

Impact of Democratic Leadership on Employee Productivity in the Banks of Bharatpur

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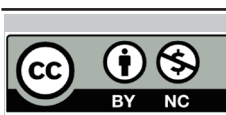
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Abstract

Democratic leadership, defined by participative decision-making and employee involvement which plays a critical role in shaping employee satisfaction and driving employee productivity. This leadership style emphasises collaboration, where employees are actively engaged in organisational decisions, yet leaders retain the authority to make final decisions fostering a balanced and inclusive work culture. Despite increased recognition of employee rights, many organisations still struggle to implement democratic leadership practices that effectively empower their staff. This study addressed the empirical gap by investigating the effects of democratic leadership on employee satisfaction and employee productivity within commercial banks in Bharatpur, Chitwan. The cross-sectional survey research design was adopted, using primary data from one hundred and five ($n = 105$) employees via questionnaire. The data were analysed using SPSS, applying correlation and binary logistic regression to examine relationships between democratic leadership and employee satisfaction. Correlation analysis shows a moderate association between employee involvement and decision-making, while binary logistic regression results indicate that democratic leadership factors account for a meaningful portion of variance in employee productivity. Findings confirm that democratic leadership positively impacts both employee satisfaction and employee productivity.

By focusing on employee satisfaction under democratic leadership, particularly in the banking sector, this research contributes knowledge specific on democratic leadership which is useful for practitioners, policymakers, and future scholars.

Keywords: *democratic, employee satisfaction, leadership, productivity*



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1. Introduction

Leadership is a complex concept that generates plenty of interest and discussion among various academicians, and scholars. In an Organisation, leadership is crucial in terms of creating a vision, establishing objectives and designing strategies to achieve the organisational objectives effectively and efficiently (Khajeh, 2018). The essence of leadership is that leaders lead, i.e. they carry out certain activities in order to direct or influence followers (Kesting et al., 2016). Depending on the circumstance and appropriateness, leadership style can pose as a pure incentive in building a performance-oriented organisation. Excellent leadership styles of leaders influence quality of work culture in the organisation while poor leadership qualities affect the quality work culture in the organisation (Ali et al., 2015).

Among the various leadership styles, democratic leadership stands out as one that emphasises employee participation and collaboration. In democratic leadership, leadership functions are shared with members of the group and the leader is more part of the team. The philosophical assumption underlying democratic leadership style is that naturally all people are trustworthy, self-motivated, like responsibility and

challenging work, and are encouraged by organisational conditions to foster teamwork, high performance and satisfaction (Fiaz et al., 2017). Democratic leaders treat followers as fully capable of doing work on their own. Rather than controlling followers, democratic leaders work with followers, trying hard to treat everyone fairly, without putting themselves above followers. In essence, they see themselves as guides rather than directors (Woods, 2020).

This study examines how democratic leadership affects employee productivity, focusing on employees' attitudes, satisfaction, and performance. It looks at how workers perceive democratic leaders, how satisfied they are under this leadership style, and how participation in decision-making influences their productivity. The study is based on commercial banks in Bharatpur, Chitwan, and highlights the importance of involving employees in decisions to improve motivation, trust, and overall work performance. It also provides useful insights for managers to create a more positive and productive workplace while adding to existing research in this area. Based on this framework, the study proposes two hypotheses: H_1 : There is a significant relationship between employee involvement and employee productivity.

H₂: There is a significant relationship between decision-making and employee productivity.

2. Literature review

Leadership style plays a pivotal role in shaping how organisations function, influencing employee motivation, performance, and the achievement of strategic goals. Among various approaches, democratic leadership has gained importance for its emphasis on participation, shared decision-making, and collaboration (Khajeh, 2018). In this literature review section we explored different studies that has been done on democratic leadership for contributing to organisational performance, employee engagement, and creativity.

Organisational effects of having an engaged workforce have recently gained significant attention by both scholars and practitioners (Busse & Regenberg, 2019). Several studies on leadership and Organisation performance posited that leadership traits and behavioural paradigm of the top management affects organisational performance (Peter, 2018). The main objective of this study is to examine the relationship between democratic leadership and organisational performance.

Leadership styles, particularly democratic leadership, have been

extensively studied for their effects on employee satisfaction, productivity, and overall workplace dynamics. The study systematically sorts out the concept and measurement of participative leadership and compare it with directive leadership (Wang et al., 2022) making it difficult for the organisation's leaders to make the right and effective decisions quickly on their own. As a result, participative leadership, which encourages and supports employees to participate in the decision-making process of organisations, has received increasing attention in both theory and practice. We searched the literature related to participative leadership in databases such as Web of Science, EBSCO, ProQuest, and CNKI. As per the observations, participative leadership has a catalytic effect on organisations; significantly improving organisational performance and innovation.

Employee performance can be affected by a variety of factors. One of the factors that can affect the performance of employees in a company is the leadership style applied in the company. Democratic leadership style is an influencing ability for others to be willing to cooperate in achieving the goals (Alam et al., 2021). The study aims to find out and analyze the influence of democratic leadership style and work discipline on employee

performance. It was found that employee performance increases significantly when democratic leadership and strong work discipline are practiced.

Collaborative leadership is a crucial source of competitive advantage, but rare are those leaders who were trained to work collaboratively, mainly those at middle and top managerial posts (Maalouf, 2019). This article intent to demonstrate if leaders can improve organisational performance by adopting the latest trends and improvements in leadership; principally the collaborative leadership style. Findings suggest that, collaborative leadership promotes organisational performance, enhance relevance and competency.

Leaders while leading their followers to fulfill organisational goals, need to communicate with their employees thoroughly, and manage resources wisely. Employee motivation is a way to achieve unusual goals, in which they put effort above and beyond stated organisational goals (Fiaz et al., 2017). It is the extent to which employees are bound emotionally or psychologically towards the organisation. The well-qualified, capable and talented workforce is needed to achieve organisation strategic goals.

Counterproductive work behaviours are

a crucial issue for practice and academic because it influences employees' job performance and career development (Huang et al., 2021). The present research conceptualises Kahn's employee engagement theory, ethical leadership, and participative leadership to predict counterproductive work behaviours in an organisation. The findings revealed that as employees perceived higher ethical and participative leadership they demonstrate more positive growths in employee engagement development behaviour, which in turn, caused more negative growths in counterproductive work behaviours (Subedi et al., 2024).

In democratic leadership style, praises and criticism are given objectively and a sense of responsibility is also developed among the employees (Khajeh, 2018). This leadership style also prepares future leaders and helps the organisation in the long run. This study examines the impact of leadership styles on the organisational performance; one leadership style being democratic leadership. The outcomes implied that transformational and democratic leadership styles had a positive relationship with the organisational performance.

Organisations are acutely aware that competitive success depends on creativity through the production

of novel and useful ideas by teams working together (Chen et al., 2020) we tested the theoretical model using structural equation modelling (SEM). The paper aims to use social information processing theory to explore how participative leadership influences employee creativity. Results indicated that participative leadership is positively related to creative process engagement and it significantly mediates the relationship between participative leadership and creative process engagement.

Despite extensive research on democratic and participative leadership, most studies have focused on general organisational performance, employee engagement, and creativity in broader contexts. Limited research has specifically examined the impact of democratic leadership on employee productivity within the banking sector, particularly in developing regions such as Bharatpur, Chitwan. Moreover, the combined role of employee involvement and decision-making in influencing productivity remains underexplored. Therefore, this study aims to fill this gap by providing empirical evidence on how democratic leadership affects employee productivity in the context of commercial banks in Bharatpur, Chitwan.

3. Methodology

This study used a descriptive research design with a quantitative approach to examine the impact of democratic leadership on employee productivity. The population included one hundred and five (N=105) employees working in commercial banks of Bharatpur. Convenience sampling method was applied to select respondents based on accessibility and willingness to participate (Tomas et al, 2023). Data were collected through printed questionnaire from the fieldwork and was later filled in the excel sheet. Reliability was tested using Cronbach's Alpha, with all constructs showing acceptable consistency ($\alpha \geq 0.7$) (Subedi et al., 2024).

For data analysis, SPSS was used to calculate descriptive statistics and perform multiple linear regression, allowing the assessment of the combined effect of employee involvement, decision making and employee productivity on organisational performance.

4. Results

The age distribution of respondents shows that the majority fall within the 25–34 age group (46.7%), followed by those aged 35–44 (41.0%), indicating that most participants are in their early to mid-career stages. A smaller proportion

of respondents are under 25 (8.6%), while only a minimal number belong to the 45–54 age group (3.8%). This analysis shows, the sample is largely composed of individuals between 25 and 44 years of age. The gender distribution of respondents is relatively balanced, with males representing a slightly higher proportion (52.4%) compared to females (47.6%). This indicates that both genders are fairly well represented in the sample, with a marginal dominance of male participants. The educational

qualification of respondents indicates that the majority hold a Master’s degree (77.1%), followed by those with a Bachelor’s degree (18.1%). A very small proportion of respondents have a Doctorate (2.9%) or only a High School qualification (1.9%) (see Table 2).

The distribution of respondents by position in the bank shows that the largest proportion occupies mid-level roles (47.6%), followed by senior-level positions (28.6%) and entry-level roles (23.8%). These results indicate that the

Table 2

Frequency distribution of demographic variable of respondents

Demographics	Frequency	Percent
Age		
Under 25	9	8.6
25-34	49	46.7
35-44	43	41
45-54	4	3.8
Gender		
Female	50	47.6
Male	55	52.4
Qualification		
High School	2	1.9
Bachelor’s	19	18.1
Master’s	81	77.1
Doctorate	3	2.9
Position in Bank		
Entry- level	25	23.8
Mid-Level	50	47.6
Senior Level	30	28.6
Duration of job		
Less than one year	6	5.7
One to three years	25	23.8
Four to six years	60	57.1
Seven to ten years	14	13.3

sample is predominantly composed of employees with moderate to substantial organisational experience, with nearly half positioned at the mid-management level. The distribution of respondents by job duration indicates that the majority have 4–6 years of experience (57.1%), followed by those with 1–3 years (23.8%) and 7–10 years (13.3%). A small proportion of respondents have less than one year of experience (5.7%). This analysis show that the sample is largely composed of employees with moderate work experience, particularly within the 4–6 year range (see Table 2).

Descriptive statistics of different factors

The mean and standard deviation were calculated for the three independent variables: Employee involvement (EI), decision making (DM) and employee productivity (EP).

The results indicate that all three variables received relatively high average ratings, suggesting favorable perceptions among respondents. Specifically, Employee Productivity

recorded the highest mean score ($M = 3.98$, $SD = 0.52$), followed closely by Employee Involvement ($M = 3.93$, $SD = 0.54$) and Decision Making ($M = 3.79$, $SD = 0.54$). The standard deviations for all variables are approximately 0.5, indicating a moderate level of agreement among respondents and relatively low variability in the responses.

Regression analysis

A multiple regression analysis was performed to determine the impact of employment involvement, decision making on employee productivity.

The ANOVA results show that the model is statistically significant ($F = 9.850$, $p < 0.001$), confirming that the independent variables (Employee Involvement, Decision Making, and Employee Performance) collectively influence the dependent variable.

The model produced an multiple correlation of 0.478 with coefficient of determination 0.228, indicating that employment involvement, decision making and employee productivity together explain 22.8% of the variation

Table 3

Descriptive statistics of factors under study

	Cronbach Alpha	Items	Mean	SD
Employee Involvement (EI)	0.713	5	3.93	0.54
Decision Making (DM)	0.701	5	3.79	0.54
Employee Productivity (EP)	0.748	4	3.98	0.52

democratic leadership.

Table 4

Model summary of regression model

R	R Square	Adjusted R square	SE of the estimate
0.478	0.228	0.205	0.607

Table 5

ANOVA for regression model

Model	Sum of squares	df	Mean square	F	P-value
Regression	10.870	3	3.623	9.850	<0.001
Residual	36.784	100	0.368		
Total	47.654	103			

Table 6

Regression coefficients of the model

Model	Unstandardized B	SE	Standardized Beta	t	P-value
(Constant)	1.469	0.580		2.533	0.013
EI	-0.094	0.139	-0.074	-0.673	0.503
DM	0.084	0.142	0.066	0.594	0.554
EP	0.632	0.125	0.475	5.045	0.000

Findings in Table 4 show that Employee Performance (EP) ($\beta = 0.475$, $p < 0.001$) emerges as a significant predictor of the dependent variable, indicating that higher levels of employee performance strongly contribute to explaining the outcome. In contrast, Employee Involvement (EI) ($\beta = -0.074$, $p = 0.503$) is not statistically significant, suggesting that involvement on its own does not meaningfully predict the dependent variable within this model. Similarly, Decision Making (DM) ($\beta = 0.066$, $p = 0.554$) is also not statistically significant, implying that participation in decision-making does not independently

influence the dependent variable when other factors are considered.

5. Discussions

The findings of this study highlight the role of democratic leadership in enhancing employee productivity within the banking sector of Bharatpur. Among the examined factors, employee performance emerged as the most significant contributor, supporting prior research that emphasises the importance of leadership in fostering employee capability, innovation, and efficiency (Alam et al., 2021). This result reinforces the idea that democratic leaders who

focus on developing employee skills and encouraging performance-oriented behaviour can significantly improve organisational outcomes.

However, employee involvement and decision-making were not found to have a significant effect in this study. This is different from some earlier research, such as Chen et al. (2020), which found that participation improves employee engagement and creativity. A possible reason for this difference is that banks usually have strict rules and structured systems, which may limit how much employees can actually participate in decisions. This shows that the impact of democratic leadership can vary depending on the type of Organisation.

6. Conclusion

This study concludes that democratic leadership plays an important role in improving employee productivity in the banking sector. The findings show that employee performance is the most significant factor influencing productivity, while employee involvement and decision-making were not statistically significant. This suggests that although democratic leadership encourages participation, performance-focused practices have a stronger impact in structured environments like banks. The results support previous studies that

highlight the importance of leadership in promoting motivation, innovation, and overall organisational success.

In terms of practical implications, managers should focus on improving employee performance through training, clear goals, and accountability, while still encouraging participation where possible. Organisations and policymakers can promote leadership development programs that balance involvement with performance outcomes. However, this study is limited to a small sample and a single location, so future research should include larger samples, different sectors, and additional variables to better understand the relationship between democratic leadership and productivity.

Transparency statement

The author confirms that this study has been conducted with honesty and in full adherence to ethical guidelines.

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Conflict of interest

The authors declare there are no conflicts of interest.

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