THE MODERATING ROLE OF MODERN TRAINING AND DEVELOPMENT METHODS IN PRIVATE BANKS AND WORK PERFORMANCE: EVIDENCE FROM CONTRACTUAL EMPLOYEES WORKING IN PAKISTAN BANKING SECTOR

Adnan FARIDI

Received Date (Başvuru Tarihi): 01/11/2018

Akhtar BALOCH

Accepted Date (Kabul Tarihi): 15/11/2018

ABSTRACT

The article attempts to investigate the moderating role and effect of the modern methods of training and development programs in private banks on the individual work performances of the employees. Through area cluster sampling technique survey questionnaire, the data was gathered from 280 employees working at the operational level in 8 major cities of Pakistan. The results confirmed that the private banks have significant contribution in improving the overall performances of the banking sector whereas modern methods of training and development has statistically significant effect on enhancing the working performance of contractual employees. The frequently evident practices; professionalism and employee engagement developed through training are considered and both have significant relationship with the enhanced work performance of employees. Hence, modern training and development methods are pivotal moderator in improving the working efficiency of the private banks and enhancing the knowledge, skills and abilities of the contractual workforce.

Keywords: Contractual Employees, Employee Engagement, Modern Method of Training and Development, Professionalism, Work Performance

JEL Codes: L84, M19, M50, M53

ÖZEL BANKALAR VE ÇALIŞMA PERFORMANSINDA MODERN EĞİTİM VE GELİŞTİRME YÖNTEMLERİNIN ARACI ROLÜ: PAKİSTAN BANKACILIK SEKTÖRÜNDEKİ SÖZLEŞMELİ ÇALIŞANLAR ÜZERİNE BİR ARAŞTIRMA

ÖZ

Bu çalışma, özel bankalardaki modern eğitim ve geliştirme yöntemlerinin, çalışanların bireysel iş performanslarına olan etkilerini ve aracı rolünü araştırmayı amaçlamaktadır. Veriler, alan küme örneklemesi tekniği anketi yoluya, Pakistan’ın 8 büyük şehrinde bankacılık sektöründe operasyonel seviyede çalışan 280 çalışanın toplandığı. Sonuçlar, özel bankaların bankacılık sektörünün genel performanslarının iyileştirilmesinde önemli bir katkısı olduğunu doğrularken, modern eğitim ve geliştirme yöntemlerinin sözleşmeli çalışanların çalışma performansının artırılmasında istatistiksel olarak anlamlı bir etkisini olduğunu da göstermektedir. Sıklıkla görülen uygulamalar; eğitim yoluya geliştirilen profesyonellik ve çalışan katılımının, çalışanların gelişmiş iş performansı ile anlamlı bir ilişki olduğunu. Bu nedenle, modern eğitim ve geliştirme yöntemlerinin, özel bankaların çalışma verimliliğini artırma ve sözleşmeli işgücünün bilgi, beceri ve yeteneklerini geliştirmek için önemli bir aracı olduğunu söylemektedir.

Anahtar Kelimeler: Sözleşmeli Çalışanlar, Çalışan Katılımı, Modern Eğitim ve Gelişim Yöntemi, Profesyonellik, İş Performansı

JEL Kodları: L84, M19, M50, M53

1 Bu makale 12-14 Eylül 2018 tarihinde Karabük Üniversitesi ve Selçuk Üniversitesi işbirliği ile Saffranbolu’dada yapılan Business & Organization Research (BOR) konferansında verilmiş olan özetini genişletilmiş metnindir.
2 Public Administration Department, University of Karachi, Pakistan, faridi80@gmail.com
3 Public Administration Department, University of Karachi, Pakistan, abaloch@uok.edu.pk

https://doi.org/10.15295/bmij.v6i3.378
INTRODUCTION

Within the organizational settings, to ensure the operations and resources are used in appropriate manner, various types of Human Resource (HR) practices are undertaken (Zehra, 2016). One of the most essential HR practices is “Training and Development” (T&D) (Zehra, 2016; Faizan and Zehra, 2016; Faridi, Baloch, and Wajidi, 2017a; Faridi, Baloch, and Wajidi, 2017b; Zehra and Faizan, 2017). The main reason for the adoption and implementation of T&D is to ensure workforce has required skills, knowledge and abilities for execution of tasks in required manner. Nevertheless, similar to all other HR practices, the higher visibility of T&D has been evident in the developed economies in contrast to emerging economies (Faridi et al., 2017a). According to Rehman (2012), “the major difference between the first and third world economies is the effectiveness and usages of the human resource practices” (p. 02). The work of Batool and Batool (2012) revealed that insufficient knowledge regarding job requirements are evident among less trained employees, which leads to the risk of losing jobs and increase potential of high resource wastage. Furthermore, employees with inappropriate training often quit their job in comparison to trained ones, who tend to stay longer with their respective organizations (Caldwell, 2003; Hales, 2005).

However, there have been traces of significant changes in the operations and escalation of HR practices in developing countries in the current era because of the globalization (Shahzad et al., 2008). The modern training and development methods are largely visible in the various manufacturing and service sectors of Pakistan in the last few decades (Shahzad et al., 2008; Batool and Batool, 2012; Hassan et al., 2014; Haque and Yamoah, 2014; Haque and Aston, 2016; Zehra, 2016; Faizan and Zehra, 2017; Faridi et al., 2017a; Faridi et al., 2017b; and Zehra and Faizan, 2017). Although there are several HR practices, to ensure the study is in depth rather than width, T&D is taken into consideration. Moreover, this research is an attempt to investigate the HR practice, which has increased at a constant rate in Pakistan, comparing to other HR practices operating in the service sector. Additionally, there are limited evidence regarding the use of moderating role of T&D to establish the relationship between Banking sectors’ functionality and employees’ performances.

In the developed part of the world, higher emphasis is on the assessment criteria by taking into consideration requirements of the task/job and capabilities of the employees so that lacking skills are polished (McDonald, 2000). On the other hand, in emerging economies especially in Pakistan, conventional tools and methods of training are used to fill the lacking gaps in skills (Faridi et al., 2017b). Having said that, since the start of 2000s modern methods of training and development are commonly used in the service sector, specifically in the banking sector (ibid).
Overview of Pakistan’s Banking Sector:

Pakistan’s banking sector is composed of public and private banks and interestingly, public banks have higher rates of employee retention in contrast to private banks (Faridi et al., 2017a; Faridi et al., 2017b). One of the reasons for higher retention rate in public banks is job stability while private banks offer this less, but opportunities for growth are very high and therefore, rate of retention is lower (Zehra, 2016). Despite that, overall this sector is one of the key contributors from service to the Growth Domestic Product (GDP). Kazimi (2017) revealed that the contribution rate of the service sectors in Asia namely; Bangladesh, India, Sri Lanka and Pakistan. In recent times, overall the banking sector of Pakistan has experienced stable growth and improved contribution to the GDP (Ahmed and Ahsan, 2011). The wave and trends in Pakistan have been changing gradually as previously the economy of Pakistan was “agro-economy” but service sectors in current situation is contributing approximately 50% to the GDP due to stable and improved economic growth (Ahmed and Ahsan, 2011). Having said that, still the overall banking sector is contributing only 5.57% towards the service industry whereas the contribution to Pakistan’s GDP is only 3.37% to the GDP of Pakistan (Yusufzai, 2017; Pakistan Economic Survey 2016-2017).

In contrast to public banks, the contribution of private banks is higher (6.65% in comparison to 4.8%) while the infrastructure and modern tools and advanced procedures are more visible in private banks, irrespective of the size (Khalid and Nadeem, 2017; Pakistan Economic Survey 2016-2017). The recent studies have confirmed that traditional methods were often used in public banks, whereas modern methods of training and development, to a large extent, are used in the private banks (Faridi et al., 2017a; Faridi et al., 2017b). However, still the employee engagement is less visible in the private banks because of the search and thrust for better career opportunities whereas higher employee rate of retention remains in public banks (Zehra, 2016). Therefore, it is an interesting aspect because the rate of retention is lower in private banks despite modern tools and advanced techniques and still contribute substantially better to the economy of Pakistan, in comparison to public banks. On the other hand, it reflects that modern methods of T&D are not effective in improving retention rate but invaluable in improving the working efficiency of the banks. Still, the question arise as: “what is the role of modern T&D methods in improving the individual performances?” Moreover, the contractual employees are more in ration than the permanent employees in the private banks. This is a drastic change in the private banks’ policy of hiring more on contractual terms than permanent positions. Perhaps, this is an unexplored area and could be a reason for exploration to expand the knowledge about the research problem as how the moderating role of modern T&D emerged after the change in private banking sector’s policy.
Therefore, it is important to enhance the body of knowledge that despite having low rate of retention, “how the modern methods of training and development (T&D) in the banking sector impact the overall performance including; employees’ motivation, level of confidence, professionalism and empowerment?”, In addition to considering the moderating effect of modern methods of training and development.

**LITERATURE REVIEW**

“Human as resources are very important asset for any company often regarded as organisational capital” (Faizan and Zehra, 2016). At present time, one of the major agendas regarding Human Resources at the international forum discussions is “training”. Training is enabling the workers to be aware of the assigned duties and responsibilities (ibid). Every employer has different types of responsibilities, commitments and duties his/her respective workforce (Ghana Labor Act, 2003, Act 651). One of such duty is to provide appropriate training to the workforce so that they can perform their operations in the right manner. However, while doing so, employers and their respective firms do face intense pressures such as; demands from consumers, market fluctuation, scarcity of available resources and other environmental factors (Hemdi, 2009). Combined with such challenges, they also have to ensure that effective products and services are produced to compete in the dynamics. This is the situation where most of the organizations feel that training employees is an additional burden and cost (Zehra, 2016). This leads to situation of cutting down the training budget and often the human resource department is considered as a failure when untrained employees have higher wastage of resources (ibid). Hence, it is important that the think-tanks and top management realize that training is essential rather than viewing it as additional expenditure among company’s budget.

The purpose of providing training and development sessions at organisational setting is to ensure that the employees’ skills, knowledge and abilities (SKA) improve and the wastage of resources reduce to larger extent (Zehra, 2016; Faridi et al., 2017b). The effectiveness of training is measured by assessing the training (Noor and Nasirun, 2015). According to de Mello et al. (2013), such training methods enable the managers in range of activities starting from basic level of understanding of job to altered behaviour at workplace. Most of the public organizations include training as integral part of their routine operations and activities (Noor and Nasirun, 2015). Nevertheless, there is a rarity of assessing the distinctive types of training and to the extent it contributes to increase job related performance. Wide range of studies confirmed that knowledge sharing improves due to training (Goh, 2002; Goetsch and Davis, 2000; Noor and Nasirun, 2015). Hence, training strengthens the aspects of managerial efforts, employee collaboration and organizational infrastructure for ensuring quality of
knowledge sharing. In addition to that, the employees’ working efficiency and performance improve, due to regular sessions and active participation in the training sessions (Zehra, 2016). On the other hand, Faridi et al. (2017a) found that training programmes help the employees to acquire knowledge that contribute to improved bank performance. As per Syed-Ikhsan and Rowland (2004), the sharing culture resulting for the induction in training sessions leads not only to improve the knowledge performance but also to improve the overall performance of the banks. Hence, the process of training is equally important in achieving desired results related to improved organizational performance and individual working efficiency. Interestingly, Azmawani et al. (2013) stated that training modules are devised by the managers to fulfill the needs of workforce while offering appropriate environment.

The study of Bibi et al. (2018) found that employees’ retention is significantly linked with the supervisory support and training and development. In addition to that, the study of Bibi et al. (2018) considered the moderating role of work environment to establish the relationship between aforementioned variables. On the other hand, employees’ self-construal is a significant moderator in strengthening the relationship between employees’ organizational commitment and perception of employees towards existing training (Yang, Sanders and Bumatay, 2012). Interestingly, the study findings of Azmawani et al. (2013) showed that knowledge management process moderate significantly the ongoing training and organizational effectiveness. Consequently, the study of Noor and Nasirun (2015) found that training is not a significant moderator among the employees’ collaboration, top management support and support towards knowledge management. Moreover, it alters neither the strength nor the direction of the predictors and outcomes. Nevertheless, the work of Noor and Nasirun is limited to public sector and therefore, there is no conclusive evidence to confirm the moderating role of training in the private banks. Additionally, there is no evidence to confirm or contradict the moderating role of training and development program from the contractual employees’ perspective. In this research, the two aspects of private banks considered, namely; professionalism and employee engagement. These are considered because previous researches have confirmed that these attributes in Pakistan’s context (Batool and Batool, 2012; Faridi et al. 2017a; Faridi et al. 2017b; Rahman, 2012; Shehzad et al. 2008; Zehra, 2016). Based on literature, theoretical framework of this study is developed.
Figure 1: Theoretical Framework of present research:

H₁ Professionalism has significant positive relationship with contractual employees’ work performance.

H₂ Employee engagement has significant positive relationship with contractual employees’ work performance.

H₃ Modern methods of training and development has significant positive relationship with contractual employees’ work performance.

H₄ Modern methods of training and development moderates the relationship between professionalism and contractual employees’ work performance.

H₅ Modern methods of training and development moderates the relationship between employee engagement and contractual employees’ work performance.

RESEARCH METHODOLOGY

This cross-sectional research followed positivism philosophy and comes under positivist paradigm, therefore, quantitative analysis for expressing statistical relationship is considered. As the research focuses on the contractual employees working in the private banks of Pakistan, researchers approached 280 contractual employees working in eight major cities of Pakistan. The data is collected in one-time interval (Haque, Aston and Kozlovski, 208; Imran, Aziz and Hamid, 2017; Imran et al., 2018). The sample size was determined by following the strategy of Roscoe (1975), which states that the logical conclusion can be drawn when the sample size is between 30 and 500. On the other hand, Haque, Faizan and Cockrill (2017) argued that above 200 sample size is sufficient to draw conclusion. Considering both arguments, the RAND formula was run in MS Excel to ensure at least over 200 contractual employees are included. The RAND confirmed at least 35 employees to be selected from each city. The strategy of random picking is minimum (contractual employees X number of cities -
35*8=280). Hence, researchers confirmed to reach 280 respondents by following purposive and area cluster sampling to ensure the sample is spread over the wide geographic region. The combination of these two non-probability sampling techniques are acceptable when there is no availability of sampling framework (Sekaran and Bougie, 2012).

The reliability of research instrument is confirmed through adaption of survey questionnaire previously used by researchers including; Faizan and Zehra (2016); Faridi et al. (2017a); Faridi et al. (2017b); Noor and Nasirun (2015) and Zehra (2016). For employees’ working performance (dependent variable) scale items are adopted from Faridi et al. (2017b) while for independent variables (professionalism; employee engagement) scale items are adopted from Faizan and Zehra (2016) and Zehra (2016). For moderating variable (modern methods of training and development) scale items are adopted from Noor and Nasirun (2015) and Faridi et al. (2017a). For quantitative analysis, researchers used Partial Least Squares (PLS) 3. Factor loading, composite reliability and Cronbach’s alpha was carried out for structural assessment and measurement. In addition to that, external consistency assessed through discriminant validity whereas internal consistency checked through Average Variance Extracted (AVE). The obtained values were above threshold value (> 0.7) whereas square root of average AVE was found to be greater than all incurred values, thus, confirming discriminant validity, further confirmed by Heterotrait-Monotrait Ratio.

RESEARCH RESULT AND DISCUSSION

Researchers used SmartPLS bootstrapping technique for testing research hypotheses in structural model while deciding the criteria of t-value (minimum 1.96) for examining to reject or fail to reject considered hypotheses. In addition to that, path coefficient was used to examine the directional relationship between research variables. The independent variables (a) professionalism (P) and employee engagement (EE) is evident to have statistically significant relationship with the (dependent variable) employees’ work performance (EWP), as per the results of structural model assessment (Table 1). In other words, results confirmed the statistically significant impact of both independent variables on the dependent variable (EE t-value = 3.605 > 1.96; P t-value = 3.214 > 1.96, Table 1). In addition to that, results statistical results confirmed modern T&D methods have highly significant correlation with the employees’ work performance (MTD t-value = 2.411 > 1.96).
Table 1. Structural Model Assessment (Results without moderator)

|                  | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|------------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| MTD -> EWP       | 0.146               | 0.231           | 0.060                      | 2.411                    | 0.000    |
| P -> EWP         | 0.182               | 0.245           | 0.065                      | 3.214                    | 0.012    |
| EE -> EWP        | 0.447               | 0.347           | 0.123                      | 3.605                    | 0.001    |

After confirming the correlation between research variables without moderator, researchers proceeded with the next step of using moderation effect to examine the relationship. Researchers considered modern methods of T&D between banking common practices and employees’ working performance. Results of this research confirmed that, modern T&D (moderator) has statistically significant influence on the relationship. The results revealed that modern T&D has a highly significant moderating effect on professionalism and employee engagement in relation to employees’ work performance (P = t-value 2.790 > 1.96 and EE t-value = 5.541 > 1.96; Table 2).

Table 2. Structural Model Assessment (Moderation effect)

|                  | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|------------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| P* MTD -> EWP    | 0.202               | 0.201           | 0.072                      | 2.790                    | 0.000    |
| EE* MTD -> EWP   | 0.202               | 0.212           | 0.051                      | 5.541                    | 0.000    |

The further statistical results indicated that since R² value = 0.724, thus, 72.4% variance in employees’ work performance (endogenous latent variable) is due to modern methods of T&D, professionalism and employee engagement. The size effect (f²) of research variables are reflected in Table 3. As per Cohen (1988), if the effect size (f²) is in the range of 0.02 and 0.14 then it is small, moderate ranges from 0.15 and 0.34 whereas strong size is equal to or above 0.35. In the present research professionalism (P) and modern T&D (MTD) have small effect size whereas employee engagement has moderate effect size.

Table 3. Effect Size (f²) of Variables of Interest

<table>
<thead>
<tr>
<th></th>
<th>f-squared</th>
<th>Effect Size (f²)</th>
</tr>
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<tbody>
<tr>
<td>Professionalism (P)</td>
<td>0.098</td>
<td>Small</td>
</tr>
<tr>
<td>Employee Engagement (EE)</td>
<td>0.291</td>
<td>Moderate</td>
</tr>
<tr>
<td>Modern Methods of T&amp;D (MTD)</td>
<td>0.063</td>
<td>Small</td>
</tr>
</tbody>
</table>

Lastly, the researchers ensured that the predictive relevance (Q²) is used for assessing the quality of model. According to Henseler et al. (2009), the obtained predictive relevance (Q²) being higher than
the zero reflects that the current model meet the required acceptable standard and level of quality. In this research $Q^2=0.296$, which confirms that the current model meets the required level of the quality and acceptable standards (Table 4).

**Table 4: Predictive Relevance ($Q^2$)**

<table>
<thead>
<tr>
<th>Total</th>
<th>SSO</th>
<th>SSE</th>
<th>$Q^2 = (1 - \frac{SSE}{SSO})$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ Work Performance (EWP)</td>
<td>451.000</td>
<td>317.12</td>
<td>0.296</td>
</tr>
</tbody>
</table>

Research findings confirmed that private banks are highly significant institutions for improved employees’ work performance as the two widely used practices namely; professionalism and employee engagement are essential for quality work performance of contractual employees, particularly in major cities of Pakistan. These practices are vital for the success, survival and thriving of private banks. Results also confirmed that professionalism has significant contribution to improve the working efficiency of contractual employees through developing job-related knowledge, skills and abilities. Increased job-related attributes contribute towards enhancing the working efficiency and performance, therefore, present findings support the work of Zehra (2016) in this regard. On the other hand, employee engagement (social capital formation) has also significant positive contribution in improved working performance of contractual employees. Increased in activities of employee engagement directly affect the working efficiency and develops the social capital for the firms. Hence, the research findings support to large extent the work of previous researches (Batool and Batool, 2012; Faizan and Zehra, 2016; Faridi et al. 2017a, 2017b; Shehzad et al. 2008; Zehra, 2016). Since, both; professionalism and employee engagement have direct impact on the excellence in performance, which positively influence the overall working efficiency of the organization.

Considering the moderating role of modern T&D, it is evident that the considered moderator has statistically significant impact on the relationship between private banks and employees’ working performance. Since, training has been found as significant moderator, thus, the present findings oppose the work of Noor and Nasirun (2015). The results showed that the effect of modern T&D is small but significant on professionalism while moderate significant on the employee engagement. Therefore, the modern T&D strengthens the positive effect of professionalism as well as employee engagement on the employees’ work performance.

**CONCLUSION**

The conclusion drawn from the findings at hand is that, private banks’ most frequent attributes resulting from training namely; professionalism and employee engagement have significant effect on the quality of contractual employees’ work performance in Pakistan. The research findings confirmed
that modern training and development methods have pivotal role in forming the positive effect of private banks on quality work performance and efficiency. Further, it is confirmed that private banks work pattern has invaluable contribution in developing professionalism and social capital by means of engagement at workplace. Contractual employees find these attributes effective in strengthening their quality work performance. Nowadays, private banks are highly keen on hiring contractual employees due to unpredictable nature of service industry in Pakistan. Professionalism is most frequent attribute evident in the private banks’ workforce. On the other hand, employee engagement strengthens the formation of social capital for the organization, which eventually improve the quality of work performance.

Modern methods of T&D have significant role in improving the positive image of banking sector towards quality work performance. Different modern methods and techniques of training and development incorporated by the private banks have led to increase the working efficiency of bank sector by developing professionalism and employee engagement, which ultimately enhance the quality work performance of contractual employees. Having said that, banking sector could be a very essential institution for the economic growth and development in the developing economies as it increases the professional growth and development of workforce. The private banks could be instrumental in developing professional attitude and promoting sense of ownership and engagement among the workforce. As the social capital is very essential attribute and its usage would increase the positive impact on the working efficiency of the sector, leading to contribute more towards the economic stability, growth and development in the region.

Despite ensuring that all important aspects are covered, still there is room for betterment. Hence, researchers proposed recommendations to the future researchers. Future researchers shall consider the inclusion of other attributes evident in the private banking sector namely; reward and recognition, motivation, empowerment, and so on to present framework so that deeper insight of the private banking sector could be attained. Additionally, the panel longitudinal design can be considered to understand the variation in different time intervals. Lastly, the comparative analysis shall be considered to draw and measure the role of private bank and public banks, especially knowing that public banks have more cushion and backing for the government.
REFERENCES


