

IMPACT OF CAPACITY BUILDING & EMPLOYEE PRODUCTIVITY ON PERFORMANCE OF COOPERATIVE BANKS IN NAGPUR

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ABSTRACT

The paper assesses the relationship between employee productivity & capacity building in co-operative banks of Nagpur region. Regional co-operative banks face many problems like dearth of required skills & competencies, low service quality & delivery, ineffective Customer Relationship Management & such other hygienic & motivating factors that have a direct influence on employee's productivity & capacity building. Statistical tools have been used to evaluate the relationship between capacity building, employee productivity and performance. Employee satisfaction and morale lead to customer satisfaction. When internal customers (employees) are happy, they treat external customers well. Customers will keep coming back for more. This grows the relationship and leads to customer loyalty. The employee and customer satisfaction, motivation, results affect business performance in terms of financial metrics. There are direct and quantifiable positive links between customer service variables

Key words: Capacity building, employee productivity and performance motivation

1. INTRODUCTION

Employee productivity depends on the amount of time an individual is physically present at a job and also the degree to which he or she is "mentally present" or efficiently functioning while present at a job. Cooperative Banks must address both of these issues in order to maintain high worker productivity, and this may occur through a variety of strategies that focus on employee satisfaction, health, and morale (Ron and Ronald, 2002).

Nagpur has experienced many banking problems, depositors, lenders to banks and owners of bank capital; all lose confidence and seek to simultaneously salvage their resources by withdrawing them. Often, banking problems have domestic causes, such as a weak banking supervision, inadequate capital and political interferences. Profitability ratios indicate that majority of cooperative banks report a decline in financial performance (Kithinji and Waweru, 2000). Some of these problems like weak supervision and inadequacy in expertise of employees, necessary skills and knowledge which are also experienced by cooperative banks in Nagpur District can be addressed through on-the-job training to improve performance of the banks.

Cooperative Banks with the strongest financial performances often had employee populations reporting high levels of employee satisfaction; Cooperative Banks with poor financial

performance also had high levels of employee satisfaction (Bruce and Kay, 2002). With the current expansion of the global economy and the fast-changing evolution of technology and innovation, organizations are facing an on-going need for employee learning and development (Swanson and Holton, 2001). The resource base approach contends that the organization can develop a sustained competitive advantage only if its activities create value in a unique way, on that competitors cannot easily copy. The human capital cannot be easily copied once they acquire the expertise and the necessary skills and knowledge in their workplace.

Gallup reports that highly satisfied groups of employees often exhibit above-average levels of the following characteristics: customer loyalty (56%), productivity (50%), employee retention (50%), safety records (50%), profitability (33%), (available through www.gallup.com). A Watson Wyatt Worldwide study found that the practice of maintaining a collegial, flexible workplace is associated with the second-largest increase in shareholder value (nine percent), suggesting that employee satisfaction is directly related to financial gain.

A 2001 study published in personnel psychology examined whether positive employee behaviours and attitudes influence business outcomes. Findings from the study support the idea that employee satisfaction, behaviour, and turnover predict the following year's profitability, and that these aspects have an even stronger correlation on customer satisfaction (Daniel, 2001). Sears used an "employee-customer-profit chain" Sears using an "employee-customer -profit chain" found that a five percent increase in employee satisfaction drives a 1.3% in customer satisfaction, which results in 0.5% increase in revenue growth.

Professionals and academics have long asserted that the way in which an organization manages people can influence its performance (Delaney, 1996). In particular, employee participation and empowerment, job redesign including based production systems, extensive employee training at workplace, and performance contingent incentive compensation, are widely believed to improve the performance of organizations.

Employee participation systems (Wagner, 1994), internal labour markets that provide an opportunity for employees to advance within a firm, and team-based production systems (Linda, 1998) are all forms of work organization that have been argued to positively affect firm performance. In addition, it has been argued that the provision of job security encourages employees to work harder.

Organizations can adopt various HRM practices to enhance employee skills. First, efforts are on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or both. This can be done by providing comprehensive training on the job and development activities after selection.

Considerable evidence suggests that investments in training produce beneficial organizational outcomes. The organizations must therefore be concerned about inadequacies of their employees and be committed to educating and training employees at their workplace to enhance their skills, perspectives, and competencies (Conger and Benjamin, 1999). The effectiveness of skilled employees can be limited if they are not motivated to perform their jobs. The, organizations can implement merit pay or incentive compensation systems that provide rewards to employees for meeting specific goals. A substantial body of evidence has focused on the impact of incentive compensation and performance management systems on firm performance. In addition, protecting employees from arbitrary treatment, perhaps via a formal grievance procedure, may also motivate them to work harder because they expect their effort to be fairly rewarded.

2. METHODOLOGY

This study was guided by descriptive survey design to establish the relationship between variables especially the relationship between capacity building and employee productivity on organizational performance. The study was carried out in the cooperative banks in the Nagpur District.

All the banks from the District at the time of study were used in the study forming a census study. The study targeted the key informants like the Human Resource managers, bank managers and supervisors who had understanding on the operations of the banks. This study used questionnaires as the primary instrument of data collection. The questionnaire contained demographic information of the respondents in terms of age, job status, gender and work experience; key variables of the study like employ productivity, capacity building and organizational performance were measured on 3-item index and 5-item index scales (that is 1 = strongly disagree/poor/low, 2 = disagree, 3 = not sure, 4 = agree/average/fair, 5 = strongly agree/excellent/high). A drop and pick technique was used in the administration of the questionnaires.

To test reliability of the instrument, a pilot study using Cooperative Bank, Nagpur district where the branch manager suggested some modifications. Therefore the research instrument was reliable and valid to collect the data. The analysis was done using both descriptive and inferential statistics. Under descriptive statistics, frequency tables, pie charts, bar graphs, mean, mode, standard deviations, variance were used.

Inferential statistics involved Pearson's coefficient of correlation was used to establish the relationship among the variables, Simple and multiple regression analysis were used since it showed the interactive effect of the independent variables on the dependent variable. The simple regression analysis was used to determine statistical relationship between only two variables, one variable (independent variable) and its effects on another variable (dependent variable). In multiple regressions two or more independent variables were regressed against only one dependent variable. Using SPSS (Statistical Program for Social Sciences), the values of the coefficients and regression analysis were obtained.

3. DISCUSSIONS

The background information of the respondents revealed the following when descriptive statistics were used:

Majority was males (77.8%) than females (22.2%) in the managerial positions in the banking institutions. There was lack of gender equality in these managerial positions. Most of the respondents were aged between 35 to 47 years a clear indication of mature, responsible and resourceful persons with vast knowledge and experience. Senior managers and supervisors had worked in the banking institutions for 4 or more years (77.8%) meaning they were well equipped with the necessary skills to discharge their duties well. Those who had worked for one year or < 1 year represented (22.2%).

This was attributed to increase in the job skills through capacity building, motivation and satisfaction of the employees leading to increased quality service delivery, efficiency, organizational effectiveness and profitability.

This statement was also supported by Federico (2003) who said that employee satisfaction and morale lead to customer satisfaction. When internal customers (employees) are happy, they treat external customers well. Customers will keep coming back for more. This grows the relationship and leads to customer loyalty".

Table 1 Regression results for high capacity building and employee productivity against high organizational performance

Coefficient values	Regression coefficient (B)	Pearson coefficient (β)
Dependent variable: High organizational performance mean	1.00	1.00
Predictor variable: High capacity building and employee productivity mean		
Predictor variable: overall capacity building and employee productivity mean	1.717727	.519352
Dependent variable: Overall organizational performance mean		

Increased job satisfaction and skills lead to increase in employee morale, which lead to increased employee productivity and customer retention. This confirmed that employee productivity and capacity building improves organizational performance.

Findings in Table 1, shows that when organizations with high capacity building and employee productivity mean were regressed against organizations with high organizational performance mean, resulted into a perfect positive correlation indicating a strong linear relationship between the two variables ($\beta = 1.00$, $B = 1.00$, $p < 0.05$).

This means that when the indicators like punctuality, employee performance, public relations, job skills, employee motivation and satisfaction are actively practiced in the organizations, they lead to increase in product quality, profitability, organizational effectiveness, efficiency, supervision and man power competence. This therefore led to increase in organizational performance of these organizations. Therefore organizations are sensitized to develop and sustain high levels of capacity building and employee productivity to achieve maximum output in performance.

This meant that efforts be channelled on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or both. This can be done by providing comprehensive training on the job and development activities after selection (Delaney, 1996).

Organizations with low capacity building and employee productivity means have positive significant correlations with the organizations with low organizational performance means ($\beta = 0.23$, $B = 1.05$, $p < 0.05$). This is an indication that organizations that have low levels of job skill, employee motivation, employee satisfaction, public relations, punctuality have low organizational performance.

For these organizations to remain competitive in a competitive environment, they must work to achieve high levels of capacity building and employee productivity to post high organizational performance. Therefore, due to changes in technological advancements globally, organizations are engaging in investing heavily in their personnel by recruiting highly qualified employees and training them to acquire the necessary skills to compete favourably in a competitive environment. Employees must therefore continue to learn and grow on the job as a requisite for continued performance.

Table 2 Relationship between capacity building and employee productivity versus organizational performance

Capacity building and employee productivity (predictor variable)	Regression coefficient (B)	Pearson coefficient (β)
Organizational performance		
Product quality	0.536	1.83
Profitability	0.548	2.22
Organizational effectiveness	0.425	1.39
Manpower competence	0.484	1.51
Average	0.498	1.74

The findings in Table 2 shows the results obtained when individual organizational performance indicators like product quality, profitability, organizational effectiveness and manpower competence were regressed against the overall mean of capacity building and employee productivity. The results reveal that capacity building and employee productivity has a significantly strong positive correlation on individual organizational performance indicators ($\beta = 0.498$, $B = 1.74$, < 0.05). That is, organizations with high capacity building and employee productivity are linearly correlated with organizations with high organizational performance. This in essence points out that organizations that have high capacity building and employee productivity increase the employees' motivation, performance, job skills and satisfaction leading to proportional increase in the organizational performance. The employees are further sensitized on the importance of punctuality to duty.

Therefore, the findings in the preceding paragraph proved that capacity building and employee productivity influenced positively organizational performance. Therefore, on the basis of data analysis, the null hypothesis was not accepted since both regression coefficient and Pearson correlation coefficient values were > 0.05 . This data analysis and interpretation was supported by Pfeffer (1994) who asserted that employee participation and empowerment, job redesign including based production systems, extensive employee training at workplace, and performance contingent incentive compensation, are widely believed to improve the performance of organizations. Moreover, empirical research continues to show strong relationship between employee participation and empowerment and organizational performance. Those firms that had low levels of capacity building and employee productivity have low access to training, posted poor returns in terms of product quality, profitability, organizational effectiveness, efficiency, supervision and manpower competence. The regression and correlation coefficient results also confirmed that overall employee productivity lead to significant positive organizational performance ($B = 1.72$, $p < 0.05$, $\beta = 0.52$, $p < 0.211$).

When employee satisfaction and morale rise, financial results soon improve leading to improved product quality, profitability, efficiency and organizational effectiveness. This was also observed by Randy (2000) that between 40 and 80% of customer satisfaction and loyalty is determined by the customer-employee relationship, depending upon the industry and market segment. At Sears, employee satisfaction accounts for 60 to 80% of customer satisfaction. At the Cooperative banks, 40% of the difference in how customers view its services can be linked directly to their relationship with bank staff.

Therefore, if customers are well treated and their needs fully catered for, employee productivity increases leading to increase in performance.

4. CONCLUSIONS

The results from this study add to the growing empirical research evidence suggesting that such assertions are credible that indeed capacity building and employee productivity has a positive correlation on organizational performance. The findings from the study confirmed the relationship between the capacity building and employee productivity and organizational performance yielding high regression coefficient and beta values ($\beta = 1.00$, $p < 0.05$, $B = 1.00$, $p < 0.05$) indicating a strong perfect linear correlation between capacity building and employee productivity on performance.

The employee and customer satisfaction, motivation, results affect business performance in terms of financial metrics. There are direct and quantifiable positive links between customer service variables (such as satisfaction and loyalty), employee variables (such as satisfaction, enthusiasm, loyalty, commitment, capability, and internal service quality), and financial results. Therefore, for organizations to achieve high performance, the interests of customers and employees should be taken into account like satisfaction, motivation, and product quality and manpower competence.

The findings are relevant as they provide vital information to managers, supervisors and employees to have more access to education and training increase the employees' job skills, public relations and generally their perception towards efficiency and effectiveness in carrying their operations. This causes employees to exhibit higher feelings of satisfaction, motivation and consequently increase in production.

Capacity building and employee productivity and organizational performance had a strong linear positive correlation ($\beta = 0.52$, $B = 1.72$). This means that organizations that have high capacity building and employee productivity increase the employees' motivation, performance, job skills and satisfaction leading to proportional increase in the organizational performance. The employees are further sensitized on the importance of punctuality to duty.

From the findings and conclusions above, it can be recommended that, capacity building and employee productivity is positively correlated to organizational performance. Therefore, the firms through the Human Resource Departments should plan and execute training

programmes that are in line with objectives of the firm and those that match employees' abilities and skills to enhance effective organizational performance.

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