

Assessing Return on Training Investment (ROTI) of Islami Bank Bangladesh Limited

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Abstract: *The training budget of Islami Bank Bangladesh Ltd. is about BDT 100 million for 10,425 employees to impart training at Islami Bank Training and Research Academy in the year 2013. If employees really are greatest asset, isn't it time to look at training programmes of Islami Bank Training and Research Academy as investments in human capital and not just as an expense? This article assessing the case for return on investment to the Special Training Course on Professional Development held twice in the year 2012 at Islami Bank Training and Research Academy. It has been found that the training of Islami Bank Bangladesh Limited has a business value. Therefore, the regional centers of the Islami Bank Training and Research Academy may be established, like other public commercial banks, to make the training available at hand. Moreover, it will make the training investment cost effective, hassle - free and growth-led. The training programmes should be continuously improved to provide better value and increased benefits for the IBBL.*

Key Words: *Return, Training, Investment, Payback period, Expense.*

Background:

Islami Bank Bangladesh Ltd. (IBBL) runs a training and research academy at its own premises at Mohammadpur, Dhaka. The training budget of the Islami Bank Training and Research Academy (IBTRA) is about BDT 100 million for the year 2013 (IBTRA, 2012). However, in the year 2011, IBTRA spent BDT 63.30 million and 39,523 man days for training of 8,718 employees (IBTRA, 2011). There were other costs - medical bill, travel and pocket allowances of the trainee; opportunity costs for productive time spent in travel to Dhaka. Moreover, many trainees express unwillingness to travel to Dhaka. In that case, alternate

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trainees are being nominated which is a hassle. Besides, some trainees become ill due to travel and they discontinue the training.

Recently it has been decided to establish a regional centre of IBTRA at Chittagong (IBBL, 2012). The bank intends to establish such regional centers at the other places of the country, which will involve huge investment in training. Therefore, a question has been raised: what are the benefits of training? When money is tight, training budget is amongst the first to be sacrificed. Only by a thorough quantitative analysis, like return on training investment (ROTI), the Management may be helped to resist this cut. An attempt, therefore, has been made here to enumerate the benefits, if any, assessing the ROTI of a 'Special Training Course on Professional Development (STCPD)' held twice at IBTRA in the year 2011.

Introduction:

Training is one of many actions that an organization can take to improve its performance and profitability. Many organizations state that employees are their greatest assets. The vital role of training in an organization is in the search for lower costs, higher standards, greater profitability and enhanced customer satisfaction. If a trainee has learned something from a course, this will be reflected in his behavior on the job. Behavior can be measured through observation or, in some cases, through some automated means. If, as a result of training, trainees are showing appropriate behaviors on the job, then it may be expected to have a positive impact on performance. A wide variety of indicators can be employed to measure the impact of training on performance – labour savings, productivity increase, cost savings, other income generation, numbers of complaints decrease, higher sales made etc. (Fastrac,1999).

IBTRA was advised by the Managing Director of IBBL to organize the STCPD with a view to capacity building of the employees who professionally lags behind but have enough potentiality. Accordingly, the course was held once in June 18 – July 02, 2011 and again in September 9 – October 08, 2011 at the IBTRA. The duration of each course was 15 days. A total of 51 trainees from 45 branches attended in the two courses. The levels

of the trainees were in the range of senior principal officer to principal officer and senior officer to principal officer, respectively (IBTRA, 2011). After 10 months, it has been felt that there must be a post-training field study on the impact of the training on their performance. Husain, (1994) mentioned, “To measure the effectiveness of the training on the ground one needs to carry out a “Post Training Utilisation (PTU)” study after an elapse of say six months from the end of the training programme.” Moreover, the special features of STCPD 2011, which are given in annex B, provoked the interest of the researcher to undertake it as a case study for assessing the ROTI.

Objectives of the study:

- To validate training as a business tool;
- To assess the impact of training investment on performance of employees;
- To justify the costs incurred in training;
- To help improve the design of training; and
- To suggest directions for future research that will improve the accuracy and reliability of the measured rates of return.
- To help the policymakers to make training budget adequately and use properly.

Methodology and Data Survey:

Referring a study (Husain, 1994) said, “The methodology of Post Training Utilisation (PTU) study for Bangladesh was introduced in the early eighties by the senior faculty members of the now-defunct Civil Officers Training Academy (COTA). It was field-tested and was also successfully applied PTU study, elicits opinion from the controlling officer, the subordinate officers/staff and the clientele group of the trained officers and seeks to assess if there has been any perceptible improvement in the performance of the officer following the training.” Primary data to assess the benefits of training were collected from 45 branches of IBBL, where 51 trainees of the STCPD 2011 were working, through observation, discussion, Skype and telephonic interview, and a questionnaire survey among the trainees and their controlling officers, the managers and the subordinates. Moreover, some valued customers, who deal with the trainees, are also interviewed. In

order to ensure the reliability of the data, five branches of Dhaka city and outskirts has been visited (IBTRA, 2012).

Measurements of costs and forecasting benefits of the STCPD to calculate ROTI were done in a relatively simple process. Firstly, the heads of costs and benefits were identified and selected reviewing literature. Secondly, the costs data were collected from the 'statement of actual expenditure 2011 of IBTRA' and the benefits were forecasted and measured from the survey data which is given in appendix A. Then the ROTI has been calculated in Table 1. To ensure accuracy of the data, average figures of the opinions have been used in the calculation.

Literature Review and Hypothesis:

Following literature has been reviewed for developing hypothesis of the study:

Absar, *et. al.* (2010) analysed areas, methods, duration of training and evaluation of training programmes offered by BRAC and *Proshika*. The study also examined the perceptions of trainers and trainees regarding the impact of training programmes offered by BRAC and *Proshika*. The study found that both trainers and trainees of BRAC and *Proshika* have almost positive perceptions about the effectiveness of training programmers.

Biswas, *et. al.* (2010), conducted a study with the objective to assess the training effectiveness and utilization of the knowledge acquired from the Special Foundation Training Course (SFTC) in the job situation by the BCS Health Cadre officials. It was mainly based on primary sources of data which were collected through mailed questionnaire. The overall relevance index implies that the training modules were about 70 percent relevant for the participants with their job situation. It was found that at least one of the sub-modules of the training programme was utilized by all the respondents of the study.

Hamid, (2005) mentioned that human resource is the best resource of a country. Training plays a pivotal role in developing human resources. He examined the possible challenges and the measures to be taken in order to organize effective and successful training programmers.

Husain, (1994) concluded that failure of the training institutes to turn out officers/managers effectively competent to match the requirement of the work situation will imply massive wastage of national resources. Value of training has to be measured in terms of effectiveness in the work situation. The trainers, the employers and the trainees should jointly work towards this end, i.e. maximize value out of the resources committed to this sector.

Haque, *et. al.* (2010), opined that PTU helps the clientele organization optimize their resources spent on training in one hand and explores the strengths and weakness of a particular training course imparted by institutions concerned on the other. He attempted to look into the utilization of training inputs. Data were collected from trained probationers and their supervising officials through two sets of pre-tested questionnaires. It reveals that all the nine objectives of training were quite relevant.

Therefore, it appears that the study has a strong basis because none of the authors, mentioned above, studied ROTI of any organization to identify the business value of training course held. So, the present study seems to be a pioneer in this respect.

Hypothesis: The training of IBBL has a business value.

Importance and Limitations:

The evaluation of training is inherently a good thing. "IT is clearly important for companies to have accurate measures of the rate of return of the investments (ROI) in employee training, for this is what guides their human capital investment decisions. If the expected ROI is underestimated, employers will under invest whereas if it is overestimated, employers will overinvest (Bartel, 2000)." At IBTRA, training evaluation is undertaken at the easiest way - the measurement of trainees' reactions through evaluation sheets. Reactions are important and the evaluation sheets serve a purpose, but they are not enough to back up arguments when there is a need for a greater investment in training, when there is stiffer competition for resources. Assessment of ROTI can be used both to justify a planned investment and to evaluate the extent to which the desired return was achieved. However, it cannot measure all aspects of training success: whether trainees liked the training or not and the extent to which trainees' personal objectives were

achieved. The results from a case study may not be generalized to other courses.

Results and Discussions:

ROTI is the percentage return over a specified period as a result of investing in a training programme. On the assumption that benefits will continue to accrue some time after the training, then the period that is specified is critical to the ROTI figure to be obtained. One may like to specify a period that fits in well with one's organization's planning cycle – perhaps a year or two years. On the other hand, one may wish to calculate the period to correspond to the lifetime of the benefit, in which case one will need to know how long the average trainee stays in a position in which they can continue to apply the knowledge and skills being taught (Fastrac, 1999). It is relatively simple to calculate return on investment:

$$\text{Benefit Cost Ratio (BCR)} = \text{Total Benefit} / \text{Total Cost}$$
$$\text{Net ROTI \%} = (\text{Total benefits} - \text{Total costs} / \text{Total costs}) \times 100$$

Payback period

Another way at looking at ROTI is to calculate how many months it will take before the benefits of the training match the costs and the training pays for itself if monthly benefit is considered. This is called the payback period:

$\text{Payback period (In month)} = \text{Total costs} / \text{monthly benefits}$
Payback period is a powerful measure. If the figure is relatively low – perhaps only a few months – then management will be that much more encouraged to make the training investment. As a measure, it also has the advantage of not requiring an arbitrary benefit period to be specified. The analysis of ROTI on STCPD of IBTRA held in 2011 is shown below:

It has been mentioned earlier that in the year 2011, the total investment in IBTRA training was BDT 6, 33, 04,740 for 8,718 employees. The total man day of training (Training duration x No. of trainees) was 39, 523 days (IBTRA, 2011). So, per day/trainee cost was BDT 1,602 (6, 33, 04,740 / 39,523) and the total cost for the 51 trainees of the STCPD 2011 was BDT 81,702 (1,602*51). Table 1 shows that the ROTI on the STCPD 2011 is 32% with BCR 1.32 and the payback period is 9 months only.

Conclusion:

The results suggest to accept the hypothesis: the training of IBBL has a business value. It has become something of a cliché for senior management to claim that 'people are our greatest asset'. Yet, much to the dismay of trainers, the effort they put into developing this 'human capital' continues to be seen, at times, as an expense and not as an investment. It's time to turn this around. Let us start to analyse training programmes of the IBTRA as if they were capital investments - using techniques like ROTI.

Finally, more than 11 thousand people are employed in IBBL all over the country (IBBL, 2011). The regional centers of IBTRA may be established, like Sonali, Agrani, BKB, Rupali and Janata Banks, to make the training available at hand. Moreover, it will make the training investment cost-effective, hassle-free and growth-led. The training programmes should be continuously improved to provide better value and increased benefits for the IBBL.

The study paves the way for future research on ROTI for other training courses of IBTRA and other training organizations.

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Table 1: Calculation of ROTI on STCPD held in 2011

Duration of training	15days
Number of Trainee	51
Period over which benefits are calculated	12 months
Costsz	<i>Amounts in BDT</i>
Administration	16,000
Faculty	20,000
Materials	5,000
Facilities (Hostel, Library, Equipments, Medical etc.)	12, 000
Trainees (Travel Allowance/Daily Pocket Allowance)	28,000
Total cost	81,000
Benefits	<i>Amounts in BDT</i>
Labour savings	13,000
Productivity increases	52,000
Other cost savings	30,000
Other income generation	12,000
Total benefits	1,07,000
BCR	1.32
Return on investment	32%
Payback period	9 months

Source: Summary Performance Report of IBTRA 2011, and annex A

Annex A: Forecasted and Measured benefits to be derived from the Trainees of the STCPD 2011

Amounts in BDT

Benefits	Opinions			Total	Average
	Boss	Subordinate	Valued Clients		
Labour savings (Reduced duplication of effort and less time spent correcting mistake)	16,000	13,000	10,000	39,000	13,000
Productivity increases (Higher skills to faster work and higher levels of motivation leading to increased effort)	65,000	50,000	41,000	1,56,000	52,000
Other cost savings (Reduction in over dues)	34,000	30,000	26,000	90,000	30,000
Other income generation (Sales referrals made by non-sales staff)	15,000	11,000	10,000	36,000	12,000
Total Benefit					1,07,000

Source: Field survey

Note: Benefits were forecasted by both the insiders and the outsiders in round figures of BDT with a view to measuring those easily.

Annex B: Special Features of STCPD

i. Physical exercise and morning walk

Physical fitness and sound health *inter alia*, are the precondition of professional development. So the courses included physical exercise and morning walk which kept the participants more active and physically fit to attend the training sincerely.

ii. Evening learning and practice

The course consist of some sessions like “Evening learning and Practice” from 6.00 - 9.00 pm with a view to increasing load bearing capacity of the participant and taking mental preparation by them to contribute in the development of the Bank beyond the office hour. These sessions contributed to build their capacity, increase practical knowledge and level of understanding in the three core areas of banking viz. (i) correspondence, (ii) investment documentation; and (iii) computer operation.

iii. Visit of historical site and large industrial project

On Friday all the participants visited two/three Bank financed industrial projects so that they can see: a man can do a big job if he gives full effort. They also visited the historical sites, like National

Monument, Ahshan Monjil, and National Museum. It has made the participants visionary and they felt: a man can do a big job if he tries to do so by seeing a big picture.

iv. Counseling

A panel of counselors consisting DMDs & Head Office executives, the faculty members of IBTRA, were formed. A detailed schedule was prepared to conduct the counseling in a befitting manner. Transactional analysis was made for each participant to understand their present condition. The analysis report was supplied to the counselors before counseling. The trainees met the counselor, one to one basis, for more than one hour as per schedule. Due to counseling, they could identify their lacking as well as scope for further development. They promised to develop further their professionalism.

v. Dress code and dining

It was mandatory for all participants and speakers to wear suit & tie in the class room and use cutler-spoons in dining table so that the participants can acquire global standard.

vi. Brainstorming

In the brainstorming sessions, the session leader (s) opened the floor to pick-up the ideas from the trainees and discussed these later on before ending the session. These sessions opened their inner eyes, increased the capacity of thinking on particular issue, increased the confidence level etc. It also helped development of their mind-set for thinking new ideas for the Bank.

vii. Assigning of a full time observer

A full-time observer was assigned in the course so that the management can take immediate corrective action to be needed to make the course more effective. The Course Observer communicated his verbal suggestions daily during the course and finally submitted a report to the Management.

viii. Facilitators/Resources persons

Facilitators/Resource persons having profound professional knowledge and long experience including the honorable Chairman of the board of directors and the Managing Director of the Bank conducted sessions effectively.

ix. Participant Evaluation

During the course, quiz tests were conducted on daily basis. However, the participants were evaluated through written tests and individual assignments. The details of the evaluation system are shown in the following table.

Sl. No.	Nature of Evaluation	Frequency	Marks	Total Marks	Weight
01.	Quiz Test	06	15	90	20%
02.	Written Test	02	50	100	60%
03.	Assignment	03	-	20	20%