

## Impact of Workforce Diversity on the Organizational Performance of Banking Sector of Nepal: A Mediating role of Managerial Expertise<sup>1</sup>

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### Abstract

*Work force diversity has become an organizational imperative and as such, it is important for organizations to understand, embrace and manage diversity to be able to outperform competitors. Researchers have produced mixed result on the impact of diversity on performance. Some scholars found a positive relation between diversity factors and performance whilst others have found negative relations between diversity factors and performance. This paper therefore examines the effect of work force diversity factors (generational diversity, gender diversity, ethnic/racial diversity) and the role of managerial expertise on organizational performance. This study followed the correlational research design as it intends to evaluate the impact of workforce diversity on banking sector performance. The population of the study was managerial level employees working in banking sector of Nepal and 156 responses were collected and analyzed. Five-point Likert scale questionnaire was used to collect the data. Correlation matrix and regression model were used to analyses the data. Physical diversity characters; age, gender and ethnicity were considered for the study. Research concluded that gender and ethnic diversity positively affect the organizational performance but age diversity may cause conflict in the organization, however, managerial expertise positively affect organization performance which can contribute to reduce conflict that arise because of age diversity in the organization.*

**Keywords:** Banking sector, Diversity, Managerial expertise, Organizational performance

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## Introduction

Workforce diversity is a challenging subject that would continue to change as the globe becomes more globalized. Workforce diversity is the condition that exists when members of a group or association differ from each other in terms of demographic factors such as age, gender, race, ethnicity, immigration, and education. For the reason that, the new workforce is much more diverse in its arrangement than it was historically (Erasmus, 2007). Besides, a broad range of factors has shaped a much more diversified workforce, such as globalization, an aging population, the arrival of women and minorities into new professions, knowledge-based workers, work-teams, virtual workers, and part-time or conditional workers (Agrawal, 2016; Adhikari, 2009; Adhikari & Shrestha, 2019). It primarily evolved as a workplace extension of the equal opportunity ideology. Thomas (1995), concluded that diversity does not necessarily mean just about variances but also about similarities as well.

Nepal is a country with many ethnic groups and cultures (The Rising Nepal, August 6, 2019). But there was very little diversity in Nepalese organization in previous days. Now the diversity in the workforce is also growing than the previous. Previously, the participation of women and ethnic groups except hilly *Brahmin* and *Chhetri* was very low. Share of all ethnic groups except Brahmin and Chhetri in the judiciary and civil service were 2.4 percentages (Pandey & Risal, 2021) and 2.3 percentages respectively; women's participation in civil service was nine percentages and only two percentages in decision making (Pradhan & Shrestha, 2005). The government of Nepal made the provision of reservation and inclusion from 2007 AD by the second amendment of the civil service act 1993. This civil service act 1993 (second amendment) allocated 45 percentages seats for reservation and inclusion of the different group namely 33% for women, 27% for *Aadiwasi*, 22 percentages for *Madeshi*, nine percentages for *Dalit*, five percentages for differently capable people, and four percentages for the backward area as recommended by interim constitution 2007 AD and tries to motivate the backward people and to maintain the equity in the opportunity of getting the job. This provision acted as the pioneer one for workforce diversity in the civil sector of Nepal. By this, we can see little positive change in civil service and politics (Gautam, 2014 May, Kantipur daily). Gautam (2014) stated that the reservation policy adopted by the government of Nepal, has contributed to increased inclusion and diversity in civil, public and government owned banks. That composition of the workforce in the Nepalese civil sector from

different ethnic groups, ages, and gender makes a positive impact on employee performance (Bhatta, Gupta & Bhatta, 2019). Despite this presence and reservation, *Brahmin* and *Chhetri* still leading in civil service of Nepal. Hilly *Brahmins* and *Chhetris* together made up 55% entrance in civil service in fiscal year 2019/20 (Annual Report of Public Service Commission (PSC), 2019/20). Although, the situation is worse in the private sector, it still doesn't want to hire diverse people in the organization because of the fear of getting a negative impact on performance. Out of 26 commercial banks, only one bank i.e., Megha bank is leading by women in all the Nepalese banking history (Himalayan times, 2021). Women are not included fairly rather they are appointed based on nepotism and favoritism (Shrestha, 2011).

According to the Nepal labor force survey 2018/19, males and female account for 86.8 percentages and 13.2 percentages respectively. Also, there is an overrepresentation of *Brahmin* and *Chhetri* and underrepresentation of *Dalits* and *Janajatis* in employment. *Dalits* were only 3.8 percentages of employees but 17.7 percentages of the overall population and *Janajatis* were 18.3 percentages of employees but 34.2 percentages of the population. On the other hand, while still consisting of 31.7 percentages of the total population, *Brahmin* and *Chhetri* were 54.2 percentages of employee and *Newars* were 23.4 percentages of employees but 5.7 percentages in the total population (ADB, 2010). There seems the age diversity in Nepalese banking industry too. And different author concluded differently on age diversity and organizational performance. People of diverse age group have diverse skills, experiences, knowledge, values, and perspective which boost the individual performance so that the organization which respect age diversity are better performer than the organization who disregard age diversity in Nepalese civil service (Bhatta, Gupta & Bhatta, 2019). The team of diverse age group results more conflicts, misunderstandings and ego clashes among people at work place in medical sector (Sridhar & Sandeep, 2014). There is no relationship between age diversity and employee performance in Nepalese insurance industry (Pandey, 2020). The banking industry is important in terms of the economy in Nepal providing a large number of employment and the financial sector of Nepal contributes 6.8 percentages in national GDP (Economic Survey, 2020/21). So, we concentrate our study on the banking sector.

While the theoretical advices that designate the potential of diversity and its effective management to create a competitive benefit for organizations are well exposed, empirical research relevant to the topic grants a somewhat confusing picture (Kossek,

Lobel & Brown, 2006). In Nepal, organizations are still not optimistic about workforce diversity. Some researches were already conducted in this issue but still rigorous studies are essential (Greenberg, 2004 and Mallikarjunan, 2007). Thus, the question raises what is the impact of workforce diversity in the performance of organization with the help of managerial expertise? The main objective of the study is to examine the impact of workforce diversity on organizational performance and assessing the mediating role of managerial expertise. Kossek, Lobel and Brown (2006); Greenberg (2004) and Mallikarjunan (2007) suggested for the further research in the field of workforce diversity and organizational performance. Similarly, the banking financial sector especially the banking sector is the major contributor in the national GDP. Therefore, the study signifies its value.

### **Literature Review**

Despite the phenomenal efforts put in place through legal, research and sensitization both globally and locally, not all organizations fully understand and embrace diversity and its benefit on performance to their organizations. Although a myriad of studies has been undertaken on diversity management, scholars could not all agree on the link between the factors that influence diversity management, and their impact on organizational performance. In light of the aforementioned, this study attempts to analyze existing content on whether organizations with diverse workforce perform better than the ones that does otherwise. In a study conducted by Mazibuko and Govenda (2017), they suggested that understanding and managing diversity plays a significant role in enhancing organization's performance and effectiveness. Their conclusion is consistent with the previous findings of Carelse (2013). The study further revealed that, diversity management created room for appreciation, innovation and creativity that organizations can leverage to tackle diverse markets. This infers that depending on the way it is managed; diversity could help a business enter more market which could lead to enhanced performance. In addition, the authors bare that there is a positive relationship between cultural and gender diversity and organizational effectiveness and by extension performance. Saxena (2014), suggested that hiring diverse workforce will definitely lead to improved productivity, he, however, detailed that it may prove tragic if not managed correctly because not only the management but employees are also feeling some problems like language problem (which is acceptable and is not due to thoughts of the

employees), boldness clashes, and alteration in perceptions, which is unswervingly related to human behavior which ultimately affects the productivity of any organization.

Unswerving with Saxena's finding, Zhuwao (2017), in a study on Workforce Diversity and Its Effects on Employee Performance in a Higher Education Institution in South Africa: A Case of the University of Venda confirms that diversity improves innovation and productivity, as contrasting to diversity creates confusion and conflict in the workplace. The study additionally revealed that employees escalate the company's staffing of a diverse workforce. He overemphasized that managing and valuing diversity enhances performance. This is a sign that despite the positive significant relationship of diverse workforce on performance, managing and valuing diversity is an essential ingredient for better performance. Additionally, the findings revealed that diverse workforce, individual differences, confusion and conflict are significantly related with performance in terms of innovation and workplace productivity. Despite the findings that workforce diversity influence performance, the researcher went on to further confirm that leadership diversity strongly influences organizational performance and/or effectiveness. Although most of the studies have found a positive and significant relationship between workforce diversity and performance, Durga (2017) argued that no significant relationship exists between workforce diversity and organizations' effectiveness, but only a minimal impact exists between the two.

### **Age diversity and organizational performance**

As people of different generations work together in organizations, differences among them could emerge which would therefore require informed managerial action to avoid a back lash. As recommended by Kioko (2012), the apparent decline in work ethic is perhaps one of the major contributors of generational conflicts in the work place. In his study, he found that generational differences affect work place diversity management. However, the same study found that employees had confidence in the management of generational differences at LNNP and the management did not play favoritism in promotions and delegations. This suggests that the manner in which generational difference is handled by management is a key determinant of the Kyalo (2015), in his study on Effect of Diversity in Workplace on Employee Performance in The Banking Industry in Kenya pledge that there is optimistic association between age it would make. It is habitually claimed by employers that generation X employees are less dedicated to their work than older generation and work only the required time and a little more

(Jenkins, 2007). Though traditional and boomers have been considered as being extremely devoted toward their employers, younger workers on the other hand are considered to lack loyalty (Bannon 2001, Tobliz 2008). Tibliz (2008), suggest that loyalty has been found to diminution depending on how new the generation was: the fresher the generation, the least loyal the generation appear to be. In a study conducted by Deal (2007), about 70% of traditionalist reported they will stay with their current employer for the rest of their work career whilst 65%, 40% and 20% for boomers, Xers and Yers respectively. Although younger employees complain of the lack of respect towards them in the workplace, elder workers similarly complaint the lack of respect towards them, by younger and newer employees (Deal, 2007). Kyalo (2015), in his study on Effect of Diversity in Workplace on Employee Performance in The Banking Industry in Kenya found that there is a positive association between age diversity and employee performance. Similarly, Akpakip (2017), in his study on The Effect of Workforce Diversity on Employee Performance in Nigerian Banking Industry found a significant positive relationship between age diversity and employee performance. This finding means that people from different generations working together positively impacts on the performance of the organization. However, these findings are varying with the findings of Weiliang, Mun, Fong, & Yuan (2011) and Gupta (2013), who found that age (generational) diversity, has a negative impact on organizational performance. Schlick, Frieling, & Wegge (2013), posits that the negative effect of age diversity on employee performance could be linked to the assumption that older employees may be less efficient and operative because of deteriorating strength due to age. Contrary to the above findings, Zhuwao (2017), found that the association between age diversity and employee performance is insignificant. His finding is constant with the finding of Selvaraj (2015) in a study conducted in the manufacturing industry in Singapore. This implies that age does not affect performance either positively or negatively.

### **Gender diversity and organizational performance**

Across many countries in the world, females have been visibly discriminated and continue to be favored due to the patriarchal nature of the culture and gender stereotype. However due to legislation, activism and anti-discriminatory campaigns and movements, significant improvements have been made in combating gender-based discrimination at the work place. Like other diversity factors, there has been mixed results on the impact of gender diversity on organizational performance. Gupta (2013), in his study found that

gender diversity can have either positive or negative influence on organizational performance. The study additionally revealed that reasonable level of gender diversity upsurges competitive advantage while higher level of gender diversity in organizations negatively impact on organizational performance. However, some studies have found optimistic and significant relationship between gender diversity and perceived organizational performance (Kunda & Mor, 2017). In a study conducted by Kioko (2012), in South Africa, he found that gender was measured in promotions and selections, recognition of all gender and equal distribution of all senior positions between the two genders and equilibrium in work-life (especially to women) was also embraced. Nevertheless, he found that most monotonous work was carried out by women. Similarly, Akpakip (2017), in his study on The Effect of Workforce Diversity on Employee Performance in Nigerian Banking Industry found that there is significant positive association between gender diversity and employee performance. Furthermore, his study also found that gender diversity can extremely predict employee performance. The finding is consistent with the results of Eugene, et al., (2011) and Zhuwao (2017) who found a significant positive connection between gender diversity and employee performance.

This infers that an increase in gender diversity results in an increase in performance. Kyalo (2015), in his study on Effect of Diversity in Workplace on Employee Performance in The Banking Industry in Kenya found that there is optimistic association between gender diversity and employee performance. However, the effect was to a modest extent. In addition, Selveraj (2015), found that gender diversity has a positive effect on employee performance. Despite the above findings, Arokiasamy (2013), posits that several organizations choose to hire more of the male workers than the female workers for the opinion that male workers have the ability to perform their jobs and can manage their jobs better. Notwithstanding, broadly speaking, creativity and innovativeness in an organization could be bigger with a blend of both gender in the organization. Research has exposed that gender diverse groups have the ability to make quality verdicts much more than a similar team.

### **Ethnic diversity and organizational performance**

Ethnic diversity has been one of the oldest diversities issues the world has been battling with. For a very long time, discrimination at the work place based on ethnicity/race has shrouded many organizations across the world. However, with the

efforts of civil rights activist and proclamation of some legal instruments, some significant gains have been made in opposing the menace. The last three decades have witnessed the growth of ethnicity and the trend continues to gain more momentum (Milliken & Martins, 1996; Nemetz & Christensen, 1996; Zgourides, Johnson & Watson, 2002). This increase in multicultural workforce of contemporary organizations comes with the utilization of greater participation & synergy of employees from different backgrounds which can improve and increase both employee satisfaction & business performance. This increase, as claimed by Gupta (2013), is due to diverse upsurge of society. The increase in globalization and the need for talent to meet the demanding needs of global customers, ethnic diverse work force is no more an option but imperative. Gupta (2013), reported that ethnic diversity has an encouraging impact on sales, productivity, market share, and innovativeness. This by extension will impact on organizational performance.

Kyalo (2015), in his study on Effect of Diversity in Workplace on Employee Performance in The Banking Industry in Kenya found an optimistic and significant association between ethnic diversity and employee performance. Similarly, Zhuwao (2017), found that there is a positive and important relationship between ethnic diversity and employee performance. This means that an increase in ethnic diversity, leads to rise in employee performance. The above results are varying with the findings of Arokiasamy (2013), who found that in an ethnic diverse group, there is a high likelihood of ethnocentric views among members, thus creating ethnic conflicts which by extension concentrated group cohesion and performance. A reasonable level of ethnic diversity has no effect on team performance in terms of business outcomes i.e., sales, profit, & market share. However, if at least the majority of team affiliates is ethnically diverse, then more ethnic diversity has a positive impact on performance (Hoogendoorn&Van Praag, 2012). Hoogendoorn and Van Praag (2012), found evidence of a constructive impact of ethnic diversity on team presentation, however only at a point where at least some part of the team is ethnologically diverse. They further postulate that prior to the aforesaid point the relationship is at or a little negative. From their findings, one can therefore say that, ethnic diversity on team performance is positive only if the diversity is adequately substantial. As cited by Akpakip(2017); Oerlemans, Peters and Schaufeli (2001), suggest that ethnicity can report negative connection and effect on performance in cases where employee experience bias, stereotype and discernment due to their ethnic background.



There can also be issues of mistrust, less communication and cooperation among personnel.

However, Roberson and Park (2006), in their findings recommend that racial diversity in leadership may affect firms' capability to generate revenue, income, and stock price premiums. They further specified that financial performance decreases with increases in minority representation on top management teams up to a point, beyond which greater balance in the ethnic composition of such teams is associated with increases in performance. Their findings further recommended that firms with rare racial minorities in leadership may experience reductions in performance as such individuals may serve as tokens without having their unique perspectives and skills integrated into decision-making processes. In addition, low to modest levels of leader racial diversity may weaken strategic decision making through decreased communication and increased conflict among organizational leaders, thus negatively influencing firm performance. Opposing to the above-mentioned findings, Akpaki(2017), found that there is no considerable relationship between ethnic diversity and employee performance. His finding conjectures that ethnic diversity does not have an effect on employee performance.

### **Managerial expertise as a mediator**

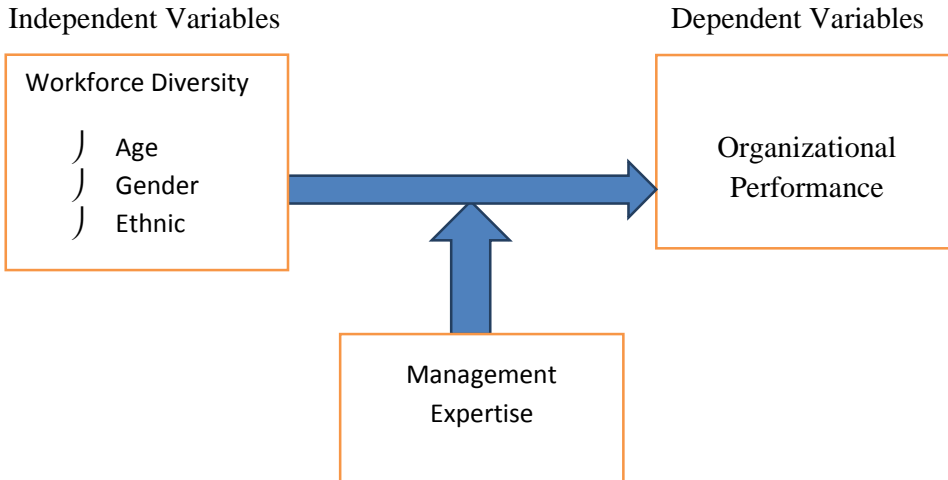
Human capital is the full range of information, skills, and aptitudes a person can use to produce a set of outcomes (Harris, 2009). Indicated Auw (2009) to human capital as consisting of the education, skills and involvement at a given point in time. Noted Memon, et al., (2009) that the human factor has long been overlooked in the organization's strategies, in the recent times the organization's leadership began to understand that the human resource is serious in gaining a sustained competitive advantage. Boxall (1998) stated that "the essential urgency of human resource strategy in an organization is too safe and uphold the kind of human resources that are compulsory for the organization's viability". Top managers develop a strategy of organization and middle level executives is implementing this strategy, but it is the employees who produce the services or goods that are eventually responsible for the strategy's success (Harris, 2009). A basic precept of the human capital theory is that organizations do not own human capital, persons do. While organizations may have access to human capital, they often do not sufficiently deploy it to achieve tactical impact, due to the mismanagement of individuals or poor design of work (Hester, 2005). If human capital is

the skills and knowledge personified in individuals, then managerial human capital could be observed as a specialized form of human capital that is the involvement in how to organize production to achieve predictable outcomes (Radell 1997). Adds Liu and Ravichandran (2007) that managerial expertise refers to the ability and knowledge entrenched in the organization's managers, upper echelon perspective posits that managerial features of top managers, such as education, age, and experiences, can predict the strategic outcomes of group.

Radell (1997) noted that when managers leaving a company, they take with them their embodied skills, knowledge, and experience. Those skills, knowledge, and understanding are accumulated, where, individuals are gaining more experience in organizing and implementing work. Gupta and Govindarajan (1989) have claimed for the need to link managerial features with job requirements, where the empirical support for findings and the general resemblance in the logic is noteworthy. In the same context, Umukoro (2009) emphasized that strategic decisions are related with the top managers' characteristics in an organization. Indicated Patterson, et *al.*, (1997) that preceding studies show decisively that human resources management practices have a strong effect on performance, the effect is substantial whether in case that performance is measured in terms of productivity (which be expected to have stronger links with the way in which organizations manage their employees) or profitability. The resource-based view of the firm drives one to made a distinction between core workers (who are main element to value creation), and peripheral groups (Hester, 2005). Managerial HRM refers to the capability and knowledge entrenched in the organization's managers. Managers represent a unique organizational resource, they can affect performance of organization, shape the organization's strategic choice, and interact with additional policy variable to impact on performance. Managers generally regarded as the maximum vital member in the modern organization and can exert the greatest effect on the strategy of organization (Liu, Ravichandran, 2007). It is important to note that public administrations operate from a different pattern from their private counterparts. Due is they do not develop business strategies as private organizations; public organizations do not compete in a profit driven market. As well, most public administrations work within a centralized policymaking system, and do not have the preference to change their own personnel policies. In addition to that most public administrations do not use performance-based appraisals or inducements to inspire their workers (Ma, 2010).

## Theoretical Framework

Workforce diversity is taken as an independent variable in this study. It is measured by three independent variables; gender, age, and ethnicity. The mediating role of managerial expertise is also considered and show the impact of workforce diversity on organizational performance.



Source: (Pandey & Risal, 2021), (Haq, 2014)

## Methodology

The study follows correlational research design. As the study intends to examine the impact of physical characters of workforce diversity and organizational performance. Population of the study are managerial employees working in the banking sector of Nepal. Managerial employees are selected as sample purposively because they involve in the policy formulation process and they can better provide information more precisely. Thus, purposive sampling method was used to select the sample. Only 1466 managers are working in the commercial banks of Nepal (Nepal Rastra Bank, 2018). More than ten percentages of the managers are selected for sample. Thus, 156 managers working in different banks in Nepal are taken as sample. Similarly, Different scholars (Agrawal, 2016; Adhikari, 2009; Adhikari & Shrestha, 2019) worked in the similar issues and They work in the sample less than ten percentages. Therefore, the sample size is sufficient for further analysis. Questionnaire is sent through online medium. Data were collected using 5-point Likert scale questionnaire that ranges from Strongly disagree= 1 and strongly

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agree= 5. Data were analyzed using SPSS software. Correlation matrix, Multiple regression models and Sobel test were used to examine the relationship. Correlation matrix was used to assess the association between dependent, independent and mediating variables. Regression models were used to examine the impact of individual characteristics of managers on banking performance and Sobel test was used to examine the mediating role of managerial expertise.

## Results

### Profile of Respondents

Respondents are classified in this section based on the physical characters of diversity. The respondents with age 18 to 27 falls under first age group, 28 to 37 falls under second category, 38 to 47 falls under third category and 48 and above age years have fallen under fourth category of the age group.

**Table 1**

*Age wise profile of respondents*

Age Group	N	Percent
18-28	67	42.9
28-38	43	27.6
38-48	22	14.1
48 and above	24	15.4
Total	156	100.0

Table 1 indicates the respondent's age. This indicates that the majority of respondents i.e., 42.9%, fell on 18-28 age group followed by 27.6% of the 28-38 age group. It shows that study findings are dominated by opinion of young age bank employees.

**Table 2**

*Gender wise profile*

Gender	N	Percent
Female	74	47.4
Male	82	52.6
Total	156	100.0

Table 2 shows that responses were dominated by the male respondents but large portion of the female respondents also were used in the data collection. So, the study represents the opinion of both male and female managers.

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**Table 3***Ethnicity*

Ethnicity	Frequency	Percent
Adibasi and Janajati	24	15.4
Backward area	22	14.1
Brahmin and Chhetri	61	39.1
Dalit	35	22.4
Madhesi	14	9.0
Total	156	100.0

Table 3 indicates the ethnicity wise profile of respondents. More respondents are from *Brahmin* and *Chhetri* and lowest respondents are from *Madhesi*. Ethnic group is categorized based on the reservation policy of Nepal.

### **Relationship between Physical Characters of Diversity and Organizational Performance**

As the major objective of the study this section deals with the relationship between physical characters of diversity and organizational performance.

**Table 4***Correlation matrix*

	Age Diversity	Gender Diversity	Ethnic Diversity	Managerial Expertise	Organizational Performance
Age Diversity	1				
Gender Diversity	0.604**	1			
Ethnic Diversity	0.554**	0.676**	1		
Managerial Expertise	0.626**	0.611**	0.522**	1	
Organizational Performance	0.457**	0.641**	0.535**	0.625**	1

Correlation is significant at the 0.01 level (2-tailed); N=156

With respect to Table 4, p-value of all physical characters of diversity in relation to organizational performance is less than 0.01 at a point of significance at 0.01. It can be inferred that a significant relationship exists between the overall performance of the

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organization and physical diversity characters represented by age, gender and ethnicity and managerial expertise. Results show that proper management of age, gender, ethnic diversity have positive and significant association with banking sector performance of Nepal. The managerial expertise also has positive and significant association with the performance of banking sector. It shows that proper management of the diversity by the management expertise can reduce conflict and leverage performance.

**Table 5**

*Impact of physical characters of diversity on organizational performance*

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.713	.508	.495	4.85690	

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3676.829	4	919.207	38.967	.000 <sup>b</sup>
	Residual	3562.010	151	23.589		
	Total	7238.840	155			

*Predictors: (Constant), Managerialexpertise, Ethnicdiversity, Agediversity, Genderdiversity*

Coefficient Table						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.163	1.717		.677	.499
	Age diversity	-.077	.084	-.073	-.916	.361
	Gender diversity	.391	.093	.365	4.190	.000
	Ethnic diversity	.173	.106	.131	1.629	.105
	Managerial	.430	.090	.380	4.783	.000

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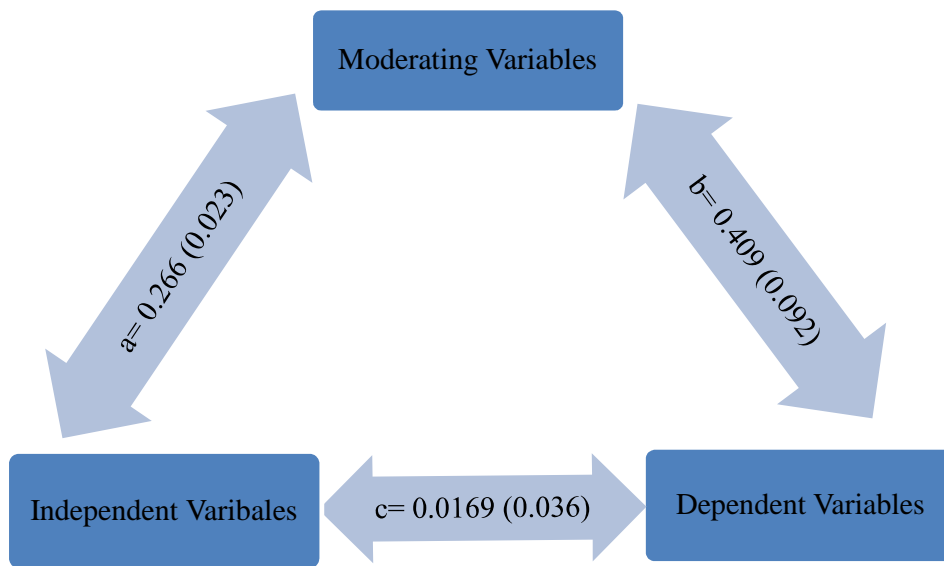
expertise

*Dependent Variable: Organizational Performance*

Table 5 shows the regression analysis. Age diversity is not significant and negatively affects the performance of banking sector in Nepal. Ethnic diversity is not significant but positively affects the banking sector performance of Nepal. Gender diversity and managerial expertise is positive and significantly affect the banking sector performance in Nepal.

**Figure 2**

*Test of Moderating Effect of Managerial Expertise*



The value in the brackets represents unstandardized std. error and value outside the brackets represents unstandardized beta. C represents the direct effect whereas a\*b represents indirect effect. On the basis of results obtained through SPSS we conduct Sobel test using online Sobel test calculator to check the effect of moderating variables.

**Table 6**

*Sobel Test Results*

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	Input	Test	Test Statistic	SE	P-Value
a	0.266	Sobel Test	4.1496314	0.02621775	0.0000333
b	0.409	Aroian Test	4.13618195	0.026303	0.00003531
Sa	0.023	Goodman Test	4.16321291	0.02613222	0.00003138
Sb	0.092				

Sobel test calculator in Table 6 shows that the p-value is less than 0.05 so managerial expertise is significant to organizational performance and affects positively which is similar to what we obtain from multiple regression analysis. It signifies that managerial expertise significantly moderates the relationship between workforce diversity characters and organizational performance.

### Discussions, Conclusion and Implications

This study aimed to analyze the impact of workforce diversity on the organizational performance in banking sector of Nepal and the mediating role of managerial expertise. The diversity of the workforce involves gender, age, and ethnic diversity. The study suggested that gender and ethnic diversity had a positive impact on employee performance among these three variables and managerial expertise positively and significantly moderates the relationship between workforce diversity and organizational performance.

Constitution of Nepal 2072 advocates for the reservation and inclusion policy for the backward groups and female in the country due to which there is a diverse workforce in Nepalese organization including banking sector. The study finding is consistent with the findings of Horwitz&Horwitz, (2007). As they found physical diversity characters as age and ethnicity positively affect to the organizational performance but the study finding is inconsistent with their finding in case of age diversity. It may be so because of higher percentage of young generation employees in our study. However, the study findings are contradictory with the findings of Pandey & Risal, (2021). Result is consistent only for gender as both studies conclude that it positively affects organizational performance but for age and ethnic diversity the results are contradictory from their study. It may be so because the respondents of this survey are the managerial level employees but all the respondents of Pandey & Risal, (2021) are lower level employees. The opinion of managerial level employees and lower-level employees over the issue might be different. In case of moderating variable, the study finding is consistent with the findings of Haq, (2014). As he found managerial expertise increases the organization’s effectiveness. He



further concluded that good leadership can manage workforce diversity considering their demographic factors. Therefore, diversity may help increase employees and organization's effectiveness. It may be so because the nature of human resource across the world is similar. If the diverse workforce has not been managed properly, chances of conflict is obvious across the organization. Therefore, the role of managerial expertise is important to manage such conflict and leverage the performance.

This study can be used to formulate the HR strategy in the banking sector of Nepal. This study finding can provide guideline to HR managers of Nepalese Banking sectors while developing HR strategies and designing jobs. However, this study is only considered or concerned in banking sectors but further can be explored in other sectors like hotels, manufacturing, hospitality and other corporate sectors.

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