

## INNOVATIONS

### The Relation of Training and Development Programmes and Its Impact on Employees' Performance: A Case of Nangarhar- Based Banks of Afghanistan

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#### Abstract

After 9/11 event and the formation of new government led by President Karzai late 2001, in the initial stage, banking sector employees' had been under serious problems of weak performance due to lack of required skills, knowledge and experience to perform their daily activities effectively. For such reasons, training and development practices had been considered a significant source for the development of staff performance in banking sector of Afghanistan. The main objective of this research was to study the relationship between training and development programmes and its impact on employees' performance in public and private banks in Nangarhar province of Afghanistan. The researcher developed close-ended questionnaires comprises of 39 questions related to T&D and employees' performance. Quantitative survey technique was used for data collection. Data was analysed using SPSS for estimating regression and correlation models for testing hypotheses. The result revealed that there is significant positive association between training and development programmes and employees' performance. Hence, we reject null hypothesis which says there is no significant relationship between training and development programmes and employees' performance in the banking sector of Afghanistan. The result also depicted that the more there is training and development practices in banks lead to higher quality employees' performance. The study recommends that bank managers should give attention on the investment of T&D programmes in the banking sector of Afghanistan.

**Key words:** 1. Training and Development 2. Employee Performance 3. Banking Sector 4. Afghanistan

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#### Introduction

In today's modern business climate, improving the characteristics, incomparable and having professional workforce is key source for organization success (Shaw et al., 2013). To achieve it, firms must spend an extensive budget on training and development practices (Association for Talent Development, 2017). However, most experimental results raise significant doubt on the real contribution of training and development practices on business performance (Nguyen et al., 2010;

Tharenou, 2007). Past researches have indicated training is not an important predictor of workers' skills, knowledge and capabilities and employees performance because sometimes training programmes annoy staff which negatively effects objectives of training and benefits (Glaveli & Karassavidou, 2011).

(Ployhart et al., 2017) examined that training and development investment assists to enhance human resources for quality performance however sometimes leads to negative consequences, for instance, increase in work mobility, high demanding salary and high intention to quit jobs because of over professional and skillfulness. The above results indicate that crucial challenges for researchers to know about some past studies have showed positive impact of training and development on employees' performance, whereas other researches summarised negative effects (Sung, 2018).

Today, most of businesses are thinking about the evaluation of employees' performance. However, they do not even care about the factors negatively affect workers performance. Businesses today evaluate actual employees' performance with expected organization performance. The performance gap is defined as the difference between employees' performance and organization performance. This deficiency is filled by providing training and development practices in the workplace (Blanchard & James, 2007). The methods of measuring employees' performance quite be different from one business to another. This means that there is association between training and development programmes and employees' performance (Evans, 1999). Training and development is a significant function of personnel department because this is not only to increase return on investment but also to recruit well-qualified talents to the business in this tough competitive market (Bapna, 2013). To address the gap between prevailing prediction and diverse concepts of the importance and benefits of training and development programmes and its positive and negative consequences of T&D and skill gap of employees performance in banking sector. This gap of skills, knowledge and attitudes was experienced by many financial institutions executives in Asia (Latif et al., 2013). Therefore, the current research investigates the relationship between training and development programmes and its impact on employees' performance in the banking sector of Afghanistan.

### **Objectives of the Study**

- To study the relationship between training and development programmes and employees performance in Nangarhar province.
- To measure the impact of training and development and employee performance in Nangarhar province.

### **Research Hypothesis**

**H<sub>1</sub>:** There is positive relationship between training and development programmes and employees' performance.

**H<sub>0</sub>:** There is no positive relationship between training and development programmes and employees' performance.

**H<sub>2</sub>:** Training and development has impact on employee performance in banking sector of Afghanistan.

**H<sub>0</sub>:** Training and development has no impact on employee performance in banking sector of Afghanistan.

## **Literature Review**

The history of training is rooted from the education and learning. The Philosopher Plato (347-427 B.C) described that “The most important part of education is the right training”. Similarly, Mark Twain (1835-1910) believed that “Training is everything”. This importance of training emerged after the industrial revolution in eighteenth century when technological development changes rapidly occurred to train and develop employees. Today, training is one of the most important activities of human resource development to utilize employees training and development programmes. Training is defined as well-designed efforts by an organization to help workers learning work-related capacities include skills, knowledge and attitudes that are important for effective job performance (Noe & Kodwani, 2008).

To guarantee that the organization’s intellectual capital is sustained and maintained, training is a must. Grobler et al., (2006) ascertains training as a task being oriented and determined on improving the learner’s job performance. Today organizations are in great focus to have high committed work culture and its concentrations on high skilled, standard quality services and high level competitive strategy (Beer & Cannon, 2004). A competitive edge can be achieved by having well-trained and satisfied staff in the organization which may stay for long-run in the organization (Adil et al., 2019).

Training and development practices allow employees to learn new skills, knowledge and attitudes required to perform successfully day-to-day activities. These new skills and knowledge automatically help to enhance employees’ performance which leads to organization performance (Hameed & Waheed, 2011). Stredwick (2005) emphasized that training and development practices are now considered to be strategic tool to develop staff quality performance. Considering the vital importance of training and development practices, many organizations are now accomplishing effective results in the form of quality employees’ performance, profitability and productivity (Hafeez et al., 2013).

## **The Benefits of Training and Development**

Training and development helps employees polish their skills, the standard and quality output of the work assigned, job satisfaction. When skills are developed, there is an ultimate expectation of creativity and job satisfaction in the workplace from employees. The effectiveness of training is co-related with the method the training is given and the need which was assessed (Aguinis & Kraiger, 2009). There is plenty of evidences that a good training and education associated with quality method is linked with empowerment of personnel, enhancing their abilities and capabilities, future development, creativity and innovation and lowering their intentions to leave the job (ILO, 2010; Akilandeswari & Jayalakshmi, 2014).

As per Hawthorne studies; productivity of an employee states that those who are satisfied would exert a higher outcome and would stay in the organization than those who are not satisfied on their jobs and would definitely intend to leave the organization. The performance of an employee is associated with the satisfaction. When s/he is satisfied, it is easy to motivate him/her to show a higher performance on the job and reach the targeted goals. It is also argued that satisfaction does not only work in every context, though, there needs a bunch of competencies in employees to perform their assigned tasks and that would be impossible without training and development (Elnaga & Imran, 2013).

Furthermore, training helps employees to release their job stress, anxiety, frustration, irritation that he/she faces on the job. When employees get to know that s/he cannot perform the tasks assigned to him/her, and cannot reach the target or the expectation that is from top level management, would

definitely go to a level which pushes him/her to intend to leave the organization. If such types of employees stay in organization, there will be no productivity from these employees and no value will be added to the organization and may have a blow to organization in terms of misuse of resources. Likewise, those employees who are fully trained would be an asset to organization, meeting the expectations of both management and customers and exerting a higher level of job satisfaction on the job (Elnaga & Imran, 2013).

Denisi (2008) highlighted that training and development programmes gives a business a competitive advantage in the market. This organisation can take significant advantage from its well-trained and skillful staff in smoothing activities. These employees will have positive perception toward training and development programmes in resulting of accomplishing organizational goals (Brown, 2003).

### **Relationship of Training and Development and Employee Performance**

Training and development practices are now considered as a strategic source for achieving organizational goals which facilitates human resources to learn a particular skill, knowledge and attitude (Dessler, 2008). Stredwick (2005) stressed on the developing of workers performance by conducting training practices continuously which is now considered a comprehensive solution then other methods. Wright & Geroy (2001) discussed that workers skills, knowledge and abilities are upgraded with the aid of training practices which leads employees' quality performance. Previous literature indicated that training has positive significant association on staff performance (Weil & Woodall, 2005). Awan & Saeed (2014) recommended that training practices develop workers performance in banking sector of Pakistan and results of the study indicated that training is an excellent instrument for human resources success.

(Dabale et al., 2014) investigated the "Impact of training on HR performance" concluded that training programmes have positive relationship on employees performance in Zimbabwe businesses. Similarly, Jayum et al., (2018) highlighted training practices has positive significant association on staff performance in Nigerian organizations which leads to high productivity and thus the struggle of workers can be governed the effectiveness and development by a business (Drucker, 1994; Barney, 1995).

(Karim et al., 2019) depicted that training and development programmes has significant influence on staff performance which leads to employees' better performance and motivation. He suggested that business should continuously update training manuals and design effective training programmes from time to time.

Training and development practices in third world countries are very essential because the lack of proper vocational training and education system cannot meet and address the current requirements of the organizations thus businesses must increase training investment to gain competitive advantage and success (Vo & Hannif, 2012).

### **History of Banking Industry in Afghanistan**

Afghanistan had very old banking tradition oriented toward the private sector. Bank-e-Milli Afghan was the first private bank, established in 1933. Banking industry in Afghanistan tolerates the mark of four decades-long conflict in the country (World Bank Group, 2013). Since 1933 to year 2000, Afghanistan's banking sector comprises of six government-owned banks and these banks were collapsed by the passage of time due to unskillful staff, weak governance, outdated, solvency and

liquidity problems (Malhotra & Mukherjee, 2004; SIGAR, 2016). Unfortunately, the absence of formal banking services across the country due to war, people started dependency on informal banking system offering short-term loans and transferring money like Money Exchange Dealers called Hawala System (Taqipor, 2017). In the regime of Taliban (1996-2001) few banks were offering financial services without interest. Shortly, commercial banks ceased their services due to UN sanctions on Taliban regime and tough Sharia Law and restrictions by Taliban (Katzman & Thomas, 2017; Pernia et al., 2005).

After 9/11 event, US and its alliance invaded Afghanistan late 2001 and the establishment of President Karzai government, Afghanistan's banking sector has significantly contributed 24.2% in economic growth from 2005 to 2019 and is now considered one of the country's most prominent industries (World Bank, 2019). Therefore, banking sector in Afghanistan is crucial to the country's economic development (Mastoor, 2014). According to World Bank (2020) report indicated that about 10% men and only 3% female have account in banks. Nearly 85% Afghans having no banks accounts due to low income, insecurity, religious belief, high unemployment rate, low ratio of financial literacy and lack of trust on financial institutions are the major factors and problems for banks. However, in such insecure environment, Afghanistan's banking sector has successfully providing customer-oriented product and services, gaining market opportunities in international trade (Adil et al., 2019).

Ironically, after 20 years of conflict, Taliban (Islamic Emirate of Afghanistan) again takeover on 15 August 2021, the whole country was on a critical moment especially for commercial banks remain shuttered their banks until the confirmation of liquidity and security arrangements by the central of bank of Afghanistan (Da Afghanistan Bank). Similarly, foreign reserves of central bank (Da Afghanistan Bank) \$9.5bn has been frozen by the US government. In addition to this, World Bank, IMF, WHO and other international NGOs has also halted payments to Afghanistan due to lack of recognition by the international community. As a result, the whole economy is very fragile condition which was dependent more than 60% on foreign aid (Da Afghanistan Bank-2021) report.

## **Methodology**

The study was designed using quantitative approach. The primary data was gathered through survey questionnaire to investigate the relationship between training and development programmes and its impact on employees' performance in Nangarhar-based banks of Afghanistan. All ten public and private banks were selected as a sample for this research namely; Bank-e-Mili Afghan, New Kabul Bank, Pashtany Bank are government owned banks and the rests are private commercial banks; Islamic Bank of Afghanistan, Azizi Bank, Afghan United Bank, Afghanistan International Bank, Maiwand Bank, Ghazanfar Bank and The First Micro Finance Bank, operating in Nangarhar province. The respondents were all banks' employees including officers and branch managers. The total populations of these ten banks were 185 staff including all branches in Nangarhar province of Afghanistan. The main reason for selecting total population for this study was that the services of these ten banks are restricted to cities only therefore it was easy to collect data and population was not large to take sample from the total population.

## **Research Instrument**

T&D questionnaires were adopted from (Nwokeiwu, 2013) having 25 items and employees' performance having 14 items developed by the researcher. All the variables were measured with 5-point Likert scale ranges from 1 (strongly agree) to 5 (strongly disagree). The reliability and validity

was checked for the items of this study. The Cronbach's alpha for T&D is .75.1 and for employee's performance .81.3 which is reliable.

**Analysis and Interpretation**

**Table 1: Correlation Analysis**

Variables	Mean	SD	Training & Development	Employee Performance	Sig
<b>TD</b>	91.010	9.94728	1		000 <sup>b</sup>
<b>EP</b>	52.918	7.44584	.731	1	

\*\* Correlation is significant at the 0.01 level (2-tailed).

N= 185

The Pearson correlation of training and development and employees' performance was found highly positive and statistically significant ( $r=.731, p<.001$ ). Hence, H1 was supported. This indicates that an increase in training and development programmes would lead to higher employees' performance in Nangarhar based-banks of Afghanistan.

**Table 2: Model Summary <sup>a</sup>**

Model	R	R-Square	Adjusted R-Square	Standard Error of the Estimate
1	0.731 <sup>a</sup>	0.534	0.533	5.08869

<sup>a</sup>. Predictors: (Constant), Training and Development

<sup>b</sup>. Dependent Variable: Employee Performance

Model Summary indicates that training and development practices have 53.3% impact of employees' performance in the banking sector of Afghanistan. The r-square 53.4% value shows relationship of dependent variable (employees' performance) due to independent variable (TD). Consequently, we reject null hypothesis which says there is not positive relationship of TD and employees' performance in the banking sector of Afghanistan.

**Table 3: Model Fit (ANOVA) Results**

ANOVA <sup>a</sup>					
Model	Sum of Squares	Df	Mean Square	F	Sig.
<b>Regression</b>	10928.299	1	10928.299	422.028	000 <sup>a</sup>
<b>Residual</b>	9529.269	368	25.895		
<b>Total</b>	20457.568	369			

<sup>a</sup>. Dependent Variable: EP

<sup>b</sup>. Predictors: (Constant), TD

The result of above table (3) shows model fit measured by ANOVA (F-test). The p-value is less than the level of significance ( $p<.001$ ), the fit between employees' performance (DV) and training and development is (IV) is highly significant, implying a good model. It means the more there is training and development practices, the higher employees' performance in banking sector in Eastern Zone of Afghanistan.

**Table 4: Regression Results**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.128	2.438		1.283	.200
	TD	.547	.027	.731	20.543	.000

a. Dependent Variable: EP

Table 4 indicates regression results of this research, there is positive and significant impact of training and development practices on employees' performance. Because all values are positive, thus, we reject null hypotheses and thus alternative ( $H_1$  &  $H_2$ ) hypotheses are accepted.

**Conclusion**

This has been observed throughout the study that training is one of the best ways to enhance employees' knowledge, skills, capabilities and attitude and it positively influences employees' performance in the Banking sector of Afghanistan. Employees who receive training would perform effectively than those who have not received training in the organization. Similarly, training and development practices decrease anxiety, irritation and frustration and in return it reduces cost and boost up productivity of the organization. Therefore, the core function of HRD department in the banking industry is to facilitate performance improvement, measured T&D not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided to the customers. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector.

The result of this research has significant implications for managers who want develop their staff performance by improving required skills, knowledge and attitudes for a particular job. Those financial institutions having great investment and practices of training and development are likely to be competitive and successful in terms of having well-qualified and trained staff and will be more profitable in this tough competitive market.

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