employees said very good and 1.0 percent of the bank employees said excellent. The majority 39% of the bank employees said good impact of training in stabilizing the Banks.

**Q.16 Is Training helps employees in raise and other financial benefits of institute?**

Table 18 Role of training in raising other financial benefits.

Opinions	Frequency	Percent
Poor	32	16.0
Fair	46	23.0
Good	64	32.0
Very Good	30	15.0
Excellent	28	14.0
Total	200	100.0

The table 18 shows the result of Training helps employees in raise and other financial benefits of institute. 16.0 percent of the banks employees said poor, 23.0 percent of the banks employees said fair, 32.0 percent of the bank employees said good while 15.0 percent of the banks employees said very good and 14.0 percent of the bank employees said excellent. The majority 32% of the bank employees said good impact of training in helping employees in raise and other financial benefits of institute.

**4. Findings and Results**

Our study about training as a core solution for human resources development especially in Pakistan where labor



is available with less matching training facilities. Our results show that during training, the trainees learn new habits, refined skills, and useful knowledge during the training that helps them improve performance. The evidence highlight the fact that training increases the efficiency and the effectiveness of both employees and the organization. Training is designed to change or improve the behavior of employees in the work place which results in improvement of efficiency. Training and development are not undertaken for the sake of training, but rather are designed to achieve some certain desired objective. Thus, training and development, therefore, become necessary. Employee training is different from management development or executive development. Traditionally, banks have recruited young graduates, and their initial training was either long apprenticeship or on-the-job or formal training in basic routine operations. There is enough evidence to show that employees who were trained on a regular basis are the ones who provide a higher quality services to the customers. To develop an integrated and proactive training and development strategy there is requirement of coherent corporate culture rather than ad-hoc programs. In a service oriented industry such as banking, people are among the most important assets and a bank must efficiently manage its employees during every phase of employment in existing competitive environment.

## 5. Recommendations

In the light of above discussion, we recommend that the banks should revise training curriculum, formulate effective training plan and strategy as well as provide required latest training tools to their employees so that they must be well-acquainted with latest risk management techniques, which are the core need for reducing ratio of default and amount of non-performing loans [10]. We also recommend that the banks must set financial incentives for those employees who are more interested in learning new technology and risk management tools.

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