

Diversity, Equity, Inclusion and Employee Loyalty

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Abstract: Employee loyalty has a substantial economic and social impact on the organisation. While disloyal employees pose a threat to an organization due to a lack of cohesiveness and a sense of belonging, they may result in a high turnover rate, forcing the organisation to increase employee recruitment and selection costs. Loyalty is vital to organizational sustainability, especially in the financial sector. As such, the goal of this research is to look into the relationship between diversity, equity, inclusion, and loyalty among financial sector employees quantitatively. To achieve the research objectives, a set of questionnaires adapted from the previous study was prepared. The survey questions were distributed through an online self-administered survey, and participants were chosen at random. The study was completed by 278 people. The instruments were valid and reliable, and the data were distributed normally. All independent variables were significantly associated with medium-level loyalty, according to the main findings. It has been proposed that the organization's efforts to create a diverse workforce, emphasising equity and inclusion, may increase employee loyalty because equal opportunities, fair and equitable distribution of organisational resources, and inclusivity may increase employee engagement and retention.

Keywords: Loyalty, Diversity, Equity, Inclusion, Financial Sector

1. Introduction

The most important aspect of any organisation is loyalty. Loyal employees contribute to the company's high productivity and performance, allowing it to attract more customers and investors. Previous research has shown that when a person feels important or a part of something, he develops a sense of loyalty to that person or organisation and is willing to go to greater lengths for that person or organisation. It can also refer to a person's attachment or commitment to a specific entity, such as another person or group of people, an idea, an obligation, or a purpose [27]. Furthermore, faithfulness is demonstrated when a person keeps all of their promises and words, sticks to their plans, and stays with their partner or others until the end; they will have someone by their side through thick and thin, and this loyalty will help the person succeed in life. Loyalty, on the

other hand, necessitates a two-way relationship based on mutual respect [11].

The positive impact of loyal employees increases the value of the organisation. It helps the organisation gain a positive public perception. Aside from that, the high retention rate will aid in cost reduction. Disloyal employees, on the other hand, pose a risk to the organisation. Employee disloyalty is based on an employee's behaviour and emotional detachment from their colleagues and the organisation as a whole, and it has a negative impact because the employee develops a sense of mistrust, loss of respect, and a lack of belonging to the organisation [2]. Employees who are disloyal become a threat to the organisation because they disobey the established rules and regulations due to their sense of accountability, enthusiasm, and honesty in doing their work having faded, resulting in ethical issues,

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absenteeism, and breach of trust. With the low retention rate, the employee decided to leave the organisation, resulting in a significant amount of waste in hiring and training [14]. Trust is an important value that must be implemented in the workplace because it is one of the indicators of an organization's commitment to its employees. When employees lose trust, the organization's ability to protect its values suffers [4].

As a result, employees are the most valuable asset that must be valued, and if the organisation fails to retain and build loyalty among its employees, high turnover will occur. Letchumanan, Apadore, and Ramasamy[21] researched this subject. When compared to other South East Asian Ocountries, Malaysia had the third-highest voluntary turnover rate in 2015, at 9.5%. The turnover rate began to rise in 2009, with the financial services sector recording the highest turnover rate in Malaysia in 2012/2013, at 18.3%. This has shown that it is a serious issue that needs to be addressed and avoided. Previous research has linked factors that contribute to employee dissatisfaction and increased turnover rates to workplace diversity, equity, and inclusion [18,16,24].

2. Literature Review

Diversity in the workplace is defined as differences between people within the organisation [18], and diversity policy is defined as the organization's approach to accepting the differences of their employees. Furthermore, organisational diversity is expanding to include more than ethnic, gender, and religious distinctions, as well as different thinking patterns and personality types, as well as physical, cognitive, and sexual orientation, all of which influence how people perceive the world. The employer can have a mix of employees who work for the organisation and can contribute their effort and skill to achieving the organization's goals for the organisation to succeed. When people from different cultures and backgrounds work together, they can be more creative. This is due to the increased number of people with diverse perspectives and solutions to problems, which increases the likelihood of finding a feasible solution to a problem at work, increasing employee satisfaction and retention.

In contrast to equality, equity assumes that each individual or group of individuals has equal access to resources and opportunities. Equity, according to Juda[16], entails acknowledging that each person's circumstances are unique and providing the precise resources and opportunities required to achieve an equal result. This exemplifies the difference between equity and equality. The organisation must be aware of all of its employees and work with them to achieve their goals. This is because each employee faces unique challenges, and the organisation cannot make decisions solely based on the performance of a few employees. Employees will be loyal to the organisation if

there is equity.

Employees who feel included and belong are those who feel like they are a part of the company and have been given opportunities within the organisation. Workplace inclusion must be prioritised by any organisation that wants to foster a strong sense of connection and belonging, as well as an engaging culture. When employees do not feel included, their morale suffers, and they are more likely to leave the company. They will look for work with another organisation that will offer them numerous opportunities. This is due to the fact that each employee has different career goals, and if the employer does not provide equal opportunities, they will feel excluded. This will also cause the employee to be dissatisfied with his or her working conditions. As a result, workplace inclusion is critical for employee retention. Committed employees have higher morale and are more likely to contribute to the organization's success [24].

As such, the following hypotheses statements were developed:

H1a: There is an association between diversity and employees diversity

H2a: There is an association between equity and employees diversity

H3a: There is an association between inclusion and employees diversity

3. Research Methodology

This study used a quantitative cross-sectional survey design to investigate the relationship between diversity, equity inclusion, and loyalty among employees at one of the Malaysian Financial institutions. Based on previous research, a set of questionnaires with five sections was developed: measuring demographic profile and perceived level of loyalty [29], diversity, equity [17], and inclusion [15]. Respondents' levels of agreement were assessed using a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. Using Krejci and Morgan's[20] table, the sample size is calculated and distributed using a random sampling method. The survey form was created in Google Forms, and respondents were given ample time to respond before being reminded to do so regularly to increase the response rate, data were analysed using correlation analysis.

4. Findings

The study had 278 participants, with men (51.8%) and women (48.2%) actively participating. The majority of respondents (36%), were 30 or younger, followed by 31-40 years old (23.7%) and 41-50 years old (23%). Those aged 51 to 60 account for the smallest proportion (17.3%). Malay was the most represented in the study (80.9%), followed by Chinese (10.1%), Indian (8.6%), and others (0.4%). The

majority of respondents (37.4%) had SPM as their educational background. A Bachelor's Degree (33.5%) comes next, followed by a Diploma (13.3%). Aside from that, 10.1% of respondents have an STPM certificate, while 4.3% and 1.4%, respectively, have a Master's or PhD. Those with 6 to 10 years of work experience (29.9%) were found to be more likely to participate than those with 20 years or more (27%), 1 to 5 years (20.9%), 11 to 15 years (13.7%), and 16 to 20 years (8.6%).

The variables were found to have a mean score ranging from 3.979 to 4.340, with loyalty scoring 3.979. The highest independent variable score was 4.340; diversity, followed by equity (4.176) and inclusion (4.166). With loyalty at 0.726, diversity at 0.617, equity at 0.726, and inclusion at 0.838, the data has a low standard deviation, indicating that responses are close to the mean. All research variables have Cronbach alpha values ranging from 0.842 to 0.983, indicating that the instrument was extremely reliable; loyalty ($\alpha = 0.842$), diversity ($\alpha = 0.926$), equality ($\alpha = 0.951$), and inclusion ($\alpha = 0.983$). As a result, all items are acceptable and dependable. To determine the validity of the measurement, the correlation strength obtained must be less than 0.85. According to the correlation matrix, all variables have correlation values less than 0.85 [1]. The value of skewness demonstrates the normal distribution because it is within the range of ± 2 [5]. The value for Kurtosis is also considered normal because it falls between ± 7.0 [19].

The main findings show that all independent variables were significantly associated with dependent variables at a medium level. As a result, all of the research hypotheses were accepted (H1a, H2a, H3a). Diversity and employee loyalty have a significant and positive relationship ($r = 0.738^{**}$, $p = 0.000$), and the strength of the relationship is moderate. The current study shows that diversity is an important factor that can influence employee loyalty; the presence of diversity, as well as effectively managing organisational diversity with greater attention, seriousness, and sensitivity, increases individuals' satisfaction and retention level [22]. Similarly, equity and employee loyalty have a moderately significant and positive relationship ($r = 0.671^{**}$, $p = 0.000$). An organisation that engages in distributive justice, participative and democratic people management, and provides mental and physical health and well-being to its members, equity is regarded as an important predictor of loyalty [12]. Finally, the study discovered a positive and moderate relationship between inclusion and loyalty ($r = 0.691^{**}$, $p = 0.000$), which was supported by Chen and Tang[6], who discovered a positive and significant relationship between perceived inclusion and organisational commitment. Inclusion requires the organisation to make a fair and unbiased decision as well as influence positive organisational climate, norms, and behaviours, all of which are thought to influence individual retention [26].

5. Discussion

The study provides a better understanding of the factors that influence employee loyalty. It was discovered that diversity, equity, and inclusion have a significant impact on loyalty. Employees who are loyal to their company are eager to recommend it as a good place to work. It was discovered that diversity has a significant, positive, and moderate relationship with loyalty. According to Maher[23], establishing a diverse workforce can be hampered when an organization's unconscious biases influence the recruiting or promotion process; thus, bias must be minimised throughout the recruitment process. Unconscious bias occurs as a result of prejudice associated with social groups or individuals. According to Cole[8], workplace diversity is critical because employees with diverse backgrounds, abilities, experience, and expertise are more productive. Employees will feel more at ease discussing their ideas with coworkers if they work in a diverse environment.

The organisation then provides the same work opportunities for equity, and equitable pay becomes the most influential factor influencing employee loyalty. Equity, according to Karakhan et al.,[17], should take precedence over diversity and inclusion because it necessitates the creation of a fair working environment in terms of compensation, workload, responsibilities, and promotions prior to or concurrent with any efforts to attract and retain a diverse and inclusive set of workers. Finally, when employees believe they are a part of the organisation and are treated as insiders, they have a sense of belonging. An inclusive work environment, according to Clark[7], demonstrates that companies value their employees' perspectives and opinions, which increases employee happiness and loyalty. Furthermore, inclusive organisations are more likely to attract and retain top talent, and those employees are more likely to stay with the company.

The first methodological contribution focuses on factors that contribute to employee loyalty, such as diversity, equity, and inclusion. Previous research rarely connected all four variables. Karakhan et al.[17] developed the instruments used in this study. Based on evidence from previous studies and the reliability and validity test to measure the consistency and accuracy of the item used in the context of our research, the reliability and validity result confirmed that the instrument used is consistent and reliable, with Cronbach values ranging from 0.8 to 0.9. Meanwhile, the result for all variables for validity is less than 0.85, indicating a strong correlation between the variables. As a result, our study's findings are reliable, and the instruments can be used in future research.

Another methodological contribution that helps researchers remove and eliminate biases, allowing the study to be more accurate because it can be statistically tested, is the quantitative study [9]. The fact that we are conducting this study in a financial institution distinguishes it from previous studies, which were mostly conducted in private

organisations [17]. The study in the financial institution is very important because it involves employees who act on behalf of the banking sector in providing services to the public, so it is important to measure the level of employee loyalty in the organisation and to identify whether diversity, equity, and inclusion have any relationship with loyalty, and finding assists the organisation to improve [3]. Furthermore, Bank Simpanan Nasional is one of Malaysia's financial institutions that is vital to the country's economic development. The Malaysian banking industry has a high turnover rate, according to a study conducted by Falahat, Kit, and Min[10], and turnover intention is one of the elements of disloyal employees.

However, some drawbacks were discovered. Due to the Covid-19 pandemic that has afflicted our country, as well as restrictions on movement control orders, researchers are having difficulty collecting data. Only the person in charge can distribute the survey questions, and researchers have no control over the process, which is time-consuming as participants lose interest in responding to the survey. Furthermore, because the online questionnaire is a closed-ended question, which forces respondents to answer the questionnaires, researchers are unable to obtain accurate results and opinions. Thus, an interview can be scheduled for future research to gather more accurate information about employees' views on loyalty, workplace diversity, equity, and inclusion [28].

Diversity, equity, and inclusion are the only variables studied in the study. The results would be less convincing because the researchers had fewer variables. According to the findings, there is a moderate relationship between employee loyalty and diversity, equity, and inclusion. When assessing employee loyalty, more indicators should be considered in future studies. In previous studies, Hatwal and Chaubey[13] used variables such as interpersonal relationship and job recognition, social security, work autonomy, performance recognition, organisational work culture, promotional prospect, and skill development opportunity to determine factors influencing employee loyalty.

6. Conclusion

Finally, it is possible to state that diversity, equity, and inclusion are related positively and moderately. Additional justifications are provided in the section on research objectives. Among the research contributions discussed were the practical and methodological contributions of this study. Finally, two quantitative study limitations have been identified.

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