



WORKFORCE DIVERSITY AND EMPLOYEE PERFORMANCE: A CASE OF COMMERCIAL BANKS IN PAKISTAN

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Article History: Received on 22nd April 2021, Revised on 30th April 2021, Published on 1st May 2021

Abstract

Purpose of the Study: The fundamental objective of this study was to examine the association between workforce diversity and employee performance in commercial banks of Pakistan.

Methodology: Gender, age, education, and ethnic diversity contribute to the workforce's diversity. A standardized questionnaire was distributed amongst the 400 employees of commercial banks of Pakistan to collect data. However, 281 employees, constituting 70.25%, responded. The research hypotheses were tested by using a multi-regression model through Stata16 for data analysis.

Main Findings: The outcomes indicated a positive and significant association between gender diversity and employee performance. Gender diversity and age diversity are strong predictors of employee performance in Pakistan. However, the findings revealed that employee performance is not affected by education or ethnic diversity.

Applications of the study: This study has significant implications from both a theoretical and a realistic perspective. This study contributes by adding sound theoretical literature to the body of knowledge on workforce diversity and employee performance. From a practical perspective, this study sheds more light on how workplace diversity affects employee performance in the banking sector of an emerging economy like Pakistan. The results of this study can also be used to build strategies to improve the implementation of employee diversity in an existing market.

Novelty/Originality of this Study: Studies have been conducted to analyze the impact of diversity on employee performance, but this is the first study that has investigated the association between workforce diversity and employees performance with rich facets and particularly in the context of an emerging economy like Pakistan and specifically in commercial banks.

Keywords: Commercial Banks, Employee Performance, Emerging Economy, Pakistan, Workforce Diversity.

INTRODUCTION

Every modern workplace and company have to deal with diversity. Within an organization, it is the discrepancies between people regarding educational backgrounds, expertise, and work perspectives. Differences in workers' demographic, cultural, and personal characteristics are also factors. Workforce diversity (WFD) describes a situation in which members of a group or association differ in terms of age, size, color, ethnicity, immigration, and educational attainment. As a result of these trends, today's population is far more diverse than in the past. (Erasmus, 2007). Globalization, an aging demographic, the entry of women and minorities into different occupations, knowledge-based professions, work-teams, remote employment, and part-time or transient workers has all added to a varied workforce. (Adhikari & Shrestha, 2019; Agrawal, 2016).

The Pakistani workforce's diversity is admirable. Pakistan is a country with a diverse cultural and linguistic population (Khan & Ullah, 2021; Shrestha & Parajuli, 2020). Individuals from a variety of ethnic groups live in Pakistan. Individuals from diverse cultural groups speak various languages and practice a variety of religions. (Khan & Ullah, 2021). Almost all people in Pakistan are Muslims. However, a very minority includes Christian, Hindu, Sikh.

On the other hand, cross-cultural influences are becoming more prevalent in Pakistani culture. There are different castes and ethnic groups in Pakistan with diverse languages. Both of these contribute to WFD in Pakistani workplaces.

According to Kochan et al. (2003), diversity in the workplace can elicit a wide spectrum of emotions. Some employees regard diversity as a problem rather than a tool to help the company grow. Even though most analysts believe, the consequences of diversity in organizations add meaning. Firms that consider diversity a primary strategy would benefit far more than those that do not due to lower turnover and increased revenue (Brown & Lam, 2008). Organizations that perceive diversity as a core strategy rather than a business cost would reap much greater benefits than those that do not. According to Choi (2007), diversity leads to synergistic effectiveness because representatives of organizations may value and understand one another's experiences, talents, and perspectives.

Employee output is influenced by the composition of the workforce (Khan, 2019). Managing employee diversity is a priority for many companies, including banks, to maximize employee efficiency and productivity. The banking sector is



rapidly expanding ([Khan & Ullah, 2021](#)). The banking industry's rapid expansion has created numerous challenges, including a diverse workforce. This is a natural phenomenon and, based on how well it is handled, may have both positive and negative impacts on corporate effectiveness. Human capital has long been thought to be the bedrock of a company's success because it can spark organizational excellence while still ensuring the consistency of the highest standard of business success ([Kyalo & Gachunga, 2015](#)).

RATIONALE OF THE STUDY AND OBJECTIVE

Today, most companies fail to galvanize a diverse workforce to operate as a group to manage multiple aspects, policymaking, training, exposure, and approach to specific and overall objectives because they are inefficient. Organizations that view diversity as a primary strategy would benefit far more than those that do not, with cost reductions in turnover and increased revenue ([Brown, 2008](#)). This evidence suggests that the research on WFD on employee performance (EP) is more considerable. Present managers will measure the effect of age, gender, race, level of education, and other diversity factors on EP if they are mindful of WFD. Hence, this research looks at the impact of WFD on EP in Pakistani commercial banks.

REVIEW OF LITERATURE

Workforce Diversity

Diversity is constantly recognized and utilized as a valuable corporate resource to have excellent client support or maintain a competitive advantage ([Kyalo & Gachunga, 2015](#)). WFD refers to variations in age, gender, ethnicity, and education that can influence a job or partnership within an organization, according to [Omankhanlen and Ogaga-oghene \(2011\)](#).

It's about discovering these differences in a healthy, accepting, and nurturing atmosphere. Diversity in the workplace is a complicated, divisive, and political phenomenon ([Emiko & Eunmi, 2009](#)). Gender, age, ethnicity, and education are only a few factors contributing to WFD and used in this study.

Gender

It is the inclusion of people of different sex in the workplace that is equal or equitable. Gender diversity has existed across history and throughout cultures. Gender-based disparities are reinforced and justified in an organization by stereotypes and expectations that define positive characteristics and, as a result, a higher status for males ([Leonard & Devine, 2003](#)). [Kochan et al. \(2003\)](#) examined whether there was a connection between various facets of group sexual orientation and intra-bunch collaboration, but only in situations where the sexes were normally separated. Gender-based diversity is more competitive at the managerial and non-managerial stages. Mixed-gender groups outperformed comparable gender groups ([Eagly & Wood, 1991](#)). Diversity in the workplace would be beneficial if gender issues were recognized, discussed, and addressed ([Ullah, 2020](#)).

Age

Individuals from different age groups can be recognized in the workplace by an organization. The company's care of the elderly in different forms has been a recurring theme. Many companies have welcomed the new era's diversity. Several studies have shown that older workers are just as active, engaged, and professional as younger workers ([Algahtani, 2013](#); [Barrington & Troske, 2001](#)). [Williams and O'Reilly \(1998\)](#) documented that employees of a heterogeneous age group are more creative, diverse, and active than employees of a homogeneous age group.

Education

Employees may have a wide range of educational credentials. EP is also influenced by educational diversity. [Choi and Rainey \(2010\)](#) discovered that a larger percentage of qualified employees fuels a higher production level. [Emiko and Eunmi \(2009\)](#) also assumed that their level of schooling determined a person's productivity. As a result, workers would have a solid educational record.

Ethnic

Due to society's rising multicultural ambitions, multiethnic business groups are on the rise, including groups focused on education, family, and religion. Ethnic diversity promotes problem-solving from various racial perspectives, which led to more team productivity as the teams learned to exploit their differences ([Zgourides, John, and Watson, 2002](#)). Ethnically diverse cultures tend to be more inventive and grow due to learning opportunities ([Garen, 2003](#)).

Employee Performance

Performing in the course of duty entails putting into action or identifying a specific action, accomplishment, or achievement ([Khan & Ullah, 2021](#)). [Hashim, Ullah, Khan \(2017\)](#), and [Ullah \(2020\)](#) define employee output as "the successful performance of one's duties to achieve sound outcomes. It refers to how well an employee fulfills the job's requirements. Productivity, effectiveness, job quality, and performance analysis are all factors to consider ([Kyalo & Gachunga, 2015](#)). Human resource management believes that good WFD strategies are needed to improve employee and

organizational efficiency (Khan & Ullah, 2021; Shaikh, Channar, & Shaikh, Ullah, 2021). The positive effects of employee diversity at the worker level will act as internal and external motivators since individual EP is categorically affected by organizational efficiency. They will aid in the development of employee cooperation. As a result, this study draws on the view that workers have improved their ability to cope with workplace diversity due to their experience. However, the present study seeks to examine that WFD positively affects EP in terms of gender, age, race, and education.

RESEARCH METHODOLOGY

This thesis used a descriptive analysis design to collect knowledge and clarify factors influencing EP in Pakistani commercial banks. This analysis used a causal test design in Pakistani commercial banks to establish a cause-and-effect association between WFD and EP. Twenty-two commercial banks are operating in Pakistan. Only four commercial banks were chosen for the study ABL, HBL, FBL, and MCB). Four hundred employees were contacted to collect diverse information and findings comfortably. Just 281 people (70.25 percent) took part in this study. The following table shows the response rates of the participants:

Table 1: Response rates

Gender	Percent	Ethnicity	Percent
Male	54.09	Muslims	98.67
Female	45.91	Others	01.43
Education	Percent	Age (years)	Percent
Ph. D	0.72	up to 24	1.44
M.Phil.	2.14	25-34	61.55
Master	45.21	35-44	32.03
Bachelor	45.52	45-54	4.98
+2	6.41	Above 55	0.00

Note: $n = 281$

Employees' perspectives on WFD on EP in Pakistani commercial banks were gathered using primary sources. Employees of sample banks were given a collection of standardized questionnaires to complete as part of the survey.

Conceptual Framework

Keeping in view the above literature and discussion, the research framework for this study was established to assess the effect of WFD on EP in Pakistan's commercial banks.

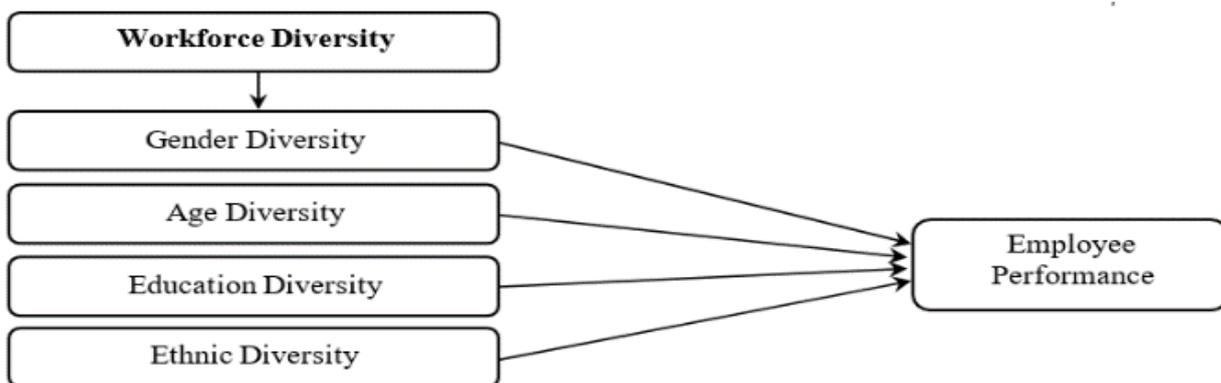


Figure 1: WFD and EP

Tools for Analysis

Mean and standard deviation are deployed for descriptive statistics. In addition, the current study employs a multi-regression model to investigate the impact of WFD on EP. Hence, the given below model equation is developed;

$$EP = \alpha + \beta_1GD + \beta_2AD + \beta_3ED + \beta_4EthD + \epsilon$$

Where,

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ =Coefficient of the variables

EP = Employee performance

GD = Gender diversity



AD = Age diversity
 ED = Education diversity
 EthD = Ethnic diversity
 ε = Error term

DATA

Descriptive Statistics

Table 2: Means, S.D and Reliability Statistics (Cronbach's alpha) of Study Variables

Variables	Mean	S.D	Reliability
GD	3.97	0.58	0.79
AD	4.05	0.61	0.81
ED	4.25	0.67	0.77
ED	3.80	0.57	0.84
EP	4.22	0.69	0.83

Source: Field Survey (2020)

Employees believe that gender diversity increases their results, with a mean of 3.97. Commercial bank employees accept that handling gender diversity is key to increasing competitiveness. Employees believe that age diversity exists in their organizations, as shown by a mean of 4.05. The mix of ages in the workforce allows older workers to understand new technology better.

Employees' satisfaction with educational diversity at their organizations is measured by a mean of 4.25. They believe that having a diverse education enhances results. Employees are extremely pleased with their organizations' integration of ethnic diversity, as shown by a mean score of 3.80. They claim to get along with people from all walks of life. They also accept that using different languages in the workplace does not cause tension among employees. Employees' linguistic differences aid in group composition and cohesion. Employees believe that WFD in their companies improves their efficiency. This is shown by the mean of 4.22.

Model

To assess the relationship between WFD and EP, the study proposed a linear model. The model is as follows:

$$EP = \alpha + \beta_1GD + \beta_2AD + \beta_3ED + \beta_4EthD + \varepsilon$$

The model summary is presented in the tables below:

Table 3: Model Summary of Linear Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.947 a	0.897	0.893	0.24657

Source: Stata Output

Table 3 shows that the four independent variables (gender diversity, age diversity, educational diversity, and ethnic diversity) will explain 89.7% of the dependent variable, while other factors can explain the remaining 10.3%.

Table 4: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	55.319	4	13.830	227.4750	0.000 ^F
Residual	6.384	105	0.061		
Total	61.702	109			

The p-value is 0.000, which indicates that the degree of significance is less than 1%. Furthermore, the calculated F (227.475) exceeds the F-critical (2.46), implying that the models correctly estimate the effect of the predicted variable on outcome variables.

Table 5: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.002	0.155		6.461	0.000
Gender Diversity	0.418	0.102	0.533	4.111	0.000**

Age Diversity	0.572	0.163	0.682	3.514	0.001**
Education Diversity	-0.87	0.164	-0.116	-0.529	0.598
Ethnic Diversity	-0.105	0.78	-0.150	-1.348	0.181

Dependent variable: Employee Performance

Note: ** $p < 0.01$. * $p < 0.05$

Based on the above results, the equation for the regression model is:

$$EP = 1.002 + 0.418 GD + 0.572 AD - 0.87 ED - 0.105 EthD$$

Employee production in the commercial banking industry was found to be 1.002. Unit growth in gender diversity would result in a 0.418 increase in workforce productivity if all other independent factors remained unchanged. The relationship had a p-value of 0.000, indicating that it was important. Furthermore, a unit rise in age diversity in the commercial banking sector would result in a 0.572 increase in employee productivity if the other independent variables remain constant. The 0.001 p-value suggests that the relationship is important. According to the results, EP in the commercial banking industry is unaffected by educational diversity. In the commercial banking industry, ethnic diversity has a little discernible effect on employee efficiency. These results indicate that age, followed by gender, significantly impacts EP. The effect of educational and ethnic Diversity on EP, on the other hand, is marginal.

DISCUSSION

This study aimed to look into WFD on EP in Pakistani commercial banks. Gender, age, education, and ethnic diversity contribute to the workforce's diversity. Among these four factors, the study found that gender and age positively affected EP. Gender diversity has a substantial positive effect on EP. It shows that most workers believe that the company does not discriminate when recruiting different sexes in the organization. Women have an equal opportunity to advance in their careers. This result is supported by the findings of [Hashim, Ullah, Khan \(2017\)](#), [Emiko and Eunmi \(2009\)](#); [Raaza-Naqvi et al. \(2013\)](#); [Ullah \(2020\)](#). Employees are thought to enjoy working with members of the same gender to perform their duties professionally and successfully in a positive gender equity partnership. [Shaikh, Channar, & Shaikh, Ullah, 2021](#) came to similar conclusions. Pakistani banks recruit a wide range of age groups. On the other hand, workers stated that because this improves their productivity, they feel comfortable working with older and younger employees of various ages. As a result, gender diversity and age diversity are strong predictors of EP in Pakistan.

CONCLUSION

The primary goal of this research was to examine the effects of WFD on EP. According to the results, age diversity has a substantial positive effect on EP. The findings also indicate that Pakistani banks have a wide range of educational backgrounds. The outcomes indicated that ethnic diversity has no substantial effect on EP. Despite this, most employees have agreed that they get along with coworkers of different ethnic backgrounds. This ensures that including workers of various ethnicities on the same team should not result in tension, regardless of language barriers. Companies must also devote greater resources to diversity management to improve employee morale, which would ultimately aid in achieving corporate objectives.

LIMITATION AND STUDY FORWARD

This study has analyzed the association between WFD and EP in commercial banks of Khyber Pakhtunkhwa province, Pakistan. However, other commercial banks operating in other provinces could depict more generic outcomes. Furthermore, the employee diversity of Pakistan (a Muslim country) could be compared with other religion-dominant economies.

RECOMMENDATIONS

Based on the current study outcomes, gender diversity and age diversity have a significant impact on EP; therefore, the top-level management must focus on ensuring the presence of different genders and ages to improve EP that will help boost corporate performance.

AUTHORS' CONTRIBUTIONS:

Tania Mushtaq: Data Analysis and its interpretation, Abstract and Conclusion writing, review of the article after completion, and correspondence with the journal.

Imran Abbas Jadoon: Data Collection, working on literature, writing references and after completion of research review the article.

Rana Nadir: Data Collection, working on literature and after completing research, its review.

Asma Imran: Data Collection, working on literature and after completing research, its review.

Zia ur Rehman: Data Collection, working on literature and after completing research, its review.

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