

Effect of Employee Training on Profitability of Deposit Money Banks in Nigeria

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Abstract - The study examined the effect of employee training on profitability of deposit money banks in Nigeria. This research involved eight (8) deposit money banks in Nigeria for the period 2009 to 2014. The research used descriptive statistics in form of percentages, frequency and standard deviation to test the relationship between employee training and banks' profitability. The findings revealed that banks that trained employees have better performance. Staff training cost has a positive effect on profitability; training cost has 164% effect on returns on equity (ROE) and 94% on returns on asset (ROA) of the selected Nigerian banks. The work concluded that staff training positively affects profitability of Nigerian deposit money banks and recommended that banks should ensure that their staff members are given quality training frequently.

Index Terms: - Employee training, profitability and Nigerian deposit money banks.

1. INTRODUCTION

There is no doubt that organizations worldwide are striving for success and out-competing those in the same industry. In order to do so, organizations have to obtain and utilize her human resources effectively; the question that may arise in many instances is why human resources are important. Bearing in mind that human resources are the intellectual property of the firm, employees prove to be a good source of gaining competitive advantage [10], and training is the only way of developing organizational intellectual property through building employees competencies. In order to succeed, organizations have to obtain and utilize human resources effectively. Employees and managers who must adapt to the myriad of changes facing organizations must be trained and developed continually in order to maintain and update their capabilities and for managers to enhance their leadership skills and abilities [4]. Staff training and development are concerned with activities related to the management of an organization; its aim is to better the performance of groups and individuals in an organizational setting [2]. The present day economy is very much dependent upon the various functions of banking practices; it is unthinkable for the country's economy to maintain its growth, sustenance and development without the role of the banks. Banks have the responsibility to nurture small-scale companies to blue chip (large companies) with a multiplier effect on job creation, business for insurance practitioners, research workers, as well as playing some other corporate social

responsibility roles within the society. The role of banker is essentially carried out by the people and therefore it is essential to have a well-trained and motivated staff to manage the banking operations. Success of the banking operations depend upon the employees and the effectiveness of the employees also depend on the training input given to them.

Considering the fact that several of the DMB employees such as machine and computer operators, customer care units, field engineers, marketers and many other categories of workers did not read banking course or other related courses. Most of them came from other fields of study such as education, fine art, surveying, pharmacy, law, mass communication amongst others, banks invest on training these staff members to enable them key into several professional areas of the banking system. Today, it is disturbing however, that a sizable number of deposit money banks in Nigeria have failed to live up to their expectations (such as; increase in total deposits, Net interest margin and total asset of banks) as some of them have gone distressed, while most of them have entered into merger and acquisition for survival. One then begins to wonder if these banks get value for the money they expended on staff training. It is in view of this that this study examined the relationship between staff training and profitability of some Nigerian deposit money banks (DMB).

2. LITERATURE REVIEW

Profitability is a parameter which shows management approach and the competitive position of bank in market-based banking, it helps banks to tolerate some level of risk and support them against short-term problems.

Gordon [7] defines training as the planned and systematic modification of behaviour through learning events, activities and programs which result in the participants achieving the levels of knowledge, skills, competencies and abilities to carry out their work effectively. The main purpose of training is to acquire and improve knowledge, skills and attitudes towards work related tasks. It is one of the most important potential motivators which can lead to both short-term and long-term benefits for individuals and organizations [4]. The importance of training has become more obvious given the growing complexity of the work environment, the rapid change in organizations and technological advancement which further necessitates the need for training and development of employees to meet the challenges. Training helps to ensure that organizational members possess the knowledge and skills they need to perform their jobs effectively, take on new responsibilities, and adapt to changing conditions [12]. Similarly, training helps improve quality, customer satisfaction, productivity, morale, management succession, business development, profitability and organizational performance.

3. THEORETICAL FRAMEWORK

There are two main theoretical approaches towards employee training, namely, the human capital approach and the technology-based approach. According to Luo [15], the human capital approach regards training as investment in human capital. Thus, training is provided only when the benefit from productivity gains is greater than the cost of training. On the other hand, the technology-based approach regards training as a skill formation process. According to this approach, the expanded training in the contemporary period is driven by the rapidly changing technologies and work reorganization. Thus, training is provided because it satisfies the functional needs of an organization and equally contributes to human capital accumulation or skill formation. These approaches however, to a large extent overlooked the content of employee training, which could be a resultant effect of training design and training delivery style.

Relationship between Employee training and Profitability

Javaid et al [11] highlighted the relationship between training and its impact on employee's performance in telecommunication sector D.G Khan Pakistan. 150 employees were chosen for the data analysis. Finding showed that the managerial performance is meaningfully resolute through the training instructed to the personnel they further says training is a significant predecessor of the performance.

Whether you provide this training in-house or through a web-based training platform, your staff will be better prepared to prevent a devastating claim that could jeopardize the continuance of an organization [19].

According to [16], managers are trying their level best to develop the employee's capabilities, ultimately creating good working environment within the organization. For the sake of capacity building managers are involved in developing the effective training programs for their employees to equip them with the desired knowledge, skills and abilities to achieve organizational goals. This struggle by the top management not only improves the employee performance but also creates positive image of the firm worldwide [21]. Effective training programs helps employees to get acquaintance with the desired new technological advancement, also gaining full command on the competencies and skills required to perform at a particular job and to void on the job errors and mistakes [17]

There is a positive relationship between training and employee performance. Training generates benefits for the employee as well as the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behavior [3]. It is obvious that training plays an important role in the development of organization, improving performance as well as increasing productivity, and eventually putting companies in the best position to face competition and stay at the top. This means that, there is a significant difference between the organizations that train their employees and that organizations that do not [3].

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a vital role, improving performance as well as increasing productivity, and eventually putting companies in the best position to face competition and stay at the top. This means that there is a significant difference between the organizations that train their employees and organizations that do not. There exists a positive association between training and employee performance. Training generates benefits for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour.

In like manner, [11] in his research on the influence of trainings on employees' knowledge about risk management stated that participation in training has not only meant that the respondents answered significantly more questions correctly, and knowledge has formed, but also that they gave the answers with significantly more confidence and therefore were better able to apply their knowledge. The separate analysis of the three blocks of knowledge resulted in the same outcome. In each of the three blocks the employees who have already received training have achieved a significantly higher score than the employees who have not yet participated in a training course. In the case of knowledge about risk management in construction projects, the difference was nearly 1.5 of eight points, which is a significant difference. Research has thus clearly shown that participation in training significantly improved the knowledge about risk management.

Similarly, according to Abbas [1], ineffectiveness of training and development of employees in the organization reduces the organizational productivity. Data was collected through random sampling method. Research is limited for the employees of ESCON and the population size was concise 60 out of 87 employees. He concludes that the companies who invest on human resource management view training as an opportunity for increasing their long term productivity. Khan [14] argued that training influence on organization commitment and retention towards the performance of employee. The data was collected from 100 employees of the service sector at Rawalpindi Islamabad Regression methodology has been used in this research. The regression analysis confirmed that satisfaction and mode for career advancement has direct and useful effect on organizational commitment and increases work

efficiency of the employees. The findings conclude that training has strong relationship between retention & performance and organizational commitment.

According to [5], there is broad agreement that risk culture cannot simply be mandated; rather, it is essential to drive changes from the very top of the organization and work to embed such changes through policy and process. Similarly, the 2012 Institute of International Finance (IIF) Report on Governance for Strengthened Risk Management found that embedding risk culture at all levels of the organization is essential to building a strong risk culture. Executives believe this should be communicated through timely and transparent communications, training, collaboration, and clear prioritization of risk management throughout the day-to-day operations. Proactive risk culture needs nurturing. Communications and training were repeatedly raised as the most effective tools for raising awareness and shifting culture. One executive referred to the importance of his firm's "risk academy," which he sees as "a way to distribute, or to share, risk culture, risk awareness and risk tactics among risk people and the business."

Most of the previous studies provide the evidence that there is a strong positive relationship between human resource management practices and organizational performance [18].

According to Guest [11] mentioned in his study that training and development programs, as one of the vital human resource management practice, positively affect the quality of workers' knowledge, skills and capability and thus results in higher employee performance on job. This relation ultimately contributes to supreme organizational performance. The result of [6] study depicts the positive correlation between training and employee performance as $r=0.233$. Thus, we can predict from this finding that it is not possible for the firm to gain higher returns without best utilization of its human resource, and it can only happen when firm is able to meet its employees' job related needs in timely fashion. Training is the only way of identifying the deprived need of employees and then building their required competence level so that they may perform well to achieve organizational goals. Moreover, the result of the study of [20] conducted in telecom sector of Pakistan, states the R^2 as .501 which means that 50.1% of variation in employee performance is brought by training programs. Further, the T-value

was 8.58 that explains training is good predictor of employee performance. As depicted by the work of [9] learning through training influence the organizational performance by greater employee performance, and is said to be a key factor in the achievement of corporate goals. However, implementing training programs as a solution to covering performance issues such as filling the gap between the standard and the actual performance is an effective way of improving employee performance [22]. According to Swart et al [22] bridging the performance gap refers to implementing a relevant training intervention for the sake of developing particular skills and abilities of the workers and enhancing employee performance. There might be various reasons for poor performance of employees such as workers may not feel motivated anymore to use their competencies, or may not be confident enough on their capabilities, or they may be facing work- life conflict. All these aspects must be considered by the firm while selecting most appropriate training plan that helps organization to solve all problems and enhance employee motivational level to participate and meet firm expectations by showing desired performance. As mentioned by [22] this employee superior performance can only be achieved from good quality training program that leads to employee motivation and fulfilment of their needs. According to [23], employee competencies changes through effective training programs. It does not only improve the overall performance of the employees on the current job but also enhances the knowledge, skills an attitude of the workers necessary for future job, thus contributing to superior organizational performance. Through training the employee competencies are developed which resultantly help in achieving organizational objectives in a competitive manner.

4. METHODOLOGY

The study was carried out on licenced deposit money banks in Nigeria. Eight out of the twenty two banks in Nigeria were selected using judgemental sampling technique which is a non-probability sampling method. The eight banks in consideration are First Bank of Nigeria, Guaranty Trust Bank, Access Bank Plc, Zenith International Bank, Wema Bank of Nigeria, First City Monument Bank, Skye Bank and United Bank for Africa Plc. Data were collected from 2009 to 2014 based on the annual reports and accounts of the chosen banks.

Effect of staff training on profitability was measured with staff training cost and net interest income obtained from the annual financial reports as shown in the below model:

$$X = a_0 + Y \quad (1)$$

Where X represents profitability which is measured by Returns on Asset (ROA) and Returns on Equity (ROE) while Y means Staff Training Cost

5. RESULTS

To enhance job performance, training skills and behaviors have to be transferred to the workplace, maintained over time, and generalized across contexts. Research objective 3 evaluated the effect of staff training programme on risk management in Nigerian DMB. Below regression result revealed the relationship.

The findings reported in this study revealed that staff training has a significant impact on risk management in Nigerian banks. This is revealed from the fact that net interest income greatly increased compared to the cost incurred on staff training. Also training cost is positively related to profitability measured by ROE and ROA. Training cost has 164% effect on returns on equity and 94% on returns on asset. Table 4.2.3 also shows that the coefficient of correlation is $R = 0.78122$ (78%); this means that staff training cost and interest income when in Nigerian DMB are related and the relationship is strong and positive.

From the result, the null hypothesis that cost of staff training does not have effect on risk management in Nigerian DMB is rejected since the f-statistic is significant at 7% that is less than 0.07. This implies 93% level of significance. Therefore, it is concluded that there is a significant positive relationship between cost of staff training and credit risk management. The regression result for cost of staff training and credit risk management proves that as cost of staff training increases, there is also an increase in risk management, resulting in improved bank performance; and vice versa. The R-squared proves that cost of staff training is responsible for 78% change in profitability.

This result is broadly consistent with prior risk management literature on training and development such as Ying (2004), Obisi (2006),

Benedicta and Appiah (2010), Institute of International Finance (2012), Khan (2012), Ernst and Young (2013), Javaid et al (2014) and Schwandt (2014).

Table 1.
Descriptive analysis result of the research variables

	MI N	MAX	MEA N	STD.D EV	Observ ation
CIST	22.7	73654	9356.3	25981.3	48
C	515	.89	7774	4923	
ROA	0.02	0.227	0.0960	0.0860	48
	5574	881			
ROE	0.18	9.044	1.8690	3.5300	48
	5488	975			

Source: Field report, (2016)
 $CREDIT\ INTEREST / STAFF\ TRAINING\ COST = 9356.38$
 $RETURN\ ON\ ASSET = 0.10$

$RETURN\ ON\ EQUITY = 1.87$

TABLE 2
Definition of the variables

N o	Abbreviatio n	Description	Measuremen t
1	CI/STC	Net interest earned from staff training. This is the percentage of credit interests that have been paid on granted facilities. Net interest income is the remaining revenue earned on loan after deducting all associated expenses on such loan. CI/CF gives the average	Credit interest/Staff training cost

		interest earned per loan.	
2.	ROA	Return on assets. ROA is the ratio of net operating profit that a company earns from its business operations in a given period of time to the amount of the company's total asset	Net income/Total assets
3.	ROE	Return on equity. ROE measures the return on shareholders' investment in the bank.	Net income/Total equity

6. CONCLUSION

The study examined the effect of staff training on the profitability of selected deposit money banks in Nigeria. From the findings it is concluded that knowledge acquired by staff from training expenses are returned back positively to the business. Staff training and development should not be seen as mere waste of resources.

7. RECOMMENDATION

To equip the workforce with the know-how for such financial business, banks are to invest in quality manpower and constantly offer training to help the workforce, efficiently assess the clients and manage their credit risk bearing portfolios.

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