

## **Role of Effective Training and Development Programs in Achieving High Professional Performance in Asian Banking Industry**

Sarah Anjum, Tahir Ali

University of Karachi, Pakistan

[anjum.sar@googlemail.com](mailto:anjum.sar@googlemail.com), [ali2122@gmail.com](mailto:ali2122@gmail.com), [tahirali@uok.edu.pk](mailto:tahirali@uok.edu.pk)

### **Abstract**

The study aims to identify the significance of Human Resource Development in global perspective and also the need to manage human resources in Asian countries. The growth of global banking sector was highlighted followed by banking sector performance in developing Asian countries including Pakistan, India, Bangladesh and Sri Lanka. Asia, being the largest continent containing world's major banks was selected to know what role Human resource Development plays in enhancing employees' performance. In human resource development, focus was on training & development which plays central role in today's customer focused and hi-tech banking industry. The research was conducted using integrative approach i.e. reviewing different researches and reports on Global banking sector and developing Asian countries' banking sector. It was found that training and development is required by banks' employees of these countries in order to remain up-to-date, perform better, and be competitive.

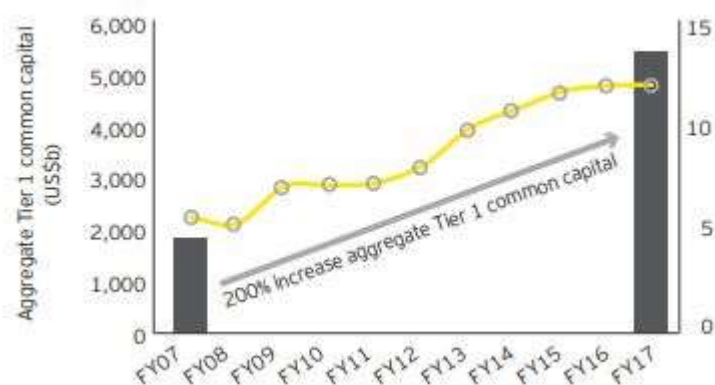
**Keywords:** *Human Resource Development; Training & Development, Banking sector, Asia*

### **1. Background:**

Global banking sector is growing and this is evident in the following three factors:

#### **i. Improved Equity Financing:**

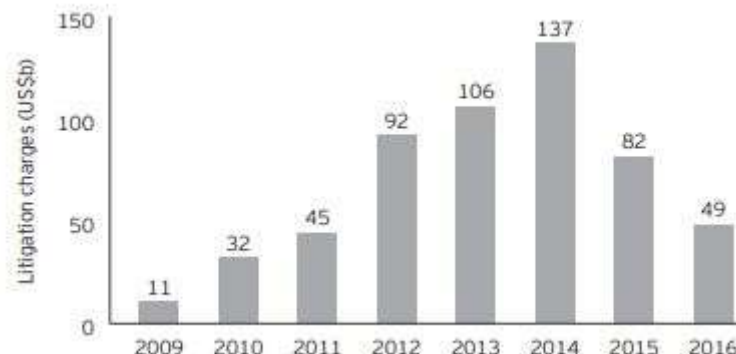
Firstly, banks are improving their equity financing. Large banks globally increase their capital position subsequently financial crisis of 2007-09 (see Figure 1). Although, most opponents argue that banks did not have adequate equity but capital ratio of banks have increased due to raising more equity which is three times that of pre financial crisis era (Ernst & Young, 2018). One reason of increasing capital ratio or equity is that banks with higher capital ratio not only survive the global financial crisis but also performed well for example the Australian and Canadian banking industry (Belratti & Stulz, 2009). However, growth of the banking sector should not restrict to capital ratio or equity but other factors including strong monitoring and regulation should be considered. The recent report of Cushman and Wakefield (2016) identify that aftermath of global financial crisis strength the regulatory regimes globally.

**Figure 1:** Increasing equity of global banks

Source: Ernst and Young (2018), data collected from 200 large banks of the world

### ii. Reduced Litigation Expenses:

Secondly, litigation expenses are also reduced globally. Subsequent to the global financial crisis regulatory costs increased. This is true in the recent International Monetary Fund's (IMF) report findings (see Figure 2). However, the litigations expenses decreased since 2014 and are expected to decrease in the near future.

**Figure 2:** Reducing litigation expenses of global banks

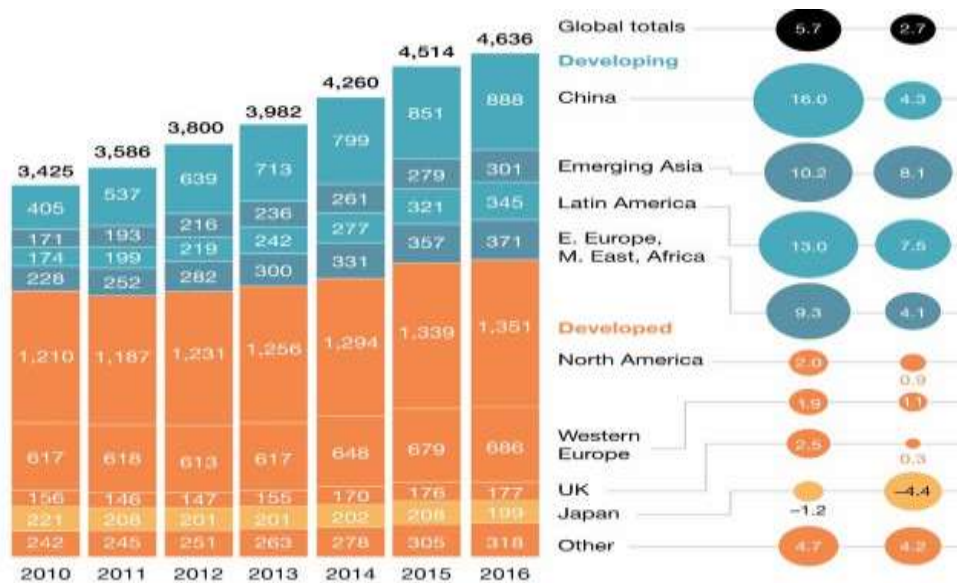
Source: IMF (2017)

### iii. Increasing Revenue:

Lastly, the revenue of banking sector globally is increasing. Globally banks revenue increased by 35% from 2010 to 2016 (Dietz, Lemerle, Mehta, Senugupta & Zhou, 2017) (see Figure 3). Real Gross Domestic Product (GDP) of major markets is an important factor to drive the revenue of banking sector; GDP reflects growth in business activities. Currently, the real GDP of major regions globally is increasing (IMF, 2017) (see Figure 4). Secondly, interest rates globally are at low level in order to overcome the scars of the financial crisis and to stimulate business activities (Burgov, Dietz & Poppensieker, 2017). This is another important factor in order to increase the revenue of the banks. Labour market conditions and monetary policy are

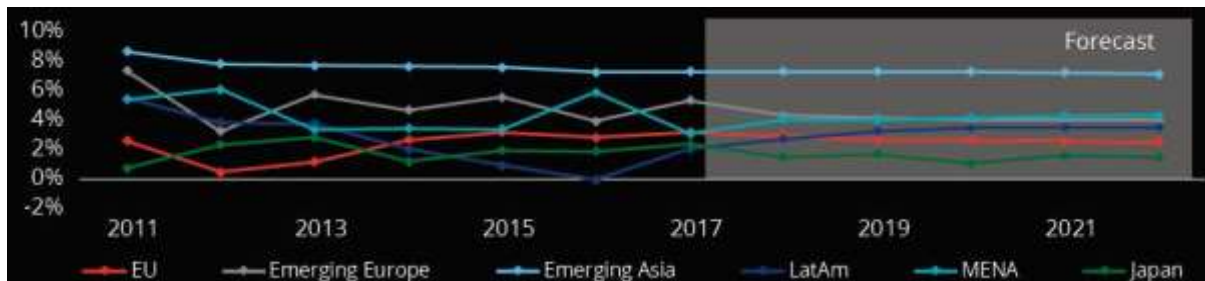
other detrimental factors that are affecting the revenue of the banks globally. In United States and Europe labor market is tight increasing income and expanding credit (Deloitte, 2018).

**Figure 3: Growth in revenue of global banking sector**



Source: Dietz et al. (2017)

**Figure 4: Real GDP growth %**



Source: IMF (2017)

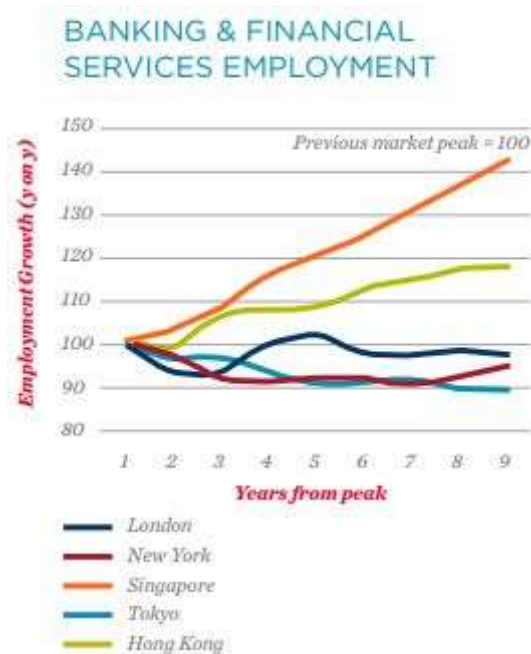
## 2. Employment Generated By Banking Sector

As identified in the previous section, banking sector around the world is flourishing. This points towards generation of employment. However it was found that the banking sector does not generate significant number of employment but it is a substantial sector globally. The financial sector globally generates 62 million jobs following travel and tourism sector, the banking sector generates almost half of the total employment of financial sector 30 million jobs, other sectors including automotive manufacturing generates 16 million jobs, chemical industry 20 million and mining companies 28 million (WTTC, 2017). Thus, the global banking sector generates employment more than other crucial sectors of the world.

The employment generated by different banking sectors around the world is not consistent. Developing countries such as Singapore and Hong Kong generates more employment than developed countries such as London and New York (see Figure 5) (Cushman & Wakefield, 2016).

This difference exists because of globalization and technology. Globalization allows developed banks to outsource their operations to developing countries such as related to information technology and operational roles to developing countries. Technological advancement replaces branches within Automated Teller Machine (ATM) which allows not only withdrawing money but also transferring and depositing cash even in different currencies. One report of the Ernst and Young (2016b) identifies that 47% of the banking occupations will be replaced by technology until 2036 such as internet and mobile banking. Lastly, banks in developed countries are modifying their business models to more sophisticated financial institutions that transfer and receive money such as PayPal.

**Figure 5**



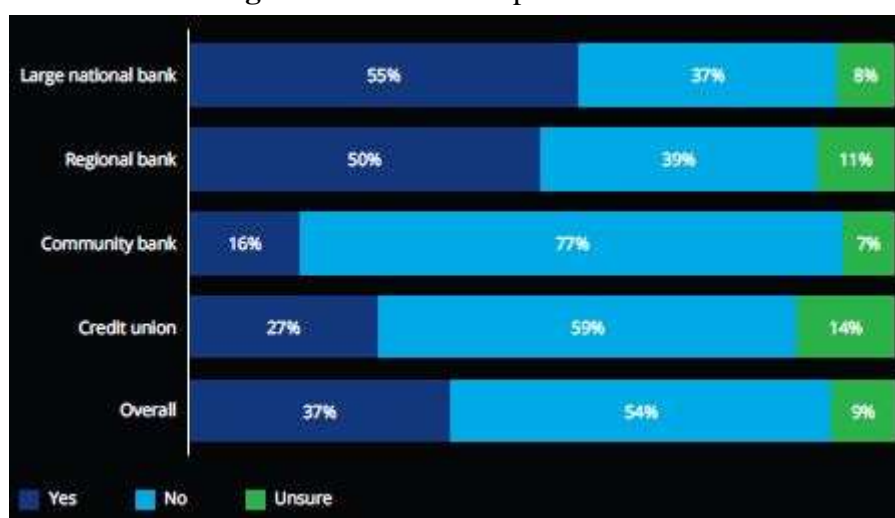
*Source: Cushman and Wakefield (2016), these five countries are also considered favorable countries for banking activities in near future*

The global banking sector shows signs of improvement in terms of revenue. It has also recovered from the global financial crisis, capital stocks have been restored and banks now aim to improve cost through more outsourcing and instilling technology.

### 3. Focus on Customers:

Along with the revenues, Customer focus is another important thing where banks need to emphasize. Banking sector without a doubt performed better in recent years. Most notably it performed better after financial crisis which is considered to be the most treacherous event after Great Depression of 1930. However, customer centricity is an important avenue where banks need to perform better. Digitization also affects customer centricity and control over it. Banks since financial crisis modify their strategies and market. Regulatory regimes force banks to do this and due to this banks unable to understand the customer expectations and markets. This is evident in one mature banking market of the world United States where recent survey identify that customer centricity is losing (DBR Research, 2017 cited in Deloitte, 2018) (See Figure 6).

**Figure 6:** Customer experience in US



*Source: DBR Research (2017) cited in Deloitte (2018)*

Banks globally understand that technology is an important part to improve their operations and they implemented it through mobile applications and others (HSBC, 2017). Online payment transfer platforms show that customer experience can improve and even exceed if customer needs are fulfilled. However, technology is not the only solution of all problems. Banks fundamental objective is to attain 'organizational agility' which can be attained through innovation, talent management through human resource development programs and partnering with different players of the financial industry (Deloitte, 2018).

It is argued that managing employees' talent is the key factor to achieve this because when employees better understand customers and market they will able to serve them better (Lewis & Heckman, 2006). It appears that developing countries are better in such talent management and understanding customers and market compared to developed region (refer to Figure 3, percentage changes in revenue). It is the issue that is discussed next with reference to the banking industry of developing Asian countries.

#### **4. Employee Management Through Training & Development:**

Ever rising competition, increasing regulations, strict policies, advancement in technology all can be faced when human resources of banking sector remain upgraded in performing their duties and acquiring information. This suggests that employees need to get robust training at all levels of banks. It's the training & development programs that helps employees to maintain their competence and achieve excellence in job performance.

Asian banks are now playing major role in global banking industry. According to Forbes, top five biggest banks of the world belong to Asian region in start of the year 2018.<sup>1</sup> This section identifies the overall banking sector position, on-going training & development practices in developing countries and its impact on employees performance in banking sector.

##### **i. Pakistan:**

According to the World Bank report of April 2018, Pakistan has strong development potential in spite of being one of the lowest performer in South East Asia. Economic Survey of Pakistan 2016-2017 indicates that growth of financial and insurance sector has mounted to 10% in 2016-2017 as compared to 6.1% in the FY 2015-2016. The report also revealed that Pakistan's ranking on the World Bank's "Ease of Doing Business index" has been upgraded from 148 to 144 out of 190 economies in Doing Business Report 2017. Moreover, Pakistan is now being documented among the "top ten reformers" internationally in the capacity of business regulation. Performance of banking sector has been sound in the FY 2016-2017 with growth in auto financing, increased investment in government securities and widened domestic base (Arifeen, 2018). (Awan & Kiren, 2016) found that in Pakistan, banks are continuously providing training and development to their employees which help them in improving their abilities and gaining knowledge. It is evident from different researches that such programs are indeed helping to enhance employees' performance but the quality of these programs need to be upgraded. Since man power is the key to success in banking sector, especial attention should be given to necessary and advanced training and development of the employees.

##### **ii. India:**

IMF's World Economic Outlook Database of 2017 shows India among countries having higher average GDP growth i.e. 7.3 percent for the years 2014-2017 as compared to 6.9% of China. According to India Brand Equity Foundation (IBEF), the performance of India's banking sector has remain stable over the years with increased savings and disposable income leading towards strong deposit growth. Due to efforts at government level, access to banks has also increased. (Dikshit & Jain, 2017) conducted a research review on the papers written on training and development in Indian banking industry. They found that effectiveness in employees'

---

<sup>1</sup> <https://www.forbes.com/sites/peterpham/2018/01/16/why-is-asia-home-to-the-worlds-biggest-banks/#69d35a6b33fe>

performance can be achieved by providing adequate training & development. They identified that training can help banks in gaining competitive edge, as the competition in the country is higher than ever before and India is already among high performers in developing countries. It was also identified that job security, empowering employees in decision making and positive attitude of seniors with their subordinates can help in improving employees' performance in India's banking sector. In On the job training, job rotation and planned progression are most commonly used methods whereas of the job training & development programs, workshops, business games and conferences are most popular methods of training in India.

### **iii. Bangladesh:**

According to The World Bank Group report of 2017, banks in Bangladesh accounts for over 90% of financial institutions' assets. Typical topics of employees training in banking sector of Bangladesh includes better communication, safety concerns, job ethics, dealing with workforce diversity, IT skills, human relations, quality, and sexual harassment (Padon, 2013). According to (Abdur Rahim, 2016) training is a serious need for both conventional and Islamic banks in Bangladesh to work effectively and efficiently. On the job training programs such as supervisors' guidance and job rotation are the famous tools. However, there's a need to conduct proper Training Need Analysis to ensure success of such programs and guaranteed positivity in employees' performances.

### **iv. Sri Lanka:**

According the World Bank report, Sri Lanka has become an upper-middle class economy which is buoyant and competing than ever before<sup>2</sup>. Due to economic stability, the banking sector in Sri Lanka retains sound shape (Sri Lanka 2017: The Banking, 2017). The banks have been categorized on the basis of commercial banks, development banks, housing banks, Grameen banks, savings banks etc. (Samaranayake, 2018). However, it was identified that the country is looking forward to acquire new technology and automation in banking sector to facilitate customer that calls for the need of training and developing employees to get their hands on advanced machines and softwares. Different Researches indicate that through effective Training & Development programs, effectiveness of employees in Sri Lanka's banking sector can be enhanced. It was identified that computer softwares, time management, new languages are the programs in which training & development is demanded the most by employees (Jayasinghe, 2011). However, no literature was found on methods of giving training & development to employees in banking sector of Sri Lanka.

---

<sup>2</sup> <http://www.worldbank.org/en/country/srilanka/overview>



## 5. Human Resource Development In Asian Countries:

Considering the ever rising success and importance of financial institutions, especially the banking sector, the above discussed countries have introduced academic programs like MBA in Banking & Finance , Masters in Islamic Banking, HDI training and risk management certifications and other related courses so that the intake in banks has the mind-set that is required to perform the required tasks. Later on training & development, counselling and coaching sessions, and mentoring help to enhance employees' performance in various areas of banks including customer dealing, information technology, risk management, product development, and sales and promotion.

## 6. Conclusion

From the integrative research study it was found that overall banking sector is prospering around the globe and it's burgeoning in Asia is no exception. Improved equity financing, reduced litigation expenses and increasing revenues are the main reasons for the growth. The growth has lead to major employment generation in this sector especially in developing Asian countries like Pakistan, India, Bangladesh and Sri Lanka. Human resource development helps to improve the talent obtained by banks in these countries, especially the training & development programs helps employees to give their best to the organizations and learn latest techniques to cope with the new market challenges.

## 7. Limitations

- Being an integrative research paper, the research did not use primary data collection.
- More countries can be included in Asian banking industry for a comprehensive research.

## References

- Awan, A., & Kiren, B. (2016). Impact of Training and Development on Employees Performance in Banking Sector of Pakistan . *International Journal of African and Asian Studies* , 1-9.
- Abdur Rahim, S. (2016). The effectiveness of training program of Islami Bank Bangladesh Limited: An avaluation. *The Business and Management Review*, 94-106.
- Arifeen, M. (2018). *Banking sector performance in 2016 and 2017*. Retrieved from The financial Daily International: <https://thefinancialdaily.com/banking-sector-performance-2016-2017/>
- Beltratti, A. and Stulz, R.M., (2009). *Why did some banks perform better during the credit crisis? A cross-country study of the impact of governance and regulation* (No. w15180). National Bureau of Economic Research.



- Brigham, E. F., & Houston, J. F. (2012). *Fundamentals of financial management*. Cengage Learning.
- Burgov, D., Dietz, M. & Poppensieker, T., (2017). A brave new world for global banking. *McKinsey*. Retrieved from: <https://www.mckinsey.com/industries/financial-services/our-insights/a-brave-new-world-for-global-banking>
- Cushman and Wakefield. (2016). Banking & Finance Sector Structural change continues to redefine global banking. *Market Research*. Retrieved from: [http://www.cushmanwakefield.com/~media/global-reports/Banking\\_and\\_Finance\\_Sector\\_Briefing\\_February\\_2016.pdf](http://www.cushmanwakefield.com/~media/global-reports/Banking_and_Finance_Sector_Briefing_February_2016.pdf).
- Deloitte. (2018). 2018 banking outlook: Accelerating the transformation. *Market Research*. Retrieved from: <https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/events/january/2018/dbriefs-2018-banking-outlook-accelerating-the-transformation.html>
- Dietz, M., Lemerle, M., Mehta, A., Senugupta, J. and Zhou, (2017). Remaking the bank for an ecosystem world. *McKinsey*. Retrieved from: <https://www.mckinsey.com/industries/financial-services/our-insights/remaking-the-bank-for-an-ecosystem-world>
- Dikshit, A., & Jain, T. K. (2017). Employee Retention, Training and Development in Banking Sector: A Review Paper. *SSRN*.
- Ernst & Young. (2016b). Global banking outlook 2016 Transforming Talent the banker of the future. *Market Research*. Retrieved from: [http://www.ey.com/Publication/vwLUAssets/ey-transforming-talent-the-banker-of-the-future-ebook-presentation-new/\\$FILE/ey-transforming-talent-the-banker-of-the-future-ebook-presentation.pdf](http://www.ey.com/Publication/vwLUAssets/ey-transforming-talent-the-banker-of-the-future-ebook-presentation-new/$FILE/ey-transforming-talent-the-banker-of-the-future-ebook-presentation.pdf)
- Ernst & Young. (2018). Global banking outlook 2018 Pivoting toward an innovation-led strategy. *Market Research*. Retrieved from: [http://www.ey.com/Publication/vwLUAssets/ey-global-banking-outlook-2018/\\$File/ey-global-banking-outlook-2018.pdf](http://www.ey.com/Publication/vwLUAssets/ey-global-banking-outlook-2018/$File/ey-global-banking-outlook-2018.pdf)
- HSBC. (2017). Fintech Can Help Banks with Stiffer Compliance. *Press Release*, June 23, 2017. Retrieved from: <http://www.business.hsbc.com.sg/en-gb/sg/article/fintech-can-help-banks-with-stiffer-compliance>
- International Monetary Fund (IMF). (2017). Global Financial Stability Report October 2017: Is Growth at Risk?. Retrieved from: <https://www.imf.org/en/Publications/GFSR/Issues/2017/09/27/global-financial-stability-report-october-2017>

- Jayasinghe, N. C. (2011). EMPLOYEES PERCEPTION ON THE EFFECTIVENESS OF TRAINING AND DEVELOPMENT PROGRAMS AT THE BANKING SECTOR IN SRI LANKA. *International Conference on Business Management*. <http://journals.sjp.ac.lk/index.php/icbm/index>.
- Lewis, R. E., & Heckman, R. J. (2006). Talent management: A critical review. *Human resource management review*, 16(2), 139-154.
- Mohamed, R., & Sarlis Alias , A. (n.d.). Evaluating the Effectiveness of a Training Program Using the Four Level Kirkpatrick Model in the Banking Sector in Malaysia .
- Padon, M. (2013). *Training & development practices in banking sector*. Retrieved from issu: [https://issuu.com/md.papon/docs/training\\_and\\_development\\_banking\\_se](https://issuu.com/md.papon/docs/training_and_development_banking_se)
- Samaranayake, C. (2018, February 2). *Looking ahead for the Sri Lankan Banking sector In Challenging Business Environments*. Retrieved from Daily News: <http://www.dailynews.lk/2018/02/02/business/141667/looking-ahead-sri-lankan-banking-sector-challenging-business-environments>
- Sri Lanka 2017: The Banking*. (2017). Retrieved from Oxford Business Group: <https://oxfordbusinessgroup.com/node/922130/reader>
- World Bank. (2018). GDP (current US\$). Retrieved from: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?>
- WTTC. (2017). How Does Travel & Tourism Compare to other Sectors?. Retrieved from: <https://www.wttc.org/-/media/files/reports/benchmark-reports/benchmarking-2017-infographic.pdf?la=en>