

## **IMPACT OF PROFESSIONAL TRAINING ON EMPLOYEES' PERFORMANCE: A CASE STUDY OF PAKISTANI BANKING SECTOR**

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**ABSTRACT:** *For any organization, the quality of its Human Resource is an asset as well as a success factor. Thus, every organization must invest both time and resources to improve the quality of its work force. One of the most effective ways of achieving this is through training. Training affects the employee's job performance in a positive way. Training improves the skills, knowledge and abilities of the employees because of which employees become more proficient at their workplace thus training is a motivational factor. Some organizations carry out training in a haphazard way while some others do it through systematic manner and they have separate training departments. This paper sought to determine the relationship between training and its impact on employee performance in the banking sector of Pakistan. The study assessed whether training has improved employee performance. A questionnaire was designed using structured questions to collect primary data from employees of various public and private sector banks. The result indicates a positive relationship between training and employee performance. Most of the employees were of the view that training was effective tool for employee success. The findings revealed that not all banks offer training programs but those which offers bear the fruit. It was recommended among other things that banking sector in Pakistan should help their employees to identify their career paths and to guide them in the pursuit of higher education.*

**KEYWORDS:** Professional Training, Employee performance.

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### **INTRODUCTION**

Training can be defined as “a systematic process of acquiring knowledge, skills, abilities, and the right attitudes and behaviors to meet job requirement” (Gomez-Mejia, et.al, 2007). Training has been identified as a mean to help employees do their current jobs and to meet performance requirements by focusing on specific skills required for the current need. However, the benefits of training may extend throughout a person's career and help to develop the employee for future responsibilities.

Training enables most organizations meet their goals and objectives. In doing so, it enables the employees to learn new concepts at the work place, to refresh their skills, to improve their work attitude and to boost productivity (Cole 2002). The primary role of training is to improve the skills of the employees for current and future duties and responsibilities therefore; training has been given a lot of importance in the human resource development. Since various concepts at workplace are ever changing especially with the current globalization views, the training needs

will follow the suit. Such trainings can be done from either internal or external arrangements. Either way, relevance and quality must be upheld so that the employee can appreciate the career motivational effects (Mullins 2003).

Organizations that do not offer their employees regular training, are out competed in the market. It usually happens because such organization's employees slowly become inept and incapable of boosting productivity. In the contrary, training helps them to change with aspects like technology and competition (Dessler 2002).

The economic development of most developed countries can be attributed to the important role played by its human resources. Therefore, if the rich natural resources of Pakistan are to be considered and the sufficient financial support, Pakistan can also attain the economic success if the attention is given to the training and development of human resource. Government can play a vital role in ensuring that people acquire the necessary knowledge and skills. This can be done by the provision of professional training institutions, vocational training institutes and colleges, secondary and technical schools, as well as the reforms in the education. All these facilitate the acquisition of skills and knowledge to ensure workplace effectiveness and efficiency.

Systematic and professional training programs are very essential for employees in the organizations. Formal Education, do not necessarily impart specific knowledge for specific job positions in organizations. As a result of that, there are few people in the workforce with the right skills, knowledge and competencies that are needed for particular positions in the job market. Therefore, there is the need for specific training for the human resources to be able to improve and to contribute to the productivity of organizations.

In the banking industry, human resources skills and expertise are crucial assets for ensuring productivity and performance. This is because, as a service industry, the bank through its personnel provides the services and at the same time the clients consume it. The bank personnel stand for the service and present to the customer the value and quality of the bank's service (Aryee, 2009). As a result of that, banks need more competent human resources to present their services in a way that will win more customers and sustain profitability.

The Purpose of this research is to identify the impact of training on employee performance in the banking sector of Pakistan. Thus data will be collected through questionnaires, distributed to employees, to identify whether training for employees exists, if so, what was the impact on the performance of employees. The banking sector was selected because banks form the significant portion of the service sector of the economy.

**Main Research Question:** Our main research question is to measure *the impact of professional training on the employees' performance: A case study of Pakistani banking sector.*

### **Objectives of the study**

The objectives of this study are as under: -

1. To Identify existing training programs at the banks (Both private and public sector)
2. To evaluate the effectiveness of these training programs.

3. To Discover if the training programs have impacted employees' performance and the firms' overall performance.

## LITERATURE REVIEW

### *Human Resource Management*

For the efficient functioning of any enterprise, it must have money, material, supplies, equipment, ideas about the service or product to offer and finally the people, which is the human resource to run the enterprise. Many scholars in a variety of ways have defined human resource management. M. Armstrong in his book, 'A Handbook on Personnel Management Practice' defines HRM as "The effective management of people at work is Human Resource Management" (Armstrong, 1996). Beer et al., in their book 'Managing Human Assets' states, "HRM involves decisions and actions affecting the nature of the relationship between the organization and its employees." (Beer et al, 1984)

### *HRM and Training*

Training is one of the major human resource management functions. Employees are crucial but at the same time an expensive resource. For sustaining economic growth and an efficient performance, optimization of employees' contribution to the aims and goals of the organization is very important. Leading writers have recognized the importance of training in the management. For instance according to Drucker (1998), the one contribution a manager is uniquely expected to make is to give others vision and ability to perform.

### *Training*

G.A. Cole (2002) in his book "Personnel Management: Theory and Practice" 5<sup>th</sup> edition, has defined training as "The learning activity directed towards acquiring specific knowledge and skills for the purpose of an occupation or task. However the focus of training is on the job or task to be performed efficiently. For example, need for having efficiency in operating a particular machine or the need for an effective sales force etc." (Cole, 2002). Almost all the organizations have recognized the importance of training for the development of their organization. Due to technological advancement, there is an increasing emphasis on the need for a skilled and highly trained workforce. Due to technical advancements in machines and equipment, there is a need for a labor to attain more education and skills in order to secure employment in the future.

### *Training and its Importance*

D. A. Olaniyan and L. B. Ojo in their journal on the 'Staff Training and Development', identifies that training is important because it increase the productiveness, improves the quality of work, increase the skills and knowledge, develop the attitude, and reduce the waste, mishaps, turnover, lateness, capital management and so forth. (Olaniyan&Ojo, 2008). According to G. A. Cole (2002), training can achieve lower cost of production, lower turnover and change management. At times there is a gap between desired work performance and actual level of work performance in every organizational setting. (Cole, 2002). Importance of training can be summarized in this way, "the economical and technological trends, the pace of innovation, change and development have been growing faster year by year and as a result these are clear signals that training and development are very important that both organizations and individual stakeholders must consider as very serious".

*What is employee performance?*

Employees' performance means how well the employees perform on the job that is assigned to them measured against the performance standards set by the organization. F. L. Cooke (2000) in his research paper concludes that Efficiency and effectiveness are the ingredients of performance and training is a way of increasing individual's performance (Cooke, 2000). Kenney et al., (1992) in his book stated that employees' performance is measured against the performance standards set by the organization (Kenney et al., 1992).

*Training, performance and productivity*

The quality of employees and their development through training are major factors in determining long-term profitability and optimum performance of organizations. To hire and keep quality employees, it is good policy to invest in the development of their skills, knowledge and abilities so that individual and ultimately organizational productivity can increase (Laing 2009). Traditionally, training is given to new employees only. This is a mistake as ongoing training for existing employees helps them adjust rapidly to changing job requirements.

Training generates benefit for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behavior (Benedicta Appiah, 2010). Training also plays an important role in the development of organization, improving performance and increasing productivity. It implies that there is a significant difference between the organizations that train their employees and those organizations that do not (Benedicta Appiah, 2010). Organization that is dedicated to generating profits for its owner (shareholders) and providing quality service for its customers and beneficiaries usually invest in the training of its employees (Evans and Lindsay, 1999). Information thus far reveals a consensus in the belief that there is a positive relationship between training and employees performance.

**THEORETICAL FRAMEWORK**

In the literature review, it has been observed that training has an impact on Employee Performance. Training is a tool to improve employee performance. Among many other factors, factors such as Technological changes, new hiring, Career growth, Improved performance etc. leads to further training. Unless trained, employees will find it difficult to cope with this new situation resulting in underperformance. Performance is directly linked to improved skills, knowledge and abilities etc. Performance of bank employees can be measured by their Customer service skills, Audit rating, Achieving targets, Cross-selling products skills and Professional growth. If left untrained, result would be a poor performance. Underperformance cause negative consequences to the employees such as Decline in productivity, Poor customer service skills, Poor audit rating, Poor cross-selling products skills, Failure in achieving targets. This will consequently lead to underperformance of the employees and hence the failure and collapsing of the bank. On the other hand, if those factors arise and the management of the bank through subjecting their employees to further training embraces them, it would result positively to the bank and the employees i.e. Target achievement, Better cross-selling products skills, Improved audit rating, Better customers service skills, Robust Professional growth. Better employee performance will ultimately lead to improved profitability hence development of the bank.

The following theoretical framework has been formulated to depict a relationship between training and employee performance.

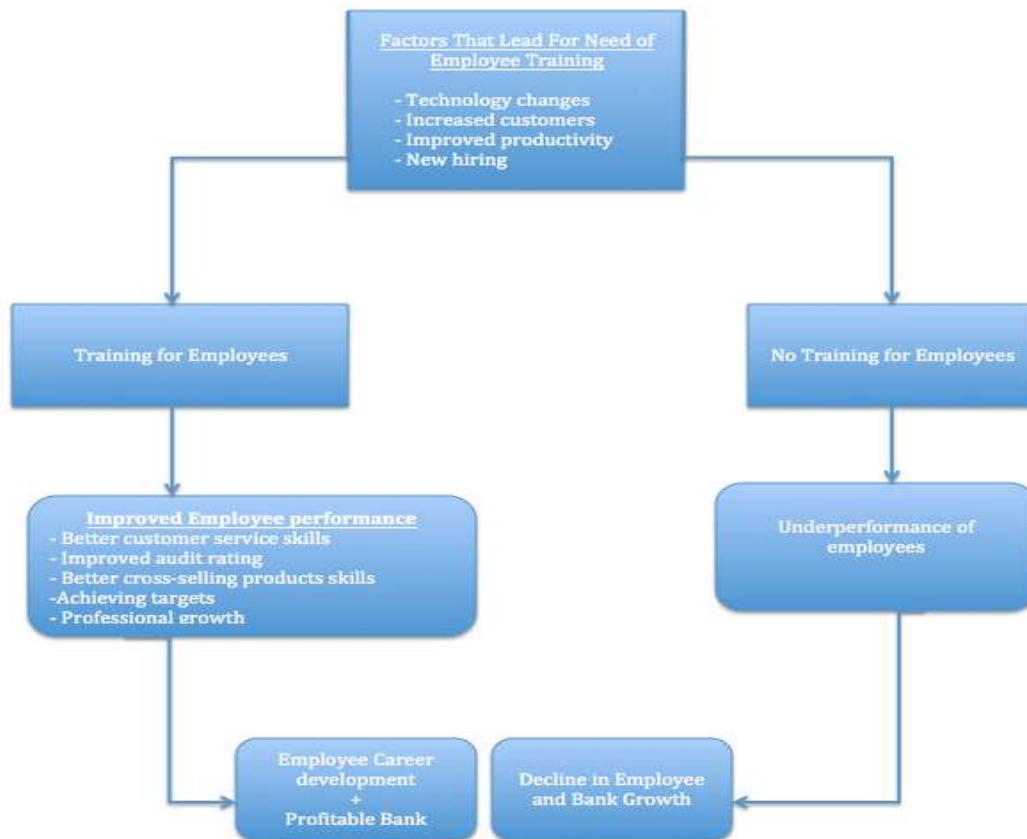


Figure 3.1: Conceptual Framework between Training and Employee Performance in the Banks

## Empirical Analysis

### *Sampling*

This research study finds out the impact of professional training on employee performance. For this purpose Banking sector has been chosen in the region of Lahore, Multan and Dera Ghazi Khan. Simple random sampling has been applied to guarantee that specific groups within a population are adequately represented in the sample and the efficiency is improved by gaining greater control on the composition of the sample.

### *Sample size and Data Collection*

The data has been collected through questionnaires having close-ended questions. About 110 questionnaires were distributed to different people and a time of one week was given to them to fill the questionnaires. Questionnaires were formed by using 5 points Likert scale (1 for Strongly Agree) and (5 for Strongly Disagree). For this study, a survey has been conducted in both public and private sector banks of Lahore, Multan and Dera Ghazi Khan using questionnaire technique. 110 questionnaires were distributed in Habib Bank, National Bank of Pakistan, Askari Bank and Faisal Bank and 98 questionnaires were returned back. So, the response rate is around 89 percent.  $98/110 = 89\%$ .

## DISCUSSION AND RESULTS

### *Age Distribution of Respondents*

The ages of the respondents ranged between 18 and 59 years. There were 49 respondents between 26-35 years representing 50.5%. 13 of the respondents were between the ages of 36-45 representing 13.4%. Approximately the same percentage exists for respondents between 46-55. 21 respondents were between 18-25 years representing 21.64% of the total respondents. It reveals that only 1.06% respondents fell within the age range of 56-59.

### **Insert Figure 3.3.1**

### *Gender of Respondents*

Out of the 98 respondents 66 were males representing 67.3% and 32 were females representing 32.65%. This shows that the male respondents formed the majority. In contacting a few of the employees I discovered that the statistics above corresponds to the current situation in the bank. Currently, there are more male employees in the bank than females.

### **Insert Figure 3.3.2**

### *Job Position of respondents*

The study covered upper and middle level management of the bank including the Human Resource and Finance managers. The middle level management respondents were 70 representing 72.16% while the upper level management were 27 and also represented 27.83%. The analysis shows that a larger proportion of the respondents were found to be from middle level management. Banks can therefore be described as comprising workers of varied positions all working towards the attainment of the company's goals.

### **Insert Figure 3.3.3**

### *Respondents' knowledge of training objectives*

The above table shows the objectives training. 69% of the respondents reported that objective of the training was to help improve performance, whereas 51% and 41% reported that objective of training is to acquire more skills, and personal grooming respectively. This shows that the objective of training is not only to improve performance but also to improve skills and help improve personal grooming of staff members.

### **Insert Table 1**

### *Methods Of Training Used*

Respondents indicated that all training takes place internally. New employees do receive orientation training, all employees undergo periodic job and career development training mainly in the form of 'on the job' training and through 'seminars' and 'formal lectures'

### **Insert Table 2**

The above-mentioned table shows the methods that were used for training. Seminar, on-job

training, case study method, and formal lecture method of training were used. Sometimes a mixture of two or three methods of training was used. 55% of the respondents reported that seminar methodology was used for training. 49%, 42%, and 21% of the respondents reported that on job training, formal lecture, and case study method of training respectively was used.

### *Training and employee performance*

#### *Respondents' opinion of the effect of training on employee performance*

Respondents' response on the effect of training on employee performance can be summarized as resulting in improvement of skills, the acquisition of new knowledge, increase in efficiency and better performance. This agrees with De Cenzo and Robbins (1996), who stated "training is basically a learning experience, which seeks a relatively permanent change in an individual's skills, knowledge, attitudes or social behavior."

### **Insert Table 3**

Above-mentioned table shows the respondents perception and impact of training on their performance, Knowledge, audit rating, targets, customer service skills, cross-selling products, and improvement in professional growth measured employee performance in this study. We see that all of these variables were positively affected by the training. 94% of the respondents believe that training had a positive impact on them in gaining knowledge. Around 71% of the respondents reported that training resulted in improved audit rating. Similarly 87% of the respondents reported that training helped them in achieving their targets. We also see that training resulted in improved customer service performance, which was reported by 91% of the respondents. Training also improved cross-selling products and helped employees achieve their targets. The results of this study are consistent with the earlier studies, which also showed positive relationship between the training and employee performance.

## **CONCLUSION AND RECOMMENDATIONS**

This study has examined the influence of professional training on performance of employees in the banking sector of Pakistan. It further reveals that organizational performance is significantly determined by training given to the employees or in other words, training is an important factor contributing to performance. Performance of an organization relies on the employee performance, which in turn, depends on the HR policy of training and development. The study of the relationship between the employees' training and their performance is important for today's managers because the modern business trends demands more efficiency, accuracy and effectiveness in less time and cost and this can be achieved only through design, development and deployment of excellent training programs to the employees. Training is contributing factor in career development in a way that by introducing more training programs in the organization employees become interested to get more knowledge about their jobs that eventually helps them in getting promotions among their peer groups. Since training has significant influence on employee's work commitment and performance, it is important to reinforce and implement training as part of organizational agendas to achieve organizational goals.

Competition in the banking sector in Pakistan continues to increase with the continuous emergence of new players. Thus, it is important for banks to invest in training programs, if they intend to stay ahead of their competitors. The Quality of human resource greatly affects the competitive edge of businesses in the service sector.

As the banking sector continues to evolve, especially after the current financial crisis, it is important that banks place their employees in a position to enable them adjust to changing trends in the face of global challenges. One way of doing this is through frequent training.

The structure of training programs, their objectives and benefits discussed in the analysis affirms the theories identified in the literature. Thus this research study affirmed the proposition that training has a positive impact on employee performance.

It is recommended for the Pakistani Corporate sector to understand that training does not have an impact on just employee performance but also on a firm's overall performance. There should be a willingness thereof, to invest in employee training with the understanding that it is an investment that will yield returns.

The employee's compensation also has significant effect on the performance because the employees who are not paid well often show poor performance. For future research, it is recommended that same study can be conducted with other variables. There might be other variables playing important role in this particular field. These other variables can be employee satisfaction, employee motivation, employee retention and employee commitment etc. The researchers can conduct research with the same variables in the other sectors of economy to create more convincing results

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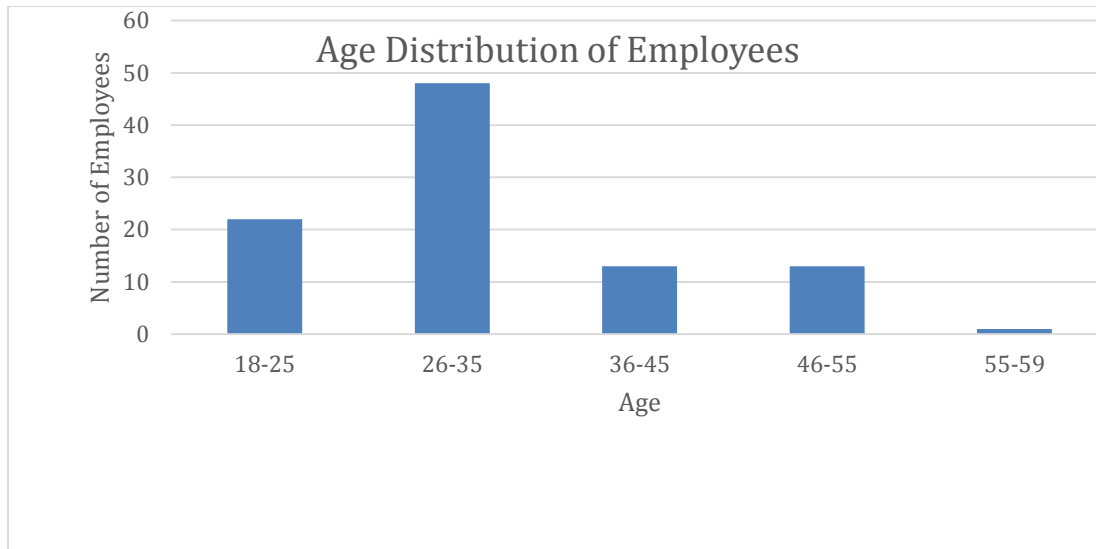


Figure 3.3.1: Age Distribution of Respondents

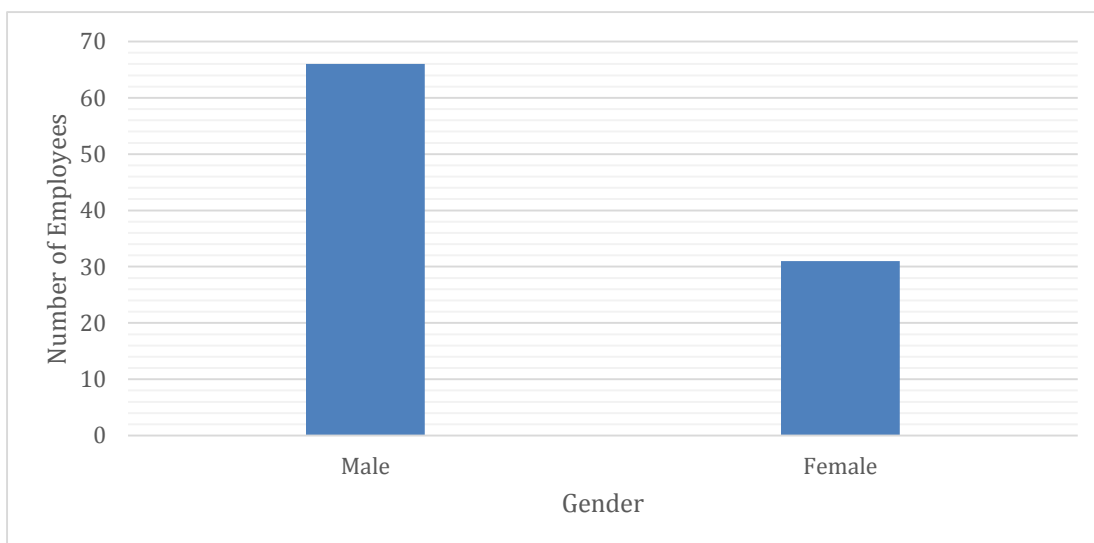


Figure 3.3.2: Gender of Respondents

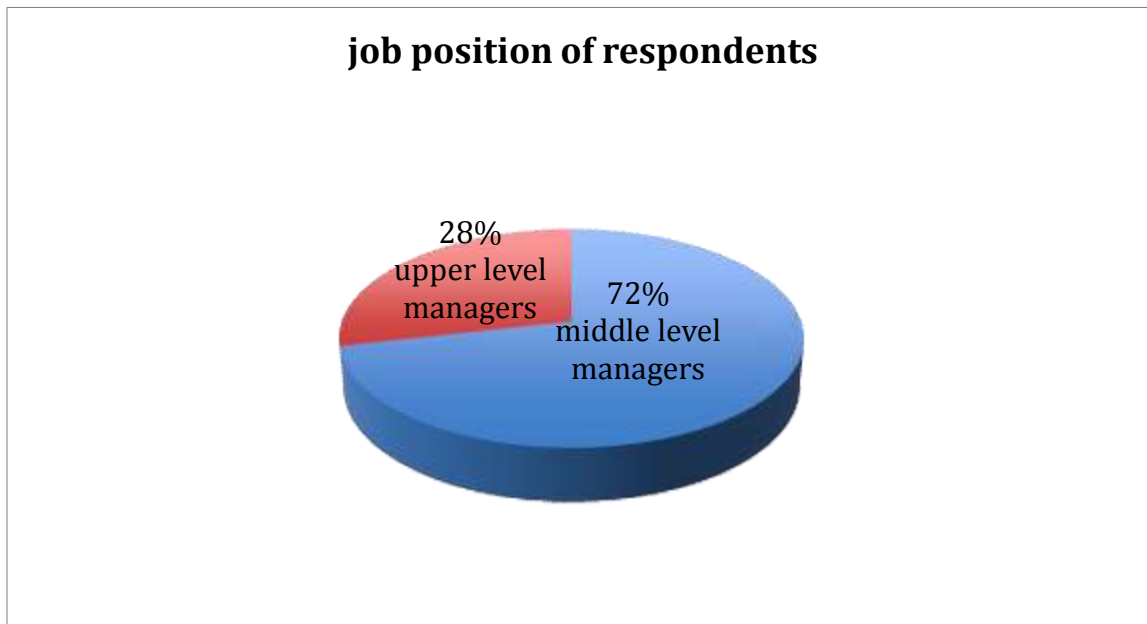


Figure 3.3.4: Job Position of Respondents

**Table 1**

Objectives of Training	Frequency	Percentage
To Help Improve performance	59	69.4%
To acquire more skills	43	51%
Personal Grooming	35	41%

**Table 2**

Methods used for training	Frequency	Percentage
Seminar	47	55%
On job training	42	49%
Case study	18	21%
Formal Lecture	36	42%

**TABLE 3**

	<b>Improving Knowledge</b>	<b>Improve ment in Audit Rating</b>	<b>Achieving Target</b>	<b>Improvement in Customer Service Skills</b>	<b>Improvement in Cross Selling Products</b>	<b>Achieve Professional Growth</b>
Strongly agree	54%	33%	41%	39%	36%	38%
Agree	36%	38%	46%	52%	40%	50%
Neither	5%	18%	7%	6%	12%	6%
Disagree	5%	10%	6%	3%	11%	6%
Strongly Disagree	0%	1%	0%	0%	1%	0%