

Effect of Training on Employee Performance: Investigating Indian Banking Sector

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Abstract

Most of the banks in India and all around the world are influenced by training and development practices of employees in achieving the organizational objectives. There has been a requirement for banks to understand the role of training and development to attain high performance. The purpose of this paper is to investigate the effect of Training as one of the Talent Management practices on Employee Performance in the Indian banks. The study has outlined two research objectives: First, to develop an understanding about the implementation of Training in public and private sector banks in India and second to explore the relationship of Training and Development with Employee Performance in the banking sector in India. The study adopted a survey of 550 bank employees through self-administered questionnaire which results in the collection of primary data for the research. The study finds that the Training and Development is the influencing force for work performance in banks which signifies that employees in this sector are willing to learn and update themselves. As per the regression summary, the value of Adjusted R^2 is 0.676 which shows that employee performance was affected by training and development practice. This implies that, there was a variation of 67.6% on employee performance with training and development.

Keywords- Talent Management, Training and Development, Employee Performance, Indian Banks.

1. Introduction

In today's competitive world, the needs of the younger generation are different and are renegotiating the psychological contracts with their employer. They shift between organizations in case their expectations are not met. Thus, retaining and developing key people is the biggest challenge for the organization's today. Senior managers report talent management as a strategic priority; still over half of the line managers are resistant to talent management processes. While there is no single right way in which talent management can be done in an organization, this paper offers some guidance to the dimensions that banks can consider. Unlike the earlier work in the field of Talent Management, here the focus is exclusively on the role of Training in enhancing Employee Performance. This study shall be able to benefit the banking sector in general as it advises the training as one of the effective Talent Management practice existing in the banking sector to be at par. More importantly, this study would benefit the junior and middle - level employees working in banks. The effect of training on employee performance has been evaluated to propose strategies for the benefit of the banking sector in India.

This research paper sets out to provide the following:

- An understanding about the implementation of Training in public and private sector banks in India.
- Exploring the relationship of Training and Development with Employee Performance in the banking sector in India.

2. Review of Literature

During the last few years, India has observed a drastic economic and social change. Researchers reveal several facts regarding training and development and employee performance. Some of the important researches to propose the theoretical framework from the literature are cited as follows:

Sultana et al. (2012) in their study stated the value of R^2 as .501 that signifies that the employee performance varies by 50.1% through training programs. This study argues and provides evidence that training is an important practice considered under talent management which enhances the employee performance.

Training is important for employees because it signifies its effect on productivity and performance of employee and organization as well. Training helps individuals and organizations to put the best position in this competitive phase today. This means that there is a significant difference between organizations which provides regular training to their employees and those organizations that do not train their employees (Huselid et al., 2011).

According to (Farooq and Khan, 2011) managers are empowered to enhance the skills and capabilities of employees, which develop a flexible working environment in an organization. Infact, healthy environment increases the efficiency of working employees in a company.

Worker & organization both get benefited by training programs. Training provides several benefits to employees by enhancing their KSA's (Appiah, 2010).

Nickels (2009) evaluated the effect of training on employee's performance in terms of employees meeting and exceeding expectations, employee cross-training programs, various promotion opportunities to employees and healthy work environment.

He found that while we assess performance we take into consideration efficiency & effectiveness along with competitiveness & productivity. To facilitate individual there are specific training programs that enhance knowledge & skills of individual's performance. Training mutually benefits health and state of mind for individual and provides productive thought for an organization (David, 2006).

Training is also beneficial for both old-age employees and young workers as it helps in moral and mental health development of the employees to perform better (Newton, 2006). Those who want to generate value in the organization will understand the need for training because they require proper utilization of all resources. An organization that wants continuous progress or development of their employees must run these kinds of programs. This will help in polishing skills of employees at their workplace (Shen and Darby, 2006).

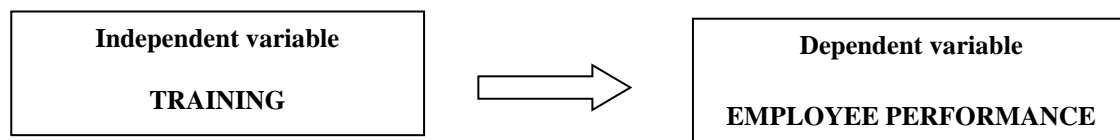


Figure 1. A simple theoretical framework for linking training and employee performance

3. Research Design

A. Research approach: A survey design was used to achieve the research objectives.

B. Research Participants: The convenience and stratified random sampling technique were used in the present study. The sampling frame of 6 banks of Haryana state of India was prepared for this study which consists of 3 major players of public sector banks (State Bank of India, Punjab National Bank, OBC Bank) and 3 major player of private sector banks (HDFC Bank, ICICI Bank, and AXIS Bank). The target participants comprise 550 junior/middle-level employees of selected six banks given under the sampling frame.

C. Measuring instruments: A self-administered questionnaire was used to obtain details of the participants. The questionnaire clearly briefed the concept that is being measured and the scale that was used to measure and what actions the respondent need to perform. The table 1 presents the measurement items and their scale.

Table 1. Measurement items and their scale

Construct	Indicators and Measurement Scale	Source
Training and Development	3 Items- 5 Point Agreeableness Likert Scale	Rogg, Schmidt, Shull, and Schmitt (2001) F.P.Holgado-Tello et.al (2006)
Employee Performance	12 Items- 5 Point Agreeableness Likert Scale	Singh and Pestonjee (1988)

4. Analysis and Results

The statistical analysis was carried out with the help of the SPSS (SPSS version 20). The results based on the data analysis are mentioned below:

(i) Descriptive analysis was done. Descriptive statistics were computed to examine demographic and professional characteristics of the 550 respondents. The statistical software SPSS 20.0 was used for the descriptive statistics. The below mentioned table is the output of descriptive statistics which shows the mean and standard deviation value of Training and Development for the number of cases. The Table 2 shows that determinant is not nil which satisfy the condition of factor analysis and Table 3 represents the value of Cronbach's Alpha.

Table 2. Means, standard deviations, skewness and kurtosis values of training and development item

Training and Development	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
TD1	550	3.89	.749	-.490	.104	.494	.208
TD2	550	3.76	.767	-.079	.104	.226	.208
TD3	550	3.58	.921	-.190	.104	.220	.208
TD4	550	3.85	.934	-.340	.105	.224	.208
TD5	550	3.79	.821	-.279	.104	.234	.208
TD6	550	3.80	.843	-.285	.105	.265	.208

Table 3. Descriptive statistics of training and development scale

Scale	Minimum	Maximum	Mean	SD	Cronbach's Alpha
TD	1	5	3.77	0.57	0.82

The output of descriptive statistics which shows the mean and standard deviation value of Employee Performance for the number of cases is represented in below mentioned table. The Table 4 shows that determinant is not nil which satisfy the condition of factor analysis and Table 5 represents the value of Cronbach's Alpha.

Table 4. Means, standard deviations, skewness and kurtosis values of employee performance item

Employee Performance	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
EP1	550	4.08	.687	-.377	.104	.239	.208
EP2	550	3.55	.860	-.437	.104	.103	.208
EP3	550	3.97	.592	-.415	.104	.561	.208
EP4	550	3.54	.699	-.047	.104	.700	.208
EP5	550	3.95	.716	-.729	.104	.827	.208
EP6	550	3.52	.932	-.214	.104	.888	.208
EP7	550	4.01	.793	-.404	.104	.526	.208
EP8	550	3.46	.804	-.042	.104	.541	.208
EP9	550	4.27	.664	-.509	.104	.152	.208
EP10	550	3.55	.891	-.344	.104	.898	.208
EP11	550	3.80	.800	-.139	.104	.015	.208
EP12	550	3.53	.869	-.600	.104	.017	.208

Table 5. Descriptive statistics of employee performance scale

Maximum	Mean	SD	Scale	Minimum	Cronbach's Alpha
5	3.83	0.432	EP	1	0.84

(ii) Multiple linear regression was conducted to determine the separate and collective contributions of independent variable (Training) to the variations of a dependent variable (Employee Performance). This is one of the most commonly used multivariate procedures in the social sciences and is used to build models for explaining and predicting scores on the dependent variable from scores on a number of other independent variables (Blanche et al., 2006). A cut-off point of $p < 0.05$ was set for the interpretation of the statistical significance of the results. The value of R^2 represented in the below mentioned table is 67.6% of the variance which shows that there is a significant relationship between Training and Development and Employee Performance.

Table 6. Regression- model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.822 ^a	0.676	0.673	0.239
a. Predictor: TD				
b. Dependent Variable: EP				

(iii) The results of the independent samples t-test of two different population public sector and private sector banks show that the variable corresponding to the factor identified “**Training and Development**” has t value non-significant i.e. $p < 0.05$. The p values of the t-test of all the factors are less than 0.05 at 5% of the level of significance. Thus null hypothesis H_{1b0} is rejected and alternate hypothesis H_{1b1} is accepted which states that there is a significant difference with respect to Training and Development between the employees of selected private and public sector banks. The Table 7 indicate the results of independent samples t-test of training and development.

Table 7. Independent samples t-test of training and development

	Variable 1	Variable 2
Mean	3.72	3.71
Variance	0.10	0.38
Observations	275	275
Pooled Variance	0.24	
Hypothesized Mean Difference	0	
Df	548	
t Stat	5.03	
P(T<=t) one-tail	0.01	
t Critical one-tail	1.64	
P(T<=t) two-tail	0.01	
t Critical two-tail	1.96	

5. Findings

The finding of the study is Training and Development activities performed by both the public sector and private sector banks have a significant influence on Employee Performance ($B = 0.23$, $SE = 0.024$, $t\text{-value} = 9.609$, $p < 0.001$) While comparing the level of implementation of Training and Development between selected public and private sector banks in India, it has been determined statistically that now a days public sector banks are adopting Training and Development practice far ahead as compared to private sector banks as the result of t-test revealed that there is a significant difference between Training and Development of employees of private and public sector banks ($t\text{ value} = 5.03$, $p < 0.05$).

6. Conclusion

It is concluded from the findings that the Training and Development is one of the influencing Talent Management practice which has a positive role in increasing the Employee Performance in selected banks in India. The study established that the implementation of Training and Development practice is differentiated in public and private sector banks. The probable causes found in comparison of this practice between the public sector and private sector banks are mentioned as the Training and Development is mandatory in public sector banks. The T&D programs are provided by specialized training institutes in these banks i.e. Training cells are operating at zonal and central offices as well as these banks are imparting full fledged off the Job training programs for grooming their employees. On the other hand, private sector banks are only organizers but not imparting the training directly. They are providing on-the-job training outsourced to the other companies. Thus, banks should focus on extensive training programs for its employees relevant to the changing needs of jobs and business on a regular basis.

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