

# The Impact of Training and Development on Individual & Organizational Performance in Banking Sector

Sarah Anjum<sup>1</sup> Prof. Dr. Tahir Ali<sup>2</sup>

1.Lecturer, Karachi University Business School, University of Karachi

2.Dean, Faculty of Management and Administrative Sciences,  
 University of Karachi

## Abstract:

The study aims to explore the impact of training and development on individual and organizational performance in banking sector of different countries. The definitions of training and development were highlighted followed by its influence on employees' performance and organizational profit. It was found that training and development positively influence employees' motivation level, job satisfaction, skills and performance at work. It was also found that training & development plays central role in improving organizational performance by helping in increasing profit and attaining competitive advantage.

**Keywords:** training and development; employee performance; organizational performance; banking sector

## 1. Introduction:

Modifying HR practices is essential for an organization to progress and maintain good position in the current market environment. The influence of this ever changing world on the recent role of development of human resource and organization has been documented as a crucial element in every organization (Vinod, 2008). Without having robust, contented and enthused employees, an organization cannot cherish to its potential.

## 2. Objective:

The objective of this research is to find the impact of training and development programs on employees' performance and organization's performance in the field of banking using integrative research approach.

## 3. Training and Development – An Overview:

Oxford University press defines training as “The action of teaching a person or animal a particular skill or type of behavior” (Press, 2016). In advanced definition it is stated as “the process of learning the skills that you need to do a job”.

According to (Fitzgerald, 1997), “Training is the acquisition of knowledge and skills for present tasks; a tool to help individuals contribute to the organization and be successful in their current position; a means to an end”. Training is a type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively (Gordon 1992).

Next section discusses the different types of training available for the banking sector around the world.

### 3.1. Types of Training:

The type of training is generally identified by the bank managers for the sake of better handling of tasks by their subordinates. The two main types of training given to employees are:

#### 3.1.1. On the job training:

Training varies depending on the nature of the job. In some cases senior employees guide juniors in their routine office tasks. To be precise, this sort of training is done through sharing knowledge and experience. (Aguinis & Kraiger, 2009) mentioned that on-the-job training headed towards better innovation and tacit skills (Barber, 2004), where tactic skills are “behaviors acquired through informal learning that are useful for effective performance.” Even for managers and leaders, training is fruitful. (Aguinis & Kraiger, 2009) found that “the most effective training programs were those including both cognitive and interpersonal skills, followed by those including psychomotor skills or tasks.”

According to (Ameeq & Hanif, 2013) on the job training is done when an employee gets training during his/her assigned task. Moreover if there is any personnel in an organization who is competent enough to give appropriate training then an in-house training program can be arranged else the organization has to hire an expert from outside. (Raheja, 2015) identified some commonly used methods of training that include mentoring, job rotation, apprenticeships etc.

#### 3.1.2. Off the job training:

(Ameeq & Hanif, 2013) defined it as a “training in which an employee is being called on for a training session to learn a task”. According to (Raheja, 2015) off-the-job training methods are conducted in separate from the job environment and commonly includes methods of lectures & conferences, simulation exercises, sensitivity training etc.

Now coming towards development, according to (Fitzgerald, 1997) development is “the acquisition of knowledge and skills that may be used in the present or future; the preparation of individuals to enrich the organization in the future; the act of being involved in many different types of training activities and classes.”

(Masadeh, 2007) argued that development is a recent term that evolved around 1950s. He focused that development is “a learning activity that is designed for future impact, for a role or job one will do in the future.”

Development is a broad ongoing multi-faceted set of activities (including training activities) aimed at bringing someone or an organization up to another threshold of performance, often to perform some job or a new role in the future (McNamara 2008).

(Fitzgerald, 1997) distinguished between training and development by pointing that unlike training, development does not occur in class (training session). Real development occurs after the class (training session).

(Hameed & Waheed, 2011) emphasized on the rising fact that success or failure of an organization is largely dependent on the performance of its employees that’s why organizations these days are investing huge amount on employee development programs. According to them, the basic methods of employee development includes:

- i. coaching (treating them as partners to achieve their personal and organizational goals)
- ii. training and development ( training is a permanent behavior and development is a long term process)
- iii. empowerment (providing freedom of work to increase employees confidence)
- iv. participation ( this enable them to make more smart decisions)
- v. delegation (allowing employees to perform tasks which they can best do)

These are the factors that eventually leads to improved organizational performance.

The next section covers the impact of training and development on employees’ and organizations’ performances.

#### 4. The Impact of Training and Development on Employees’ Performance:

Organizations today clearly declare its human resource as its most precious asset. Given below are some statements of different businesses that take its employee (people) fundamental to success.

Source: compiled with the help of different sources

Company Name	Industry	Company Statement
BMW	Automobile	“People create our success” <sup>5</sup>
Wal-Mart	Retail	“...it all starts with our people” <sup>6</sup>
Microsoft	IT	“Take our 20 best people away, and I will tell you that Microsoft would become an unimportant company” <sup>7</sup> (Bill Gates)

It has now been widely accepted that refining human skills through well-tailored HRD programs can enhance the productivity of any organization up to a great extent (Sreenivas, 2006). In his research on India’s State Bank he found that there is a lack of training need assessment in the bank as well as off the job training. Moreover, on the job training was a continuous process and employees got familiarized with most of their work procedures during on the job training. However, the study revealed that employees were very sincere and committed to the bank.

According to (Rohmetra, 1999), banking sector these days need to be essentially based upon its man power along with the development of their skills in order to cope up with the ever increasing demands on the banking side. (Raheja, 2015) identified the areas in which training & development are most important. He said training and development helps in addressing employees’ weaknesses, improves performance at work, ensures workers’ satisfaction, increase productivity of the company, improved service provision, and reduction in supervision. He also differentiated between training & development by defining training as “learning skills and knowledge for doing a particular job and increase skills required for a job while development as the growth of an employee in all respect It is most concerned with shaping the attitudes”.

According to (Sekhar) the critical issue is how to integrate and sustain human resources in banks hence proper Human Resource Development (HRD) system should be adopted by all banks. He emphasized in his research that HRD in its true sense must help firms to have competent employees working for them to maximize profit and enjoy survival. A model was also proposed in his research in which top management is responsible to develop HRD policies in writing and a conducive HRD climate which is reflected by different elements including openness, confrontation, trust, authenticity, pro-action, autonomy, collaboration, and experimentation (i.e. OCTAPACE elements). Further, in the light of the policy designed by top management, HRD activities should be designed for example training, development activities etc. In the last, outcome of these activities should be evaluated.

Numerous researches have been conducted to find the impact of training and development on Human

<sup>5</sup> (Wilton N. , 2011)

<sup>6</sup> <https://www.scribd.com/presentation/19286000/Walmart-Brand-Audit>

<sup>7</sup> <http://www.azquotes.com>

Resource in banks. In most of the studies, positive relationship was found between different training and development programs and increased productivity of employees, enhanced job satisfaction, escalated commitment with the organization, and improved skills to perform job tasks.



#### 4.1.1. Better Employee Performance:

(Tahir, Yousufzai, Jan, & Hashim, 2014) found that employee performance and productivity is significantly dependent on training and development. Performance was defined as 'the accomplishment of something or mere working effectiveness'. They conducted a research in eight branches of UBL Peshawar. By applying Cronbach's alpha they found that adequate training and development help in providing employees the opportunities to make a better career and in organization. Also efficiency of organizations would be increased. The study also concluded that if administrations of banks want to increase productivity and efficiency, then training and development is one of the best available options.

(Aguinis & Kraiger, 2009) emphasized that training actions have a positive effect on the performance of individuals and teams. According to their research, training activities must result in improved job performance and attainment of new skills.

(FALOLA, OSIBANJO, & OJO, 2014) believed that training and development activities are essential strategic tools for increasing performance of employees and organizations keep growing training budget annually with a view that it will give them competitive superiority. They conducted a descriptive research through survey of 223 employees of a Nigerian Bank. It was found that there is a strong relationship between training and development, employees' performance and competitive advantage. Also it was recommended to management that they should keep on training their employees in order to improve and retain employees' performance.

(Gunu, Oni, Tsadu, & Ajaey, 2013) researched in Nigerian Banks and identified that training programs improves employees performance in an organization but they must also be rewarded for that improved performance, this keeps them motivated.

#### 4.1.2. Improved Employee Skills:

(Gonchkar, 2012) conducted an empirical study on public sector banks operating in Bangalore, India. He found that training and development effect employee's skills, knowledge, attitudes and behavior, job performance, and productivity. Respondents like to work for the benefit of the bank if they find training and development to be fit for their benefit. The officers responded that they want the training programs to be more precise towards their jobs so that they can utilize that on their jobs.

(Ahmad, Iqbal, Mir, Haider, & Hammad, 2014) found the impact of training and development on employee performance in banks of Northern Punjab, Pakistan. A survey was conducted in 11 banks and 100 employees' sample was taken. The focus of the study was on two determinants of employee training i.e. on the job training and delivery style. The results indicated that there exists a positive relationship of employee performance with on the job training and delivery style. It was also emphasized that learning of new skills and job tasks can occur with the help of appropriate training.

#### 4.1.3. Greater Employee Satisfaction:

(Jahanzeb & Bashir, 2013) stressed on the importance of training and development. According to them suitable training and development programs play a key role for firms who want to have an edge over their competitors. They concluded that training and development programs provide benefits to both the individuals and organization as a whole too. The benefits that individual receives include career competencies, employee satisfaction and

improved employee performance. For an organization the benefits include market growth, employee retention and hence improved organizational performance.

#### 4.1.4. Enhanced Employee Motivation:

(Gullu, 2016) conducted a research in different branches of Turkish bank. Using questionnaire survey technique in 21 bank branches he found that training & development programs contribute greatly in increasing employee's motivation in banks. The researcher concluded that this increased motivation will lead to improved employee performance.

(Khan, Ali, Hussain, & Safdar, 2015) collected data from MCB, UBL, ABL, NIB, NBP, BOP, and SCB using questionnaires. After using software e-views it was concluded that training is one of the factor that increases employee motivation which ultimately enhances efficiency of employees and organizations. They also concluded that training is substantial in achieving employees' superiority and competence.

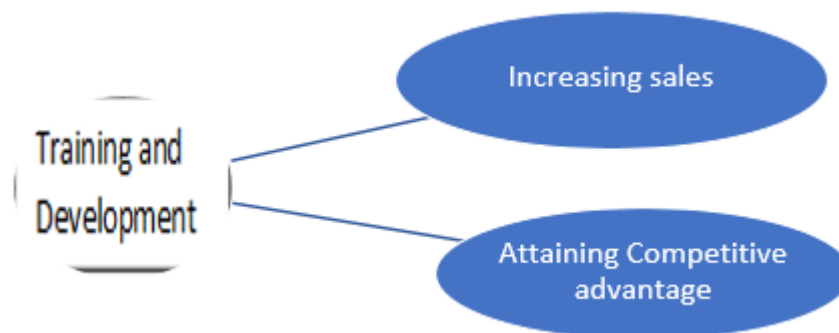
Training and development not only improve individual employees' performance skills but also positively impact on organizational productivity. Next section covers the requirement of Training and Development programs to improve the overall performance of any organization.

### 5. The Impact of Training and Development on Organizational Performance:

It's only with the well trained workforce that organization can climb towards achieving profitability. Not much research has been done to find the impact of training and development directly on organization's profit. However, prior researches focused on organizational productivity and organizational performance which ultimately dealt with training and development of employees.

Employees attend training and development programs and apply the new techniques learnt on their jobs that helps to improve their confidence to perform task, improving teamwork, making effective and efficient decision making skills and most importantly customer satisfaction. If a customer/client is satisfied with the services provided by the bank, its profit can increase.

Some of the factors that help in nourishing a bank's profit are:



#### 5.1.1. Increasing Sales:

(Ezemenike M.S., 2012) research evidently proved that organizational productivity is dependent chiefly on staff training and development. They researched employees from different commercial banks of Nigeria. "The facts emerging from the study indicate that there exists a functional affiliation between profit and investment, unemployment rate, capacity utilization and gross domestic product of a nation". This study also recognized the fact that among numerous variables apart from skill acquisition, training and development are strong predictors of organizational productivity and performance.

(Bashir, Tahir, Gajete, & Carlos, 2010) conducted research in few branches of Citibank in Pakistan and Spain. They found that training plays a vital role in sales and satisfaction of clients. It has a direct and positive impact in a sales person's work and therefore it contributes to the generation of profits.

#### 5.1.2. Attaining Competitive Advantage:

(Maria Luz Marin-Diaz, 2014) using the classical model of Industrial Economy as a frame of reference in their research found that training affects a company's financial turnover in a positive way. But the training needs to be organized and financed properly.

### 6. Conclusion:

The struggle to persist and succeed in banking sector worldwide has become tougher than ever. It's through the training and development programs that banking industry can enable its human resources to prepare themselves for the present and future tasks and work with efficiency and effectiveness to rejoice long lasting profits.

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