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# **EVALUATION OF TRAINING AND DEVELOPMENT PRACTICES IN BANKS: A STUDY OF PERFORMANCE OF EMPLOYEES IN SELECTED INDIAN PUBLIC SECTOR BANKS AND PRIVATE SECTOR BANKS**

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### **Abstract**

In today's globalized economy, the success or failure of every business organizations depends on the quality of their human resources. Well trained and highly developed employees are considered as corner stone for success of every organization. Therefore, the prime purpose of this study is to examine the relationship between training and development practices and employees' performance and productivity in selected public sector banks and private sector banks operating in region of Punjab, India. To evaluate the impact of training and development programmes on performance of employees in banking sector, multiple regression

analysis was employed in both log as well as log-linear forms. Also the impact of three sets of training i.e. objectives, methods and basics on level of satisfaction of respondents with the training was also examined through employing the regression analysis in the similar manner.

**Keywords: Development, Employees, Human Resources, Performance, Productivity, Training**

## **INTRODUCTION**

Customer service, productivity, employee retention and growth, uncertainty in the economy, the use of new technology - these are just some of the issues affecting companies in all industries and sizes and influencing training practices. The overall goal of training and development is learning. Learning refers to employees acquiring knowledge, skills, competencies, attitudes or behaviors. But the focus of training and development is not just on employees learning for its own sake. Today, merely offering training programmes is not enough to get support and funding from executives and to establish the credibility of training and development function to managers and employees. Learning needs to demonstrate how it contributes to the Organization's competitive advantage through improving employee performance, supporting the business strategy, and contributing positively to business such as quality, productivity, development of new products, and retaining key employees. From an organization's perspective, what employees learn contributes to the development of intangible assets such as human capital. Human capital refers to knowledge, advanced skills, system understanding and creativity, and motivation to deliver high quality products and services. Human capital may be more valuable than physical capital (equipment or technology) or financial capital (monetary assets, cash) for providing a company with an advantage over its competitors, because it is difficult to imitate or purchase and it is unique to the organization. Many organizations, recognizing the strategic importance of learning, have strived to become learning organizations. Learning organizations is a company that has an enhanced capacity to learn, adapt, and change. Training processes are carefully scrutinized and aligned with company goals. In a learning organization, training is seen as one part of a system designed to create human capital. It provides employees with the knowledge and skills to perform more effectively. This allows them to meet current job requirements or prepares them to meet the inevitable changes that occur in their jobs. Today with the advancement in

information technology, the world has become the global village and its bringing revolution in all the business, where banking is not an exception. The banks started emerging with technology based and IT based products and services. Nowadays, customers are highly demanding and the only way to satisfy customers requirement effectively is through the use of emerging technology. In this highly competitive environment, liberalization, globalization, and privatization have brought forward new dimensions in banking industry. Therefore, banks need to train their employees, not just at the entry level, but on a continuous basis. Training and development programmes have a positive impact on knowledge enhancement, skill development and job enrichment of bank employees, which in turn reduces the attrition rate, increase the job retention and prove to be beneficial for the value addition of employees. All these factors contribute to improve the market share of banks and increase the productivity. Therefore, in the present paper an attempt has been made to evaluate the Training and Development practices in banks with respect to performance of employees.

### **Objectives of the Study**

To evaluate the impact of training and development practices on performance of employees with respect to profit per employee in banks.

### **REVIEW OF LITERATURE**

Badhu and Saxena (1999) emphasized that an organization should have well-defined training policy as well as training manual and training should be made an ongoing process. Regarding the executive development programmes the authors concluded that, these programmes were found to be useful in improving the productivity, efficiency and effectiveness of managers. The authors have suggested that these should be included as an integral part of the training programme. A study [1] stated that designing and implementing effective training and development systems is a particular challenge because all the costs are borne in the present, while all the benefits will accrue in the future. With the significant increase in the complexity and magnitude of banking service especially with a view of the task undertaken by the co-operative banks for the socio-economic development in urban, semi-urban and rural areas, the need of the training have been felt. Realizing the significance of training, the

co-operative training institutions established at different levels are imparting training to the employees of co-operative banks. It was also stated that the outcome of the training to any type of organization includes increased productivity of employees, increased morale, reduced supervision and increased organizational stability and flexibility. Also it was mentioned in research that the poor quality training or a focus on the wrong development areas will be a total waste of time and money. Training normally concentrates on the improvement of operative skills, inter-personal skills, decision-making skills or a combination of these. A study [2] analyzed that employees and their organizations face ever-increasing rates of change in products and services, the knowledge and expertise required to deliver these products and services, structures, procedures, processes of work, policies and regulations intended to ensure public safety and confidence. Continuing Professional Education (CPE) and Human Resource Development (HRD) were the fields of practice charged with fostering the necessary change to address these ongoing needs. The aim of the study was to measure employees' perception of human resource development (HRD) practices in their organization and to examine the role of HRD practices on employees' development climate. The study concluded that the globalization process is to apply HRD interventions such as t-group, process consultation, third-party intervention, team building, education and training and coaching and counseling. Thus, HRD interventions in any organization will prove to be successful in developing work values and practices. This will enhance the organizational effectiveness and productivity; also will ultimately lead to the smooth and problem free organizational change. A study [3] analyzed whether the productivity was a driving force for investment in training and management development in the banking industry in Nigeria. The study relied on both qualitative and quantitative analysis of data. The study was based on the 25 commercial banks in 2007 in Nigeria. All the 25 banks were stratified into old and new generation Banks. Consequently 4 banks were selected from each stratum. The study showed that productivity was really one of the driving forces for investment in training and management development. The study recommended that training plays a vital role in development the managers, senior executives as well as all employees. The author suggested that in order to make training programmes effective and efficient, it should be based on proper analysis. A study [4] explored that human resource was the backbone of any organization. Properly trained and highly developed human resource is perceived as the greatest asset of an organization. Trained personnel contribute to

the efficiency, growth, increased productivity and market reputation of an enterprise. Organizations need to realize and strategically train and manage the resource for a sustainable growth in the present uncertain environment. Past research studies on training and development programmes indicated that appropriate training delivery and methodology was crucial decision the trainers have to make to yield optimum results. This had been realized by industrial, commercial, research establishments and even Government institutions. The study highlighted the areas which need overall improvement with respect to effective role of trainer, training methods, training environment and facilities. A study [5] highlighted that training and development has impact on employee's skills, knowledge, attitudes and behavior, job performance, productivity which means the officers feel to work for the benefit of the bank if they find training and development to be for their benefit. If the subjects of the training and development were pertinent to the officer's job interest, they find the training and development to be more interesting, innovative and work towards the benefit of the organization. The officers want to the training to be more specific towards their jobs so that they can utilize that on their jobs.

## **METHODOLOGY**

The study examines the opinions of trainees regarding the impact of training and development programmes on the performance of employees in the banks. The area of the study is limited to the training programs conducted by State Bank of India, Punjab National Bank, Punjab and Sind Bank, Bank of Baroda, HDFC Bank, ICICI Bank, Axis Bank and YES Bank in Punjab region. A sample of 200 respondents from the public sector banks and an equal number from the private sector banks was taken for the study. The present study is based on the primary data as well as the secondary data. The survey was carried out in various branches of the selected banks. A structured pre-tested questionnaire, containing several questions relating to various aspects of training programs, was developed to collect the data from the bank officials through personal interview method. To evaluate the impact of training and development programmes on performance of employees in banking sector, multiple regression analysis was employed in both log as well as log-linear forms. The algebraic form of the regression equations are as under:

Linear Form:

$$Y = a + b_1x_1 + \dots + b_nx_n + \mu$$

Log Linear Form:

$$\text{Log } Y = \text{log } a + b_1\text{log } x_1 + \dots + b_n\text{log } x_n + \mu$$

Where

Y = Parameter of Productivity

Equation 3:  $Y_3$  = Profit per employee

$x_1$  to  $x_n$  = Independent variables

$x_1$  to  $x_n$  = 10 in case of objectives of training

$x_1$  to  $x_n$  = 10 in case of methods/sources of training

$x_1$  to  $x_n$  = 15 in case of fundamentals/basics of training

The linear functional form was chosen for the study keeping in view:

(i) Higher value of  $R^2$ ;

(ii) Economic significance of the factors; and

(iii) Logical significance of the factors.

Similarly, the impact of three sets of training i.e. objectives, methods and basics on level of satisfaction of respondents with the training was also examined through employing the regression analysis in the similar manner. The study relied on both qualitative and quantitative analysis of data in establishing the needed relationships between the different variables involved in the study.

## RESULTS AND DISCUSSION

### Effect of Training and Development Programmes on Profit Per Employee

Training enables an employee to cope up with the changing environment and adapt new ways of learning which ultimately helps in increasing the business of employee as well as of bank. The effect of different aspects of training and developing programmes in banks on profit per employee was worked out through regression analysis and the results are presented in Table 1 for public sector banks and Table 2 for private sector banks.

**Table 1:** Effect of Training and Development on Productivity in Terms of Profit Per Employee in Public Sector Banks

S.No.	Variable	Public Sector Banks		
		$\beta$	S.E.	t-value
I	<b>Objectives of Training</b>			
	Intercept	14.265	12.089	1.18

S1	To provide additional knowledge and meets the needs of redeployment.	1.137	0.388	<b>2.93**</b>
S2	To introduce new products, programs, product orientation.	0.600	0.845	0.71
S3	To familiarize with the new work practices e.g. computerization.	1.077	0.375	<b>2.87**</b>
S4	To increase the quality and magnitude of work.	2.312	1.943	1.19
S5	To equip staff with more skills.	0.728	0.288	<b>2.53*</b>
S6	To meet future challenges and development plans.	3.064	1.287	<b>2.38*</b>
S7	To equip the staff for promotion.	3.034	4.391	0.69
S8	To introduce the staff to the organizational culture and enhancing it.	4.066	2.946	1.38
S9	To ensure better job adjustment and to have high morale.	2.016	4.755	0.42
S10	To identify and develop the inner potential of the staff-developing people.	4.044	3.85	1.05
	R-square	0.257	28.84	
<b>II</b>	<b>Methods/Sources Used In Banks For Identifying Training Needs</b>			
	Constant	8.542	5.441	1.57
S1	Appraisals (By self, peer or co – workers, superiors and by experts).	2.063	1.690	1.22
S2	Demands due to the latest trends in banking like fast changes in products and systems in the banking field.	2.077	0.891	<b>2.33*</b>
S3	Customer complaints survey.	4.311	2.083	<b>2.07*</b>

S4	Technical study, skill analysis, competency mapping.	4.039	1.432	<b>2.82**</b>
S5	Opinions of external and internal experts.	1.589	1.441	1.10
S6	Personal development plans.	3.892	1.503	<b>2.59**</b>
S7	Based on job related problems.	1.056	0.895	1.18
S8	Based on employee suggestions.	4.028	4.630	0.87
S9	Based on the training programs provided by other banks.	3.219	1.347	<b>2.39*</b>
S10	Based on supervisory recommendations.	-1.097	-7.077	0.16
	R-square	0.317	35.58	
<b>III</b>	<b>Fundamentals/Basics of Training in Banks</b>			
	Constant	19.256	8.915	<b>2.16*</b>
S1	The goals (vision, mission and objectives) of the organization are sufficiently integrated in the training activities.	3.726	0.978	<b>3.81**</b>
S2	The bank's training infrastructure facilities are sufficient.	1.070	0.805	1.33
S3	The study materials used for bank training are of adequate standards.	2.010	10.203	0.20
S4	Faculties for training in your bank are professional and competent.	3.141	1.054	<b>2.98**</b>
S5	The training frequency in the bank is adequate.	3.022	5.475	0.55
S6	There is no discrimination in selection of employees for training.	3.253	0.854	<b>3.81**</b>
S7	In general, the training in your bank equips you to meet the competition	2.317	3.798	0.61



	in the market.			
S8	Training will result in improving customer satisfaction.	2.123	2.869	0.74
S9	Quality of performance of the employees will improve due to bank training.	3.578	4.219	0.85
S10	The staff will be able to use the skills gained through training in the work place.	4.119	2.060	<b>2.00*</b>
S11	The training will improve profitability of the bank.	4.511	10.024	0.45
S12	The training given to you will help you to perform better in the job.	2.102	1.163	1.81
S13	Training to the staff would help in improving the work atmosphere in your bank.	1.056	2.400	0.44
S14	The employees in your bank are enthusiastic about training.	0.962	1.718	0.56
S15	Post training tests are conducted to measure the effectiveness of a training program.	2.187	1.017	<b>2.15*</b>
	R-square	0.317	35.58	
	Total R-square	0.891		

\*Significant at 5% level.

\*\*Significant at 1% level.

In public sector, objectives like 'imparting additional knowledge to meet the needs of redeployment', 'familiarizing the staff with the new work practices', 'equipping with higher level of skill' and 'meet the future challenges and development plans', exerted significant effect on profit per employee. Similarly, the methods/sources adopted to identify the training needs like 'demand due to the latest trends in banking', 'customer complaint survey', 'technical analysis', 'personal development plans' and

'training programmes provided by other banks' were the significant contributors of profit per employee. The fundamentals/basics such as 'sufficiently integrated goals in the training activities', 'processional and competent faculty', 'non-discrimination in selection of employees for training', 'enabling the staff to use the skills in work place' and 'conducting post-training tests to measure the effectiveness of training programmes' also significantly influenced the profit per employee in public sector banks. Total variation of 89.10 percent in profit per employee was explained by the independent variables included in the analysis. Out of this, 25.70, 31.70 and 31.70 percent was contributed by objectives, methods/sources and fundamentals/basics respectively.

**Table 2:** Effect of Training and Development on Productivity in Terms of Profit Per Employee in Private Sector Banks

S. No	Variable	Public Sector Banks		
		$\beta$	S.E.	t-value
I	<b>Objectives of Training</b>			
	Intercept	10.773	3.664	<b>2.94**</b>
S1	To provide additional knowledge and meets the needs of redeployment.	2.002	0.940	<b>2.13*</b>
S2	To introduce new products, programs, product orientation.	3.319	1.449	<b>2.29*</b>
S3	To familiarize with the new work practices e.g. computerization.	1.276	0.873	1.46
S4	To increase the quality and magnitude of work.	2.227	0.757	<b>2.94**</b>
S5	To equip staff with more skills.	4.226	1.607	<b>2.63**</b>
S6	To meet future challenges and development plans.	6.060	20.969	0.29
S7	To equip the staff for promotion.	4.071	12.722	0.32
S8	To introduce the staff to the organizational culture and enhancing it.	1.288	0.908	1.42

S9	To ensure better job adjustment and to have high morale.	2.303	1.469	1.57
S10	To identify and develop the inner potential of the staff-developing people.	1.252	1.527	0.82
	R-square	0.228	26.73	
II	<b>Methods/Sources Used In Banks For Identifying Training Needs</b>			
	Constant	10.079	4.777	<b>2.11*</b>
S1	Appraisals (By self, peer or co-workers, superiors and by experts).	2.123	0.842	<b>2.52*</b>
S2	Demands due to the latest trends in banking like fast changes in products and systems in the banking field.	3.146	1.210	<b>2.60**</b>
S3	Customer complaints survey.	3.388	1.711	<b>1.98*</b>
S4	Technical study, skill analysis, competency mapping.	4.066	3.080	1.32
S5	Opinions of external and internal experts.	1.104	0.445	<b>2.48*</b>
S6	Personal development plans.	4.019	1.675	<b>2.40*</b>
S7	Based on job related problems.	0.047	0.195	0.24
S8	Based on employee suggestions.	0.176	0.194	0.91
S9	Based on the training programs provided by other banks.	5.157	44.457	0.12
S10	Based on supervisory recommendations.	-0.126	-0.200	0.63
	R-square	0.355	41.62	
III	<b>Fundamentals/Basics of Training in Banks</b>			
	Constant	23.441	6.041	<b>3.88**</b>
S1	The goals (vision, mission and objectives) of the organization are sufficiently integrated in the training activities.	4.186	1.405	<b>2.98**</b>

S2	The bank's training infrastructure facilities are sufficient.	3.241	1.049	<b>3.09**</b>
S3	The study materials used for bank training are of adequate standards.	1.218	1.506	0.81
S4	Faculties for training in your bank are professional and competent.	2.245	0.913	<b>2.46*</b>
S5	The training frequency in the bank is adequate.	0.791	0.617	1.28
S6	There is no discrimination in selection of employees for training.	0.927	0.629	1.47
S7	In general, the training in your bank equips you to meet the competition in the market.	1.235	2.205	0.56
S8	Training will result in improving customer satisfaction.	1.231	3.971	0.31
S9	Quality of performance of the employees will improve due to bank training.	2.238	0.791	<b>2.83**</b>
S10	The staff will be able to use the skills gained through training in the work place.	0.829	1.928	0.43
S11	The training will improve profitability of the bank.	4.217	0.644	<b>6.55**</b>
S12	The training given to you will help you to perform better in the job.	0.231	0.417	0.55
S13	Training to the staff would help in improving the work atmosphere in your bank.	0.219	0.552	0.40
S14	The employees in your bank are enthusiastic about training.	1.204	0.807	1.49
S15	Post training tests are conducted to measure the effectiveness of a training program.	3.876	1.622	<b>2.39*</b>
	R-square	0.270	31.65	
	Total R-square	0.853		

\*Significant at 5% level

\*\*Significant at 1% level

In private sector banks, as much as 22.80, 35.50 and 27.00 percent of the total 85.30 percent variation in profit per employee in private sector banks was explained by objectives, methods/sources and fundamentals/basics respectively. The objectives like 'imparting additional knowledge', 'introducing new products', 'increasing quality and magnitude of work', and 'equipping staff with higher level of skills', were significant contributors of profit per employee. The methods/sources like 'appraisal system', 'demand due to the latest trends in banking', 'customer complaints survey', 'opinion of external and internal experts' and 'personal development plans' emerged as the significant contributors of profit per employee. Similarly, the fundamentals/basics of training like 'sufficiently integrated goals in training activities', 'sufficient training infrastructure facilities', 'professional and competent faculty', 'improving the quality of performance of employees', 'increasing profitability' and 'post training tests' to measure the effectiveness of training' were found to be influencing significantly the profitability in private sector banks.

## **CONCLUSION**

Hence, it can be concluded that the performance and productivity of employees in banking sector was significantly and positively influenced by various aspects of training and development programmes. The different aspects of training like objectives of training, methods/sources adopted to identify the training needs, fundamentals/basics of training in banks, do positively impact the performance and productivity employees in both public and private sector banks in one or another form. Therefore, much emphasis must be made on designing the adequate training and development plans and strategies, as it is one of the most important factor that augments the performance and efficiency of employees in banks.

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