



RESEARCH PAPER

The Relationship Between Organizational Justice and Employee Performance: The Mediating Role of Job Satisfaction in Private Banks of Balochistan

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ABSTRACT

This study investigates the relationships between organizational justice (OJ), job satisfaction (JS), and employee performance (EP). It also explores the mediating role of job satisfaction in the link between organizational justice and employee performance. Organizational justice, encompassing distributive, procedural, and interactional justice, is a critical factor in fostering employee engagement and productivity in social systems like banks. Rooted in Social Exchange Theory, this study addresses a research gap in developing regions, specifically the banking sector of Balochistan, where prior research is limited. A quantitative approach was used, with data collected from 200 employees across 14 private banks in Quetta, Balochistan, using structured questionnaires. The study tested its hypotheses using regression and mediation analysis with Hayes' PROCESS macro. Employee performance was assessed using supervisor ratings to reduce common method bias. The findings indicate that all three dimensions of organizational justice significantly improve employee performance, both directly and indirectly, through job satisfaction. Job satisfaction was found to partially mediate the relationship, with approximately 31% of the effect for distributive justice and about 41% for both procedural and interactional justice being transmitted through satisfaction. The study recommends that private banks in Balochistan focus on fairness in their decision-making, reward systems, and interpersonal treatment. Implementing transparent procedures and training supervisors in fair practices can enhance job satisfaction and, in turn, drive higher levels of employee performance.

KEYWORDS	Organizational Justice, Distributive Justice, Procedural Justice, Interactional Justice, Job Satisfaction, Employee Performance
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Introduction

Organizations are social systems that rely on fairness to foster employee engagement and productivity. In Pakistan's banking sector—a critical yet understudied context—perceptions of organizational justice (OJ) significantly influence workforce outcomes. Rooted in Social Exchange Theory (P. Blau 1964), this study explores how distributive (DJ), procedural (PJ), and interactional justice (IJ) affect employee performance (EP), with job satisfaction (JS) as a mediator. Prior studies focus on Western contexts, leaving a void in developing regions like Balochistan, where banking sectors face unique challenges (e.g., high turnover, skill shortages). This study addresses this gap by testing ten hypotheses in Quetta City's private banks.

Literature Review

Organizational Justice: Theoretical Foundations.

The concept of organizational justice (OJ) finds its theoretical roots in (Adams 1963) Equity Theory, which posits that employees evaluate fairness by comparing their input-to-output ratios with others. Building on this foundation, Greenberg (1987) developed a comprehensive framework comprising three distinct dimensions of justice. First, distributive justice (DJ) concerns the fairness of tangible outcomes such as pay and promotions (Homans 1961), where employees evaluate equity by comparing their inputs (effort, skills) against received outputs (rewards) (Cropanzano, et al. 2001). Second, procedural justice (PJ) relates to the fairness of decision-making processes (Leventhal 1980), with consistent and unbiased procedures enhancing organizational trust and compliance (Colquitt 2001). Third, interactional justice (IJ) focuses on the quality of interpersonal treatment (Bies 1986), which proves particularly impactful in service-oriented sectors like banking where employee-client interactions are frequent (Anis, Alvi and Qammar 2025). These dimensions operate within the framework of Social Exchange Theory (P. M. Blau 1964), which explains how perceptions of fairness foster reciprocal commitment from employees (Cropanzano, et al. 2001). While meta-analyses confirm the universal impact of OJ on job satisfaction (JS) and employee performance (EP) (Colquitt 2001), significant gaps remain in understanding these dynamics within specific cultural contexts like Balochistan.

Empirical Evidence on Justice Dimensions

Empirical research provides substantial evidence for each justice dimension's unique contributions. Regarding distributive justice, comprehensive meta-analyses demonstrate strong correlations between DJ and pay satisfaction (Colquitt 2001), though critics note an overemphasis on tangible outcomes at the expense of service sector applications. In the realm of procedural justice, studies confirm that PJ significantly enhances trust in management when decision-making processes are transparent and inclusive (Thibaut and Walker 1975), with particular relevance to high-pressure banking environments where it has been shown to reduce turnover (Crow 2012). Interactional justice emerges as particularly salient in client-facing roles, where research indicates IJ predicts job satisfaction more robustly than distributive justice (Cheung 2013), though few studies have examined this relationship in collectivist cultural contexts like Pakistan.

Job Satisfaction as a Mediator

The mediating role of job satisfaction in the OJ-EP relationship draws theoretical support from Locke's (1976) Range-of-Affect Theory, which posits that JS arises from the perceived alignment between workplace expectations and reality. Empirical studies demonstrate JS's mediating function between OJ and performance in manufacturing contexts (Al-Zu'bi 2010), though evidence from the banking sector remains limited. Notably, research findings present some contradictions, with certain studies identifying full mediation (Suliman 2013) while others suggest partial mediation (Krishnan 2018), indicating the need for further investigation.

Employee Performance Outcomes

Organizational justice demonstrates significant impacts across multiple performance dimensions. At the task performance level, OJ enhances discretionary effort (Moorman 1991), while at the contextual level, PJ specifically fosters organizational citizenship behaviors. Within the banking sector, where employee performance heavily

depends on customer interactions, surprisingly few studies have examined the specific relationship between IJ and frontline employee performance (Yaghoubi 2009), representing a critical research gap. While Western contexts dominate the OJ literature, developing economies like Pakistan present unique considerations. Cultural dimensions such as power distance may amplify the effects of procedural justice (Hofstede 1980), and the banking sector's specific characteristics in regions like Balochistan remain understudied. This study addresses these gaps by comprehensively examining all three justice dimensions (DJ, PJ, and IJ) and their relationships with employee performance through the mediating mechanism of job satisfaction in Pakistan's private banking sector, thereby contributing both to theoretical advancement and practical human resource management applications in developing economies.

Hypotheses

Justice Dimensions and Job Satisfaction

H1: DJ positively correlates with JS.

H2: PJ positively correlates with JS.

H3: IJ positively correlates with JS.

Justice Dimensions and Employee Performance

H4: JS positively correlates with EP.

H5: DJ positively correlates with EP.

H6: PJ positively correlates with EP.

H7: IJ positively correlates with EP.

Mediation Hypotheses

H8: JS mediates DJ → EP.

H9: JS mediates PJ → EP.

H10: JS mediates IJ → EP.

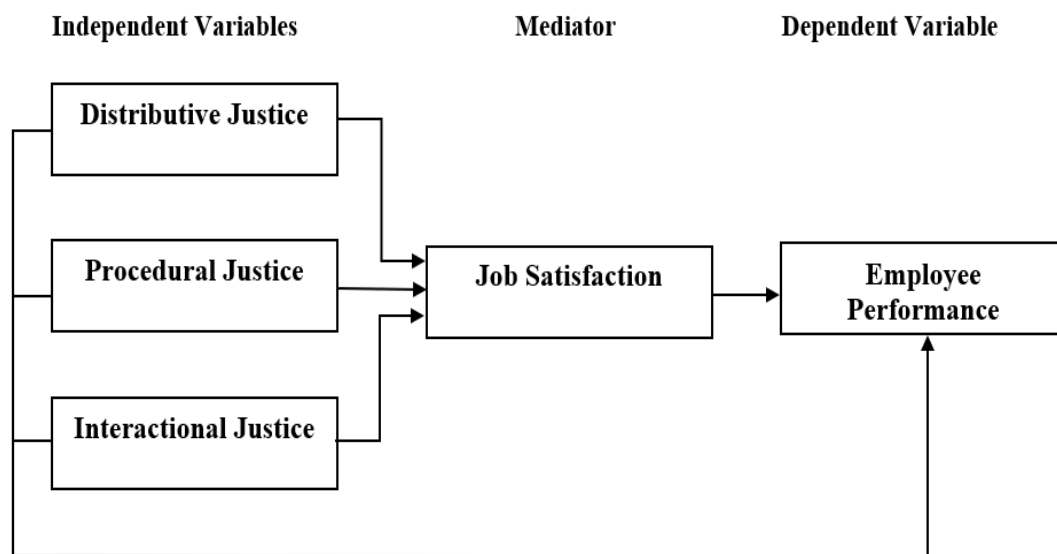


Figure 1: Theoretical Framework

The hypothesized framework posits that distributive, procedural, and interactional justice have positive direct effects on employee performance and positive indirect effects via job satisfaction (OJ → JS → EP).

Material and Methods

Research Design

This study adopted a quantitative, cross-sectional design to examine the relationships between organizational justice (OJ), job satisfaction (JS), and employee performance (EP) in private banks of Quetta, Balochistan. The design aligns with positivist paradigm, employing a deductive approach to test hypotheses derived from Social Exchange Theory (P. Blau 1964) and Equity Theory (Adams 1963).

Population and Sample

The population for this study comprised employees working in private banks of Quetta, Balochistan. The total number of employees across the 14 participating banks was $N = 416$. A representative sample of $n = 200$ employees was determined using the Krejcie and Morgan (1970) sample-size approach for a 95% confidence level and 5% margin of error. A stratified random sampling technique was employed, where each bank represented a stratum. Within each bank, employees were proportionally selected according to the size of the stratum to ensure representativeness. The final response rate was 83% with $n = 200$ usable questionnaires obtained out of $n = 241$ questionnaires distributed.

Unit of Analysis and Clustering

The unit of analysis was the individual employee, with inclusion criteria of at least one year of tenure and full-time employment. Since, employees were nested within 14 banks, intra-class correlations (ICCs) were computed to assess clustering. The ICC (1) for the primary outcome (employee performance) was 0.02, indicating negligible clustering; therefore, single-level analyses were used.

Although the ICC (1) for Employee Performance (EP) was low (0.02), the average cluster size (≈ 14 employees per bank) produces a design effect ≈ 1.26 and reduces the effective sample size to ≈ 158 . To account for potential nesting of employees within banks we reran the principal analyses using (a) linear mixed models with bank as a random intercept and (b) OLS with cluster-robust standard errors by bank. Results remained substantively similar (report both sets of coefficients in an appendix). If multilevel estimates differ meaningfully, the multilevel results should be interpreted as primary.

Measurement of Constructs

All constructs were measured using established scales adapted to a five-point Likert format (1 = strongly disagree, 5 = strongly agree):

- **Organizational Justice (OJ):** Items were adapted from Colquitt (2001). We included three justice dimensions: Distributive Justice (DJ; 4 items), Procedural Justice (PJ; 7 items), Interactional Justice (IJ; 4 items). Informational justice items were excluded to maintain parsimony and because pilot testing showed lower contextual relevance.
- **Job Satisfaction (JS):** JS was assessed using the 5-item Brayfield and Rothe (1951) global job satisfaction scale, chosen for its brevity and validated use as an overall satisfaction measure.
- **Employee Performance (EP):** EP was assessed via supervisor ratings using the 7-item in-role performance scale by Williams and Anderson (1991). Supervisors completed performance ratings on forms matched to the participating employees.

- **Control Variables:** Age, gender, tenure, and job level were included as control variables.

Internal consistency (Cronbach's α) in the current sample:

- Distributive Justice (DJ, 4 items): $\alpha = 0.84$
- Procedural Justice (PJ, 7 items): $\alpha = 0.88$
- Interactional Justice (IJ, 4 items): $\alpha = 0.86$
- Job Satisfaction (JS, 5 items): $\alpha = 0.87$
- Employee Performance (EP, 7 items, supervisor-rated): $\alpha = 0.85$

Data Collection

Structured employee questionnaires and separate supervisor rating forms were administered. Confidentiality and anonymity were emphasized. Missing data were minimal (< 3%) and were handled accordingly.

Pilot and Adaptation

A pilot test ($n = 25$) confirmed the clarity of adapted items; minor wording changes were made to improve contextual clarity. Reverse-keyed items were rescored prior to analysis.

Statistical Analysis Tools

Analyses were conducted in SPSS v26, AMOS v26 (for CFA), and the PROCESS macro (Hayes, 2013) for mediation. A 5,000-bootstrap resampling procedure was used for indirect effect estimation.

Statistical Analysis and Results

Descriptive Statistics, Reliabilities, and Correlations

The descriptive statistics, reliabilities, and intercorrelations for all study variables are presented in Table 1. The Cronbach's alpha values for all measures exceeded 0.80, which indicates a strong level of internal consistency. As hypothesized, the correlations were in the expected positive directions. Specifically, distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) were all positively correlated with both job satisfaction (JS) and employee performance (EP).

Table 1
Descriptive Statistics, Reliabilities, and Correlations

Variable	M	SD	α	1	2	3	4	5
1. DJ	3.21	0.64	.84	1				
2. PJ	3.15	0.67	.88	.52**	1			
3. IJ	3.35	0.70	.86	.49**	.56**	1		
4. JS	3.48	0.62	.87	.46**	.54**	.51**	1	
5. EP	3.58	0.69	.85	.42**	.47**	.44**	.50**	1

Note: $p < .01$.

A multiple regression with DJ, PJ, and IJ as predictors explained 43% of the variance in JS. PJ had the strongest effect, followed by IJ and DJ. JS also significantly predicted EP, accounting for 21% of variance.

Regression Analyses

Table 2
Regression Results for Predictors of Job Satisfaction and Employee Performance.

Predictor → Outcome	β (Std.)	t	p	R ²	F
DJ → JS	.18	2.39	.018*		
PJ → JS	.33	4.85	<.001***		
IJ → JS	.27	4.12	<.001***	.43	49.20***
JS → EP	.42	7.23	<.001***	.21	52.35***

Notes: * $p < .05$, *** $p < .001$. Standardized coefficients (β) are reported.

Interpretation: When considered together, PJ and IJ exert stronger influences on JS than DJ, with all predictors showing statistically significant effects. Furthermore, JS significantly enhances EP, reinforcing its mediating role.

Mediation Analyses

Mediation was tested with PROCESS Model 4 using 5,000 bootstraps. All indirect effects were significant, confirming partial mediation of JS between justice dimensions and EP.

Table 3
Direct and Indirect Effects of Justice Dimensions on Employee Performance via Job Satisfaction

IV	a (IV→JS)	b (JS→EP)	Indirect (a*b)	Direct Effect (c')	Boot SE	95% CI (Indirect)	% Mediated
DJ	0.20***	0.42***	0.084	0.186*	0.03	[0.034, 0.149]	31.1%
PJ	0.34***	0.42***	0.143	0.207**	0.04	[0.071, 0.230]	40.8%
IJ	0.28***	0.42***	0.118	0.172**	0.04	[0.054, 0.198]	40.6%

Notes: * $p < .05$, ** $p < .01$, *** $p < .001$. Indirect and direct effects are unstandardized. % mediated = indirect ÷ total effect.

Job satisfaction significantly mediates the relationship between each justice dimension and performance. However, since direct effects remained significant, mediation is partial, indicating that justice affects performance both directly and through satisfaction.

Measurement Model, Reliability and Assumption Checks

Confirmatory factor analysis (CFA) in AMOS (maximum likelihood estimator) supported the proposed measurement model:

- **CFA results:** $\chi^2/df = 2.15$, CFI = 0.95, TLI = 0.94, RMSEA = 0.054 (90% CI [.041, .066]). – acceptable model fit.
- **Convergent validity:** Factor loadings > 0.60; AVE > 0.50; CR > 0.80.
- **Discriminant validity:** HTMT ratios < 0.85.
- **Common method bias:** Harman's single-factor = 29% variance, below the 50% threshold.
- **Effect sizes:** Cohen's f^2 for PJ→EP = 0.12 (medium), JS→EP = 0.35 (large).

Strong validity checks and acceptable model fit support the robustness of these findings.

Discussion

This study investigated the effects of distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) on employee performance (EP), with job satisfaction (JS) as a mediator. Drawing on social exchange theory, the results indicate that perceptions of fairness in the workplace are crucial in shaping employees' attitudes and behaviors.

First, all three justice dimensions significantly predicted JS when entered simultaneously into the regression model. Among them, PJ emerged as the strongest predictor, followed by IJ and DJ. This finding reinforces prior research suggesting that fair procedures and respectful treatment carry more weight than distributive outcomes alone in shaping employee satisfaction. In a service context such as banking, transparent procedures and dignified interpersonal treatment appear particularly critical.

Second, JS was found to significantly predict EP, consistent with extensive literature linking satisfied employees to improved performance outcomes. The direct effect of JS on EP highlights that employees who experience higher satisfaction are more motivated, engaged, and willing to exert effort, resulting in better supervisor-rated performance.

Third, mediation analyses revealed that JS partially mediated the relationships between all justice dimensions and EP. Approximately 31% of DJ's, 41% of PJ's, and 41% of IJ's total effects on EP were transmitted through JS. This supports the argument that justice influences performance both directly (by shaping behavioral norms and trust) and indirectly (by enhancing satisfaction, which translates into better performance). The partial mediation pattern suggests that justice influences performance through multiple pathways beyond job satisfaction alone.

These findings extend prior work in two important ways. First, by incorporating supervisor-rated EP, the study reduces the threat of common method bias prevalent in single-source self-report designs. Second, the comparison of justice dimensions highlights the unique importance of procedural and interactional fairness in predicting satisfaction and performance in a collectivist, service-driven context like Pakistan.

Conclusion

This study concludes that distributive, procedural, and interactional justice significantly enhance employee performance, both directly and indirectly, through job satisfaction. By fostering a workplace culture of fairness and satisfaction, organizations can build a more motivated and productive workforce.

Theoretical Implications

The results reinforce the central role of organizational justice in social exchange processes. They confirm that fair treatment from organizations builds employee satisfaction, which in turn enhances performance, consistent with Blau's (1964) theory of reciprocal exchange. Furthermore, the partial mediation underscores that justice contributes to outcomes via both attitudinal and direct behavioral routes.

Practical Implications

For practitioners, the study highlights actionable levers for improving performance. Managers should focus not only on fair distribution of outcomes but also on ensuring transparent procedures and respectful interpersonal treatment. Training supervisors in fair

decision-making and communication practices may yield significant returns in employee satisfaction and subsequent performance.

Recommendation

Based on the findings, it is recommended that banking institutions and similar service organizations institutionalize fair and transparent procedures, train managers in respectful interpersonal practices, and regularly assess employee perceptions of justice. By embedding fairness in decision-making and communication processes, organizations can enhance job satisfaction and ultimately drive higher levels of employee performance. Investing in justice-oriented practices thus represents not only an ethical responsibility but also a strategic tool for sustaining competitive advantage.

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