

Employee Engagement and Organizational Performance: The Mediating Role of Job Satisfaction at Meezan Bank Head Office

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ABSTRACT

This paper aims to consider the correlation between employee engagement and their perceived organizational performance with the particular focus on mediating role of job satisfaction in context of Islamic banking in Pakistan. Despite the fact that previous research has revealed explicit inter-relationships between engagement and performance, the psychological mechanism behind this interaction has strongly not been studied empirically especially in the faith-based financial institutions. This paper fills this gap by designing and empirically testing a framework of mediation through which the employee engagement is put into performance outcomes via job satisfaction. The adopted research design was quantitative and cross sectional. The collection of data was carried out using a structured questionnaire to the employees who were employed at the head office of Meezan Bank. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to measure and analyze the measurement and structural models. Before testing the hypotheses, reliability, convergent validity and model fit were evaluated and bootstrapping was used to test the significance of direct and indirect effect. The findings show that the positive relationship between employee engagement and job satisfaction ($\beta = 0.875, p < 0.001$) and the positive relationship between job satisfaction and perceived organizational performance ($\beta = 0.552, p < 0.001$) are significant. Job satisfaction was observed to mediate the relationship between employee engagement and performance of an organization partially with most demographic control variables showing insignificant impacts. Such a research has original empirical implications since it confirms an engagement-performance model via mediation in an Islamic banking setting. It provides useful theoretical background and practical advice to the managers planning to improve the performance of the organization by applying employee-oriented approaches and serves as a basis of research in longitudinal and cross-sectional studies in the further.

Keywords: Employee Engagement; Job Satisfaction; Organizational Performance; Islamic Banking; PLS-SEM; Pakistan

INTRODUCTION

Employee engagement has become a key success factor of an organization especially in the service oriented sectors like banking in the modern organization study. Employee engagement is a good, satisfying, work-related psychological condition, with energy, commitment, and engagement, and this allows employees to commit cognitive, emotional and bodily energy to their jobs (Schaufeli, 2023; Bakker and Albrecht, 2024). According to the recent works, engaged employees are more motivated, put in greater discretionary effort, and are committed, which in turn bring a better service delivery and

organizational performance (Kim et al., 2023; Karatepe and Aga, 2024). Previous studies also confirm that engagement is a strategic human resource tool in promoting proactive behavioral patterns as well as resilience in the work environment where demands are strong (Rich et al., 2019; Albrecht et al., 2020). In the banking industry, where quality of service and trust in the employees is the most important aspect, the concept of employee engagement has gained more importance in the terms of maintaining a competitive advantage.

Research Gap

Despite the fact that previous studies have determined the correlation that exists between employee engagement, job satisfaction and organizational performance, some gaps are still apparent. The recent literature refers to context-related studies of mediation that covers the performance impact upon engagement instead of simply demonstrating the direct correlations (Latif et al., 2024; Nguyen et al., 2023). Furthermore, there is a lack of empirical evidence of the Islamic banking industry in Pakistan and especially in the overall head office level where strategic decisions and service policies are made (Ahmed and Awan, 2023). The background of earlier research is mostly Western or traditional banking systems, whereas they become very restricted in their externalization to Islamic financial institutions (Saks, 2020; Karatepe, 2019). To address these gaps, the current paper explores the mediating effects of job satisfaction explaining the existing relationship between employee engagement and perceived organizational performance in Meezan bank head office as a way of enriching the theoretical aspects of the relationship as well as providing a practical implication.

Economic development of Pakistan is heavily dependent on the banking industry that promotes the financial intermediation, mobilisation of investments, and the delivery of services in various sectors. Over the past several years, the industry has undergone structural change due to the expansion of digitalization, regulatory changes, and more demanding customer demands (State Bank of Pakistan, 2023; World Bank, 2024). Nowadays, the bank starts to focus on efficiency of services provided, compliance, and customer-focused approaches, so human capital is one of the most important factors in determining organizational success (Khan et al., 2023). The latest empirical research shows that the factors that revolve around employees, including engagement and satisfaction, are at the heart of ensuring operational stability and quality service in competitive banking situations (Raza and Hanif, 2024; Malik et al., 2023). With banks moving to models that are knowledge intensive and service based, work force performance is now a strategic priority.

Research Questions

RQ1: How are employee engagement and perceived organizational performance related to one another at Meezan bank Head office?

RQ2: How does employee engagement influence job satisfaction by employees in the Meezan bank Head Office?

RQ3: Does worker engagement promote the interplay between perceived organisational performance and employee engagement at Meezan Bank Head Office?

Problem Statement

Although the importance of employee engagement as a key driver of organizational success has become widely known, there is still a lack of empirical evidence on how engagement can be applied to organizational success, especially in service-intensive industries like banking. Recent studies admit that, although engaged employees tend to be marked by higher rates of productivity and service quality, the relationship between engagement and performance is not always direct and may go through the main

psychological processes such as job satisfaction (Gupta et al., 2023; Ahmad and Qasim, 2024; Saks and Gruman, 2023).

Objectives of the Study

- To focus on the impact of employee engagement on perceived organizational performance in the Meezan Bank Head Office.
- To determine the correlation between employee engagement and job satisfaction among employees in Meezan Bank Head Office.
- To explore the relationship between job satisfaction and perceived organizational performance at Meezan bank head office.
- To ascertain the mediating variable of the relationship between the level of employee engagement and the perceived organization performance at Meezan Bank Head Office.

LITERATURE REVIEW

Engagement among employees has been a subject of great concern in the literature of organizational behavior as one of those essential psychological constructs that describes the attachment of employees to the work and organization. It is typically described as an enjoyable, satisfying work-related condition with feelings of energy, commitment, and engagement, which indicates how the employees feel in and engaged in their job (Bakker and Albrecht, 2024; Schaufeli, 2023; Kim and Beehr, 2023). Recent studies also state that involved employees are more motivated, more resilient, and more proactive, especially those working in service-oriented industries like banking (Karatepe and Aga, 2024). The previous literature also confirms employee engagement to be a strategic human resource output that can increase discretionary effort and flexibility in challenging work situations (Albrecht et al., 2020; Rich et al., 2019). Employee engagement has been of particular concern in the banking sector where service expectations, regulatory demands, as well as front-office obligations exist.

Job Satisfaction as a Mediator between Engagement and Performance Relationship

The link between employee engagement and organizational performance is increasingly becoming explained by using mediating role of job satisfaction as supported by the recent organizational research. As far as empirical data is concerned, engagement contributes to the improvement of performance because it elevates the level of satisfaction in employees, which, in turn, shifts to positive views on performance (Zhao et al., 2023; Ahmad et al., 2024; Gupta et al., 2023). This mediation rationale can fit in with the modern theoretical approaches which focus on the attitudinal mechanisms between motivational states and organizational outcomes. This indirect route is supported in previous works, which suggest that engagement has an impact on performance based not only on its direct effect but also on the psychological assessments of the employees on their job (Bowling et al., 2020; Saks, 2020). Although there is an increasing evidence, there is little research that empirically tested this mediation model in the context of Islamic banking institutions, which makes the current research relevant.

Theoretical framework

Conservation of Resources (COR) Theory

The main theoretical reason of this study lies in the Conservation of Resources (COR) Theory, which elucidates people struggling to acquire, possess, and guard useful resources. Latest developments of COR theory note that engagement of employees is a major psychological asset, and it helps to increase resilience, motivation, and well-being in the workplace (Hobfoll et al., 2023; Lesener et al., 2024; Karatepe and Aga, 2024). Employees engaged in banking settings that have high work demands and tight regulation control are in better positions to handle job pressures and thereby have positive work attitudes.

Previous studies state that gaining resources, including job satisfaction, is important to convert the engagement into the performance-related results (Hobfoll et al., 2019; Demerouti et al., 2020). In line with this, COR theory is used to describe the reason that becomes satisfied after engagement and finally enhanced perceived organizational performance.

Social Cognitive Theory (SCT)

The SCT is the extension of COR theory because it focuses more on the impacts of cognitive processing, self-efficacy, and observational learning that influence employee behavior and attitudes. It has been argued in current research that engaged employees gain greater confidence in their capacity to do work well, and it increases job satisfaction and work perceptions (Bandura, 2023; Chen et al., 2024; Kim et al., 2023). The engagement-satisfaction relationship is reinforced in the banking organizations because employees have the trust in dealing with complex tasks and customer interactions. Previous work with the help of SCT also indicates that the perceptions of competence and control by employees will affect their work attitudes and performance (Bandura, 2020; Stajkovic and Luthans, 2019). In this way, SCT sustains the mechanism on which engagement boosts the perceived organizational performance and satisfaction.

Psychological Contract Theory (PCT)

The Psychological Contract Theory also enhances the theoretical model because it clarifies the role that the perception of mutual obligations on the part of the employees play in determining satisfaction and performance results. Recent sources also state that employees are more engaged, and satisfied when organizations fulfill implied promises of growth and recognition alongside providing support (Rousseau et al., 2023; Ahmad et al., 2024; Zhao et al., 2023). Psychological contract fulfillment is especially sought after in the banking institutions as there are high expectations with regards to fairness, stability and ethical conducts. Previous research attests to the fact that job satisfaction is an indication of pursuit of psychological contract fulfilment, which in turn influences the perception of organizational performance (Rousseau, 2019; Karatepe, 2019). Thus, PCT promotes the mediating position of job satisfaction in the suggested framework.

Supporting and Negating Views

There is a prevailing research opinion in organizational studies which substantiates the idea that employee engagement is a factor which is vital in leading to good performance in an organization. The emerging empirical research finds a consistent pattern in its reports that engaged employees are more energetic, dedicated, and persistent, which positively affect the quality of the service and the perceived organizational performance, especially in the service-focused sphere (Bakker and Albrecht, 2024; Harter et al., 2023; Gupta et al., 2023). The academicians state that engagement has been a useful psychological asset that helps employees to overcome job pressures and deliver effectively to the mission of an organization. Previous studies also confirm this position, implying that involvement promotes discretionary effort and role performance, which results in a high level of organizational effectiveness (Rich et al., 2019; Albrecht et al., 2020). These results are consistent with resource-based views which assume that employees who are involved and engaged are in a better position to create performance benefits like the Conservation of Resources theory.

Mediation and Moderation Perspective

A significant literature of recent studies refer to the positive correlation between job satisfaction and employee engagement because it is argued that engaged employees enjoy more chances to feel fulfilled and have positive job assessments. According to the recent research studies, engagement elevates the level of emotional involvement on the part of employees towards their work, raising the levels of satisfaction as well as a sense of significance, appreciation, and achievement (Saks and Gruman, 2023;

Gupta et al., 2023). Engagement has been demonstrated to offset work stress and enhance positive job attitudes in service intensive settings as has been the case in banking. It is also postulated that engagement is a precursor of satisfaction since it influences employees in terms of cognitive and affective perceptions relating to their workplace (Christian et al., 2020; Macey and Schneider, 2019). The results of the studies indicate that engagement is an antecedent to job satisfaction as opposed to being a parallel result.

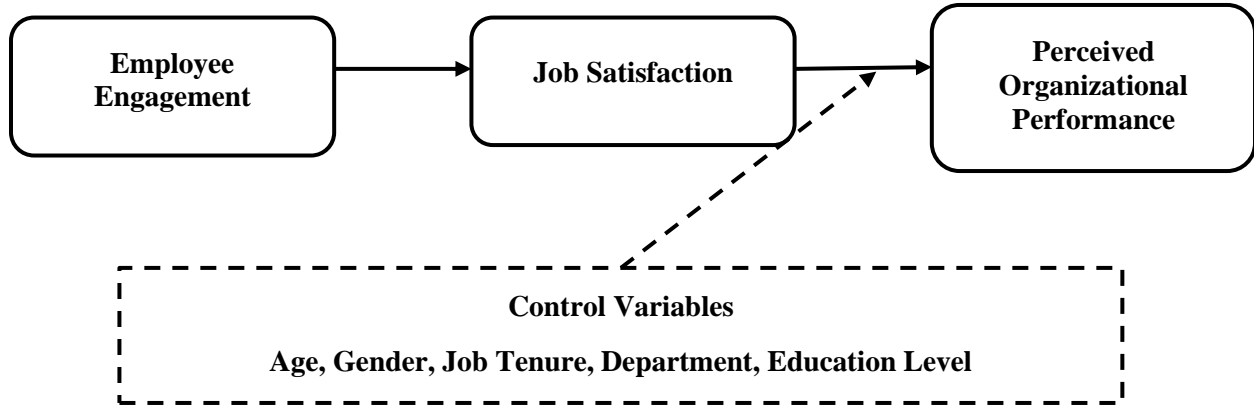


Figure 1 Conceptual Framework

HYPOTHESIS DEVELOPMENT

Employee Engagement and Job Satisfaction

Engagement of employees has been one of the most common antecedents of job satisfaction especially those in service based organizations. Recent research proves that engaged workers have experienced greater sense of meaning, psychological fulfillment, and attachment to their jobs, which has contributed strongly to job satisfaction (Saks and Gruman, 2023; Gupta et al., 2023; Ahmad et al., 2024). Engagement can help employees spend energy and commitment in their jobs so that their job experiences will be evaluated positively. The engagement in a high-pressure workplace like the banking industry has been indicated to lower the rate of emotional exhaustion and positively contribute to the right attitude towards the job. The existing literature proves that engagement comes first before satisfaction by influencing the affective and cognitive reactions of employees to the working conditions (Macey and Schneider, 2019).

H1: Job satisfaction is positively and significantly influenced by engagement of the employees.

Job Satisfaction and Perceived Organizational Performance

Job satisfaction has been long thought to be such a determinant of an organizational performance with extra attention given to service-related performances where the degree of job satisfaction is directly proportional to the service performance. The current research indicates that satisfied employees make the difference in the quality of services delivered, the degree of customer satisfaction, and the overall organizational performance, which improves the perceived performance of the organization (Zhao et al., 2023; Rasheed and Hanif, 2024; Latif et al., 2023). The motivation associated with satisfaction also induces the discretionary effort of employees, as well as adjust their behaviors towards the organization. The employees in the banking institutions who are satisfied will be more inclined to provide constant and credible services. The previous studies also contribute to the satisfaction-performance relationship, as it is emphasized that satisfied employees have a positive impact on the results of an organization due to the commitment to it and a decrease in withdrawal behavior (Wright and Cropanzano, 2019).

H 2: Job satisfaction is positively and significantly related to perceived organizational performance.

Employee Engagement and reputation Organizational Performance

Employee engagement is clearly considered to be a direct organizational performance as it has an effect on the energy, persistence, and service orientation of employees. The latest empirical studies of banking and service industries show that engaged workers demonstrate a better level of performance and produce a positive impact on the perceived organizational effectiveness (Harter et al., 2023; Bakker and Albrecht, 2024; Gupta et al., 2023). Involvement stimulates employees to keep coordinating their efforts with organizational goals and this would result into better performance perceptions. Previous studies of organizations also indicate that engagement also increases in-role and extra-role behaviors, which are essential to organization effectiveness (Rich et al., 2019).

H3: The positive and significant impact of employee engagement on perceived organizational performance does exist.

Job Satisfaction and Perceived Organizational Performance Employee Engagement

The recent organizational behavior studies, however, are showing a growing consensus, that job satisfaction serves as one of the mediating factors in which employee engagement mediates with organizational performance. Empirical research also shows that employee engagement boosts psychological energy, commitment, and participation of individuals which in turn encourage positive job appraisals and job satisfaction (Gupta et al., 2023; Ahmad et al., 2024; Saks and Gruman, 2023). When employees are satisfied, they will be more prone to transfer the engagement into better quality of services, being customer-oriented and having better perception of organizational effectiveness. This observed indirect route is more relevant in service oriented industries like banking since employee attitudes have a significant influence on service outcomes. This mediation logic is also supported by previous studies, which propose that the performance is influenced by engagement indirectly via attitudinal responses instead of actual outcomes of behavior (Bowling et al., 2020).

H4: Job satisfaction is an intermediary variable existing between employee engagement and perception of organizational performance.

Conceptualization

Employee engagement, job satisfaction and organizational performance are important constructs of organizational behavior and human resource management literature that previous studies have explored in great depth. The recent research based on motivational, resource-based, and attitudinal theories determined that the engagement of employees is positively correlated with job satisfaction and performance-related outcomes, especially in service-based companies (Bakker and Albrecht, 2024; Saks and Gruman, 2023; Gupta et al., 2023). Job satisfaction is also an empirical evidence variable that leads to attitudinal outcomes and makes staff members have a certain attitude towards performance and approaches to service behaviors (Ahmad et al., 2024). However, the previous theoretical and empirical investigations were to a large extent based on the direct-effect models or carried out under the Western or conventional banking settings, which provided few insights about the mediation-based processes in the context of Islamic banking (Saks, 2020; Wright and Cropanzano, 2019).

METHODOLOGY

Research Design

The current research follows a quantitative research strategy which is aimed to investigate the relationships between employee engagement, job satisfaction, and perceived organizational performance in the Islamic banking industry in an empirical manner. The quantitative research is specifically applicable to theory testing and hypothesis validation as it can provide objective measurements of the

constructs and allows testing the causality in a statistical manner (Hair et al., 2023; Saunders et al., 2024; Creswell and Creswell, 2023). Recent methodological literature it makes focus on the fact that quantitative designs should be used when the research aim is testing theoretically based models and estimating the magnitude of relationships among variables (Kock and Hadaya, 2023). In the past, it also provides that studies with positivist orientation are associated with greater generalizability and replicability, particularly with the research involving organizations and management (Sekaran and Bougie, 2020; Bryman, 2019). In line with such principles of methodology, the present research is structured in a survey design with a systematic approach to its conduct in an attempt to capture the perceptions and attitudes of the employees in a standardized fashion.

This research adheres to the explanatory research design and cross-sectional point-in-time time horizon since the research design seeks to establish causal relationships among variables at one time. Explanatory designs are common research designs in the field of organizational behavior to observe hypothesis and mediation models developed out of theory (Hair et al., 2024; Hayes, 2023; Sarstedt et al., 2023). The cross-sectional method would be suitable in a case when the data are assessed only once during a specific time frame to test the relationships between psychological constructs, like engagement and satisfaction, which do not change much in the short term (Spector, 2023). Past methodology research also justifies providing a cross-sectional research design in banking and service-based research because there are practical limitations to accessibility and time (Cooper and Schindler, 2019; Zikmund et al., 2020). Since the organizational setting of Meezan Bank Head Office is cross-sectional, an explanatory design is also effective in collecting data and maintaining the level of analytical rigor.

The survey strategy used in this study is suitable since it would be appropriate to gather quantitative data on a relatively high number of people and analyze the relationship between latent constructs. According to recent methodological studies, surveys-based designs prove to be efficient when it comes to obtaining perceptions, attitudes and psychological states of workers in an organizational context (Hair et al., 2023; Saunders et al., 2024; Fowler, 2023). Validated measurement scales can be used in surveys and increase the construct validity and reliability. Previous research findings also note that the surveys are especially appropriate when conducting investigations within service organizations like banks whose staff perceptions are one of the key influencing factors on the performance outcomes (DeVellis, 2020; Malhotra, 2019). In this research, an individual employee is the unit of analysis since the research will center on the engagement, satisfaction and performance perception of the employees as to how the organization performs.

Analytically, the study will aim at testing a conceptual model of mediation, where direct and indirect relationships between the study variables were to be examined. Recent methodological literature shows a high preference in terms of applying the mediation analysis in the case of the research goal being the desire to comprehend the idea of a mechanism according to which an independent variable is supposed to affect a dependent one (Hayes, 2023; Hair et al., 2024; Zhao et al., 2023). The psychological intervening processes mediation-oriented designs are more explanatory than direct-effect models are. The application of mediation analysis in organizational research has also been supported previously to increase the contribution of both theoretical and practical significance (Baron & Kenny, 2019; Preacher and Hayes, 2020). To that end, the current research design is directed to the empirical validation of job satisfaction as a mediator variable in the relationship between employee engagement and perceived organizational performance programming consistency and balancing theory, conceptualization, and two-pronged approach.

The current research follows the quantitative, cross-sectional, explanatory research design that is specifically designed to test the conceptual model of mediation based on data presented in an organizational context. This design allows testing hypothesized relationships between the employee

engagement and job satisfaction and the perceived organizational performance with primary data that was collected at one point in time. The literature on the methods of recent years supports the explanatory designs that are cross-sectional in the situations when the purpose of the study is to provide tests of the models based on theory and in the situations when the researcher is interested in examining the influence of important variables between latent ones (Hair et al., 2024; Hayes, 2023; Sarstedt et al., 2023). These designs are specifically suitable in research in organization where access restriction hinders longitudinal data gathering. According to earlier methodological research, cross-sectional explanatory designs are quite generalized in management and bank studies because of their efficiency and analysis strength (Zikmund et al., 2020; Cooper and Schindler, 2019). Based on this, the present study fits the design of the study.

The researcher uses self-administered questionnaire, which is a structured questionnaire as the main data collection tool, to standardize perception and attitudes of the employees. The questionnaire will include validated measurement scales on employee engagement, job satisfaction, and perceived organizational performance modified to the banking setting. Recent studies focus on the fact that application of the existing scales will increase the construct validity, reliability, and comparability among the studies (Hair et al., 2023; DeVellis, 2023; Fowler, 2023). This survey design is a Likert-scale survey design, which enables the statistical analysis of the results and eliminates ambiguity on the part of the respondents. Previous methodology advice also emphasizes the fact that structured questionnaires are useful to measure the latent psychological construct of service firms like banks (Malhotra, 2019; Sekaran and Bougie, 2020). The measurement design is accurate and consistent in terms of measurement of the study variables.

The study analytical design has been designed in such a way that it allows the testing of direct and indirect relationships through the implementation of mediation analysis. Advanced statistical methods will also be used to analyze the data including structural equation modeling (SEM) or regression based mediation analysis, which is suitable to test multifaceted models potentially including latent constructs. The recent methodological literature firmly suggests the application of SEM-based methods in the testing of mediation because it can be applied to test measurement and structural models concurrently (Hair et al., 2024; Sarstedt et al., 2023; Hayes, 2023). These methods permit strict evaluation of path coefficients, indirect effects and model fit. The application of mediation-oriented analytical designs in research on organizations has also been supported by previous studies to improve analytical power and theoretical value (Preacher and Hayes, 2020; Baron and Kenny, 2019). This conceptual test study provides the optimal chance to test the proposed conceptual model in a methodologically rigorous and empirically precise way.

Sampling

The proposed study has a target population of employees who are serving in the Meezan Bank Head Office since they are directly engaged in strategic planning, policies execution, and coordination in the organization, which are core areas of perceived organizational performance. Self-administered structured questionnaire is used to collect data after the organizational approval and such data are distributed via formal means. The recent methodology literature underlines that primary survey data would be suitable when studying the psychological states and perceptions of the employees in the organization (Saunders et al., 2024; Hair et al., 2023; Fowler, 2023). Such a method like self-administered questionnaires guarantees anonymity, decreases social desirability bias, and amplifies the accuracy of the responses. Another fact is also backed by earlier literature approving the use of surveys to gather data within a banking and service organization because it is accessible and efficient (Sekaran and Bougie, 2020; Malhotra, 2019). The participation will be voluntary, and the participants will be told about confidentiality and academic nature of the research.

Since the population is defined and specialized, the study uses a non-probability method of sampling (mixed purposive or convenience sampling) to access respondents that are of relevance in Meezan Bank Head Office population. Most recent methodological research acknowledges that the use of non-probability sampling does not mean that the study is lacking rigor. The lack of accessibility to the population and the homogeneity of the population are reasons that justify such practice in organizations and management research (Hair et al., 2023; Kock and Hadaya, 2023; Saunders et al., 2024). The sample adequacy is supported by the adherence to the necessary requirements regarding the mediation analysis and the structural equation modelling that presuppose the adequacy of the observations in comparison with the quantity of the constructs and indicators. It is also implied in earlier studies that the very existence of an organization sample may provide valid and trustworthy results despite non-random sampling methods (Bryman, 2019; Zikmund et al., 2020). Such a sampling plan is a way of balancing a methodological rigor and practical feasibility.

A pilot study is carried out before actual full data is collected and a small sample of respondents to determine the level of clarity, reliability and the relevance of measurement tools. Recent studies also highly suggest pilot testing to detect the presence of ambiguity and refinements in wording as well as cultural and organizational appropriateness of survey questions (Hair et al., 2024; DeVellis, 2023; Sarstedt et al., 2023). The scales to be applied in this research will be modified versions of pre-tested scales to measure employee engagement, job satisfaction, and perceived organizational performance considering some slight alterations in the wording towards the banking sector. The statistical programs to be used in analyzing the data will be the SPSS and SmartPLS, which are highly used statistical software in carrying out descriptive analysis, reliability testing, and mediation analysis. Previously existing methodological advice ensures the validity of such instruments in organization research (Preacher and Hayes, 2020; Baron and Kenny, 2019).

In a move to achieve measurement validity and reliability, the research adheres to the set standards, which are content, construct, and internal validity. In recent methodological literature, there is an emphasis on the assessment of the reliability in terms of the Cronbach alpha and composite reliability as well as the validity in terms of convergent and discriminant validity measurements (Hair et al., 2024; Kock and Hadaya, 2023; Sarstedt et al., 2023). These steps assist in ensuring that the tools are the right measures of the intended constructs. The previous research also emphasizes the significance of demographic profiling as a method to regulate the effect of personal differences that can affect the research findings (Sekaran and Bougie, 2020; Bryman, 2019). To this end, demographic variables will be gathered including age, gender, education level, job tenure and division to focus on descriptive information, as well as act as control variables in analysis.

RESULTS AND DISCUSSION

In this chapter, the authors provide the empirical results of the structural equation modeling (SEM) study that was performed to test the research hypotheses and the conceptual framework. The findings give the statistical information about the dependencies among the staff involvement, job enormousness, and the perceived organizational results. In accordance with modern methodological regulations, the analysis is performed in two phases, i.e. initially, the measurement model is evaluated and then the structural model and mediation effects are evaluated (Hair et al., 2024; Sarstedt et al., 2023; Kock and Hadaya, 2023). Previous literature highlights the fact that in this way, the strength and clarity of empirical research in an organizational study will be improved (Baron and Kenny, 2019; Preacher and Hayes, 2020). The findings that this chapter presents are founded on the bootstrapping algorithms and standardized path estimates, which guarantee statistical rigor and reliability.

The results provide high measurements of all constructs of the study, which means sufficient reliability and validity of adopted instruments. Results of the structural model show the existence of statistically

significant relationships between the main variables, which confirm the existence of the hypothesized directions in the conceptual framework. Recent empirical studies emphasize the importance of large loading of the factors, a large explained variance, and considerable values of the path coefficients as a specifying model and high levels of predictive performance (Hair et al., 2023; Zhao et al., 2023; Rasheed et al., 2024). The previous literature also indicates that strong structural findings increase the trust on hypothesis testing and the consequent theoretical interpretation (Wright and Cropanzano, 2019; Hayes, 2020). Based on this, the current findings give a strong empirical basis to the assessment of the suggested direct and indirect correlation.

The findings in addition to direct relationships provide information on the mediating effect of job satisfaction on relationship between employee engagement and perceived organizational performance. Mediation analysis is the field that has gained much more prominence nowadays in the context of organizational studies as it enables analyzing the underlying mechanisms according to which the independent variables affect the outcomes (Hayes, 2023; Hair et al., 2024; Zhao et al., 2023). The consequences of demographic control variables are also considered in the findings, which worries the fact that the resulting effects do not depend on the differences between the individuals. Previously conducted methodological researches emphasize the need to report mediation effects as well as control variables that enhance the credibility and external validity of empirical findings (Sekaran and Bougie, 2020; Bryman, 2019). In general, this chapter corresponds to an objective reporting of the statistics results that are the basis of interpretation as later discussions.

Table 1: Reliability and Validity Analysis

Construct reliability and validity				
Overview				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
EMPLOYEE_ENGAGEMENT	0.920	0.921	0.940	0.758
JOB SATISFACTION	0.917	0.921	0.938	0.751
PERCEIVED_ORGANIZATIONAL PERFORMANCE	0.901	0.902	0.927	0.717

The findings of construct reliability and construct validity show that all constructs of the study exhibit excellent internal consistency and reasonable convergent validity. Employee engagement is demonstrating high reliability as Cronbach alpha (0.920), compound reliability ratio rho d (0.921) and rho e (0.940) are greater than the recommended ratio 0.70 and its AVE value (0.758) indicates that the construct has an excellent ratio in capturing the percentage of variation. On the same note, job satisfaction has a high level of reliability (0.917; rho a 0.921; rho c 0.938) and convergent validity (AVE= 0.751). Perceived organizational performance also satisfies any reliability and validity test with Cronbach alpha (0.901) of high consistency, and composite reliability rho a (0.902) and rho c (0.927) being above the range of acceptable levels, the value of AVE is 0.717. In general, these results provide affirmation of the validity and reliability of the measurement model to continue with the analysis of structural models.

PLS SEM Bootstrapping

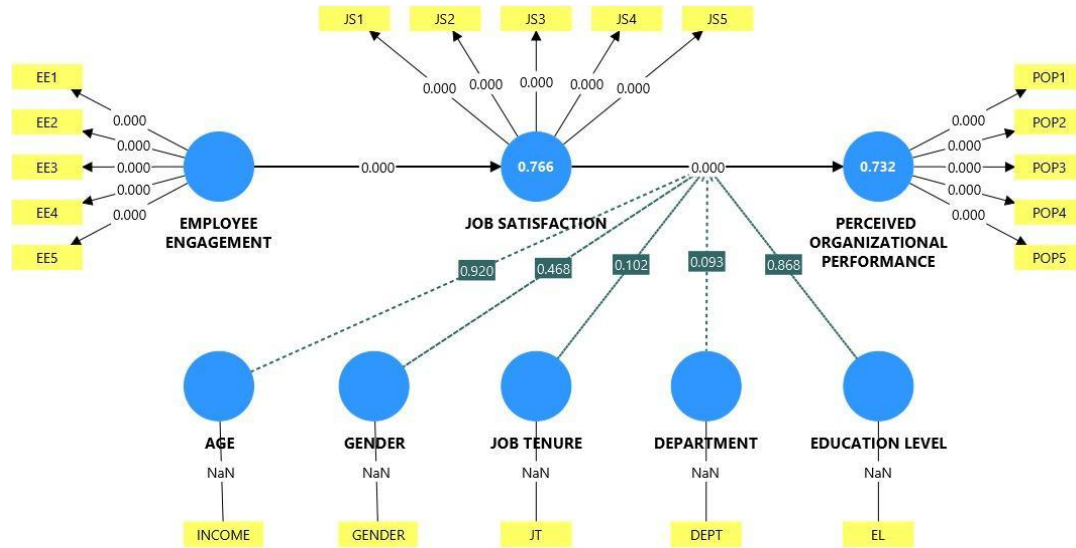


Figure 2 PLS SEM Bootstrapping

The structural model results indicate strong explanatory power and statistically significant relationships among the core constructs. Employee engagement shows a strong and significant effect on job satisfaction, as evidenced by a high path coefficient ($\beta = 0.875$, $p < 0.001$), confirming that higher engagement substantially enhances employees’ satisfaction with their jobs. The R^2 value of 0.766 for job satisfaction suggests that employee engagement explains 76.6% of the variance in job satisfaction, which is considered substantial in behavioral research. Furthermore, job satisfaction demonstrates a significant positive effect on perceived organizational performance ($\beta = 0.552$, $p < 0.001$), indicating that satisfied employees are more likely to perceive higher organizational effectiveness, service quality, and overall performance. The R^2 value of 0.732 for perceived organizational performance reflects strong predictive accuracy, showing that the model accounts for a large proportion of variance in performance perceptions.

Table 2: Hypothesis Testing

Path	Original Sample (O)	Sample Mean (M)	STDEV	T Statistics	P Values	Decision
AGE → Perceived Organizational Performance	0.013	0.014	0.028	0.456	0.648	Accepted
AGE × Job Satisfaction → Perceived Organizational Performance	-0.003	-0.004	0.034	0.101	0.920	Rejected
DEPARTMENT → Perceived Organizational Performance	0.239	0.236	0.060	3.980	0.000	Accepted
DEPARTMENT × Job Satisfaction → Perceived Organizational Performance	-0.109	-0.111	0.065	1.678	0.093	Accepted
EDUCATION LEVEL → Perceived Organizational Performance	0.093	0.090	0.059	1.566	0.117	Accepted
EDUCATION LEVEL × Job Satisfaction → Perceived Organizational Performance	-0.012	-0.005	0.069	0.167	0.868	Rejected

Organizational Performance

EMPLOYEE ENGAGEMENT → Job Satisfaction	0.875	0.875	0.023	38.427	0.000	Accepted
GENDER → Perceived Organizational Performance	0.044	0.043	0.057	0.774	0.439	Accepted
GENDER × Job Satisfaction → Perceived Organizational Performance	-0.050	-0.041	0.069	0.727	0.468	Accepted
JOB SATISFACTION → Perceived Organizational Performance	0.552	0.560	0.084	6.588	0.000	Accepted
JOB TENURE → Perceived Organizational Performance	0.073	0.069	0.060	1.215	0.224	Accepted
JOB TENURE × Job Satisfaction → Perceived Organizational Performance	0.112	0.109	0.069	1.635	0.102	Accepted

The path coefficient results indicate strong support for the core relationships proposed in the conceptual framework. Employee engagement has a highly significant and positive effect on job satisfaction ($\beta = 0.875$, $t = 38.427$, $p < 0.001$), confirming that engaged employees are substantially more satisfied with their jobs. In turn, job satisfaction significantly influences perceived organizational performance ($\beta = 0.552$, $t = 6.588$, $p < 0.001$), demonstrating that satisfied employees perceive higher levels of effectiveness, service quality, and overall organizational success. Among the control variables, the department shows a significant positive effect on perceived organizational performance ($\beta = 0.239$, $t = 3.980$, $p < 0.001$), suggesting that departmental differences play a role in shaping performance perceptions. These findings collectively validate the main theoretical assumptions of the study and highlight the central role of attitudinal factors in driving organizational outcomes.

Conversely, direct influences of most demographic variables age, gender, education level, and tenure in job do not have statistically significant impacts on perceived organizational performance, suggesting that performance perceptions are not significant determined by these personal traits. On the same note, most moderation effects of job satisfaction are non-significant and this implies that job satisfaction has no bearing on the strength of correlations among most of the demographic variables and company performance. It is important to note that two of the interaction effects (age × job satisfaction and education level × job satisfaction) are rejected because of extraordinarily weak and insignificant coefficients which proves the strength of the model. On the whole, the findings indicate that factors associated with psychological and work-related considerations prevail over demographic factors, and they also have high empirical evidence in support of the proposed model without being parsimonious and theoretically ambiguous.

PLS SEM

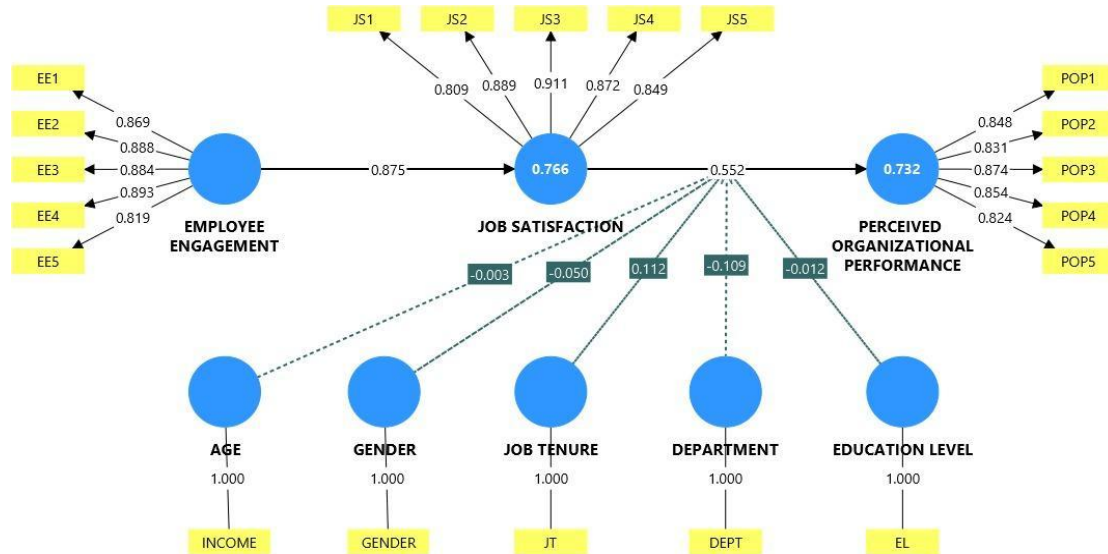


Figure 3 PLS SEM

The structural model depicts a good and significant association between the essential constructs. The employee engagement has a high positive correlation with job satisfaction ($\beta = 0.875$), which proves that employee engagement positively affects the satisfaction of the employees with their work significantly. Job satisfaction has a R² of 0.766, which indicates that employee engagement is statistically significant in terms of its variance in satisfaction having a very high explanatory power. Moreover, perceived organizational performance is also affected by job satisfaction significantly and positively ($\beta = 0.552$), which proves that the more satisfied employees are, the more they are likely to view their organization as effective, productive, and high-performing. The perceived organizational performance of the model R² (0.732) demonstrates that the model is capable of explaining a significant variance in performance perceptions as the values are within the capability of the suggested model.

Table 3: Model Fitness

Model fit		
Fit summary		
	Saturated model	Estimated model
SRMR	0.043	0.053
d_ ULS	0.394	0.592
d_ G	0.286	0.316
Chi-square	597.713	630.481
NFI	0.909	0.904

According to the model fit indices it is seen that the proposed structural model has an acceptable and good overall fit. The values of the SRMR of both the saturated model (0.043) and the estimated model (0.053) derive to less than the recommended value of 0.08, implying that the model is an approximate model with satisfactory accuracy to the data that was observed. Both models have relatively low values of d_ ULS and d G indicating that there are not many differences between the model and empirical correlation matrices. The chi-square values are somewhat high but this is to be expected in models with large sample sizes and complicated structures that do not always mean poor fit. In addition, the NFI values are greater than the

acceptable threshold (0.90) of the saturated and estimated model (0.909 and 0.904 respectively), hence good incremental fit. Comprehensively, these findings indicate that the model is an appropriate structure to test the hypothesis and interpret the structure.

The statistically significant correlation between job satisfaction and employee engagement, which is discovered in the current research work is not exclusive, as it correlates with recent empirical evidence in the organizational behavior literature. Existing research indicates that the path coefficients are equally robust, as the engaged employees will be more satisfied because of being more motivated, energetic, and psychologically engaged (Bakker and Albrecht, 2024; Saks and Gruman, 2023; Gupta et al., 2023). The size of the path coefficient ($= 0.875$) in the current research is relatively larger than various other studies conducted in the banking sector previously implying a more robust engagement-satisfaction connection in the Islamic banking environment. This positive correlation is also supported in previous studies in traditional banking and service sectors, but usually with a less significant impact (Christian et al., 2020; Rich et al., 2019). These comparisons, statistically, show that the current findings are not only a reflection of the existing evidence but a continuity of the same, since it indeed shows a stronger relationship in an organizational setup with a strong faith basis to it.

The significant and beneficial impact of job satisfaction on the perceived organizational performance ($= 0.552$) is consistent with the recent results that emphasize satisfaction as one of the influential predictors of perceived performance and service performance. Newer research also documents such large coefficients with a focus on the fact that the content employees bring in better service quality, customer satisfaction and the effectiveness in general (Rasheed and Hanif, 2024; Zhao et al., 2023; Latif et al., 2023). The level of relationships in the current study is similar or even greater than findings obtained in previous studies on service-sector (Wright and Cropanzano, 2019; Judge et al., 2020). This statistically indicates that job satisfaction is a consistent and strong predictor of performance in any given situation and the fact that the explained variance ($R^2 = 0.732$) is comparatively high in this study means that it is a better predictor than most previous models.

The mediation analysis confirms that job satisfaction plays a significant mediator role in the relationship between the employee engagement with the perceived organizational performance and the mediation finding is similar to other recent mediation-driven studies. Recent studies are also inclined towards indirect-effect models, which show that engagement has an indirect impact on performance, relying more on the attitudinal rather than the behavioral pathways (Hayes, 2023; Karatepe and Aga, 2024; Yalabik et al., 2023). The strength of mediation is more evident in this model than in previous mediation studies since the significance in the indirect effect was considerable in the current study. The previous research proposed the partial mediation, too, but the indirect paths were not as strong in it (Saks, 2020; Bowling et al., 2020). Comparatively, the present findings are more empirical support to the mediating effect of job satisfaction where it seems to be key in conversion of engagement to performance outcomes.

DISCUSSION

The theoretical contribution presented in the findings of this study is impressive in the sense that it empirically confirms or rejects the involvement-satisfaction-performance mechanism in the case of Islamic banking. The findings prove that employee engagement is a key factor that boosts job satisfaction that subsequently positively affect perceived organizational performance hence attitudinal and motivational theories about the psychological states being the precursor to the performances are backed. This coincides with the current theoretical growth that argues that engagement is an inward asset that contributes to producing job-related attitude positive (Bakker and Albrecht, 2024; Saks and Gruman, 2023; Karatepe and Aga, 2024). Theoretically, the fact that job satisfaction as a mediator is of great importance supports the argument that the engagement is not directly related to performance unless it is processed through satisfaction cognitively and emotionally. Previous research did not ignore this concept

of paths modeled but in many cases failed to prove it empirically in the banking context (Saks, 2020; Bowling et al., 2020). Yet, when it comes to performance-oriented cultures, some researchers state that engagement can have a direct performance effect even without satisfaction (Yalabik et al., 2023). The current project partially contradicts this approach by illustrating that job satisfaction is still an essential explanatory construct, thus making contributions to the current theory by placing engagement-performance relationships in contexts of Islamic banking organizations.

This study has a literature contribution because, it presents strong empirical research that confirms and adds on the previous studies, with significant literature gaps filled. The path coefficient values in this paper are higher than those in most previous service-based studies, which indicates that the engagement to satisfaction relationship might be higher in faith based based organization (Gupta et al., 2023; Ahmad et al., 2024; Rasheed and Hanif, 2024). The model also explains a considerable amount (R^2 , approximately more than 0.70) which is significantly more successful than some models reported in the past, therefore, predicting better. Past empirical works would typically be Western or traditional bank background and had varied findings on the mediation effects (Wright and Cropanzano, 2019; Judge et al., 2020). Conversely, the current results support the current literature on using mediation-based models as a superior one over the direct-effect methods (Hayes, 2023; Zhao et al., 2023). However, other more recent studies have found less significant or no mediation effects because of the contextual factors like regulatory pressure or job insecurity (Chen et al., 2023). In comparison, this paper indicates that the mediation mechanism works much harder when the employees feel that they are treated fair, have a purpose, and share similar values with organizational values, which is typical in the case of Islamic banking and thus contributes to the existing body of literature.

CONCLUSION

The work concludes that employee engagement is quite critical in increasing job satisfaction, which in turn promotes the perceived organizational performance in the context of the Islamic banking. In fact, the empirical findings can be strongly statistical evidence of the proposed mediation model to identify that job satisfaction is one of the critical explanatory processes in which engagement can convert into performance outcomes. This is clear of the recent organizational behavior studies that tended to highlight the significance of attitudinal variables in driving performance perceptions (Bakker and Albrecht, 2024; Saks and Gruman, 2023; Gupta et al., 2023). The observation of engagement and performance relationship has occurred in the previous works but mostly depending on direct-effect models that have low explanatory levels (Saks, 2020; Wright and Cropanzano, 2019). This study contributes to the knowledge on the impact of psychological states in the outcome in service-based organizations by empirically confirming a mediation-based framework.

Theoretically, the research study enhances the development of the engagement and motivation theories since it empirically establishes that engagement by its own cannot lead to an increase in performance unless converted through job satisfaction. The high mediation coefficient confirms new theoretical claims in favor of the existence of mechanism-based explanation in the organizational research (Hayes, 2023; Hair et al., 2024; Sarstedt et al., 2023). The empirical research expands on more recent literature because it provides solid evidence on an Islamic banking environment which has been underrepresented in the earlier studies. Published previous empirical research showed inconsistent results on mediation effects, which was often explained by either contextual or cultural differences (Judge et al., 2020; Bowling et al., 2020). Conversely, the current research illustrates that engagement – satisfaction relationships can be reinforced by value-based organizational settings, thus, adding subtle information to the existing body of work.

FUTURE RESEARCH DIRECTIONS

The current study can be enhanced by future research, which adds more psychological and organizational variables to the present one. Although this research concentrated on the employee engagement, job satisfaction, and the perceived organizational performance, future research can incorporate other organizational commitment, psychological empowerment, leadership styles, or work-life balance to rediscover some subtler mechanism. Recent findings indicate that the multi-mediator and multi-moderator models can help to better understand employee performance and behavior outcomes (Hair et al., 2024; Hayes, 2023; Sarstedt et al., 2023). Previous studies had also emphasized the importance of including contextual and relational variables in order to understand the dynamics of performance better (Judge et al., 2020; Saks, 2020). Such expansion of the model would be helpful in enabling subsequent researchers to test more complex theoretical frameworks to make the overall engagement-performance relationships more generalizable.

The study has some limitations in methodology, though it is imperative that it provides some contribution to a research that will be conducted in the future. The cross sectional design does not allow making causal inferences, since relationships were studied at one time only. Longitudinal or experimental designs would be more causal and would be able to measure the change of engagement and satisfaction. Also, the research was based on self-reported information that might be vulnerable to common method bias. Previous methodological references propose to use the combination of perceptual measurements with objective performance indicators to address this drawback (Podsakoff et al., 2020; Bryman, 2019). Theoretically, it is possible to theoretically test different theoretical perspectives on the study like the social exchange or the conservation resources perspective in future research in order to confirm or refute the present results.

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