



## **An Impact of Organizational Justice on the Employees Performance. A Case of banking sector of Khyber Pakhtunkhwa**

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**Abstract:**The study collected data of 200 employees of commercial banks from the KP region and regression was used to analyze the effect of organizational justice on employee performance. The results reported that procedural justice has a positive significant effect on the employee performance. The results also reported that distributive justice has a positive significant effect on employees' performance. The outcome suggested that interactional justice has a positive significant effect on employees' performance. All the outcomes revealed that organizational justice prevails in the banking sector of KP. The findings are beneficial for policymakers in banking sector of Pakistan.

**Keywords:** Organizational justice, Procedural justice, Distribution justice, Employee performance

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### **1. Introduction and Background of the study**

Organizational justice is considered to be vital in every organization, as the various discussions of organizational justice like justice in procedures, justice in distributions, and interaction are straightly considered as very important for the employee's motivation and commitment. Banking sector is a huge sector that contribute to the economy of Pakistan, so conduction of research in this sector has got significant importance among academicians and researchers. [ 1 ] believe that all dimensions of the organization's justice are vital to organizational performance and employee motivation. Similarly, [2] also reports the sign significance of organizational justice as very vital for the employee's performance and uplifting of the organization. [7] Considers OJ as very necessary as lack of the provision of this in organization malice the environment nonproductive. Likewise, [8] explained that the employee's go-to satisfaction can be obtained due to the small of justice in procedures and distributions log the employees. The successful provision of justice is the yardstick of growth and achievement. [9] Argues that employees are mainly motivated by justice in procedure and distribution and the success of the organization is purely based on the

provision of equality in this regard. [10] also validates the significance of equality in rewards and promotion by the boss and supervisor in the organization. Such equality helps to attain the goals of the organization and individual milestones of the organization. The perception of employees about the justice of the organization is very vital and used to be underlined (Lee, 2000). Similarly, [15] argued that organizational justice especially the PJ encourages the employee's performance which then helps in attaining the organizational goals and also improves the performance of the employees. The fairness in system and procedure is worth maintaining in the context of org as it significantly contributes to the motivation of the employees which plays an encouraging helping hand in the success and growth of the organization. Similarly, [11] helped that the turnover intention of the employee is mainly associated with the employee's performance. Similarly, [3], believed that positive sentiments about justice in the organization can be vital to encourage the employee's performance, growth track, and overall performance of the organization. Many students explore this area in the world and Pakistan but a study exploring NADRA employees in ICPK is a missing case of the relationship between these variables, therefore this study is expected to add value to the literature.

Organizational justice plays a very large role in the employee's performance, especially the understanding that how fairness in the system, procedures, distributions, and interaction plays a role in the employee's performance. It is not known what kinds of justice in banking sector of Pakistan contribute to its employee's performance. This study has numerous contributions and is significant. First, this study would help the policymakers of banks with the framework of justice system in this organization. Second, this study is likely to contribute to the body of knowledge from the perspective of the local literature and Pakistan. Third, this study is covering the missing links in the literature. Fourth, this study will help the academician and researchers to use it in their studies as the footprint.

## **2. Literature review**

### **2.1 Procedural Justice and Employees' performance**

Folger, (1999), used the organizational justice, especially PJ as the independent variable and used the regression for testing the hypothesis the results document that the encouragement of the employees is purely based on the procedural justice and suggest that procedural justice is vital for the improved performance of the organization and organization should stringently focus on the justice system in term of procedures [1, 2]. [19] also analyzed the impact of PJ as an independent variable on the employees' performance using the employees of the health sector to test the framed hypothesis a regression was used which explicitly found the positive connection between PJ and employees' performance [3, 4]. The study extends suggestions as the PJ is very special for the improvement of organizational performance. According to [10], organizational justice is very important for the speedy performance of the organization, and the organization system and other procedures are very impactful to increase or decrease the organization's performance. So the organization should heavily rely on the improvement of the procedures to obtain outcomes and smooth growth in the organization. [16] also reported that the positive sentiment of the employees is attached to organizational justice, particularly procedural justice. Further, he noticed that enhancing the positive sentiment of the

employees about the prevailing practices of justice in procedures will lead to patronizing the organization on growth and would give more return. According to [22] the role of a leader, especially explaining his or her role in developing an excellent framework that shows the procedures and policies which are mainly characterized by the virtue of justice and fairness to be given to employees to get favorable results in terms of many organizational outcomes. The study also suggests that as many efforts the top management of the co can ensure terms of justice regarding procedures would yield more returns for the organization. [23] expressed the importance of procedural justice that account for more improved performance of the employees and delivers better results. The organization outcomes can be enhanced with the top-level provision of fairness in the organization system. The prevailing perceived justice in the organization is vital which can enhance the employees' productivity and can discourage the turnover intention in the organization. Further study suggests that the focus of the organization should be on the organization justice particularly the justice in procedures and system.

According to [11] asserted that PJ is a factor that has an impact on the performance of employees. The study focused on simple regression to obtain results and outlined that PJ is the most influencing factor to substantiate employees' performance. The study highlights the significance of justice in procedures to overcome the weaknesses and to ensure the top-class justice in fairness and procedures for maintaining the growth curve up. [8] while investigated the impact of PJ on the organization's performance. The study out rightly noticed the significance of justice and confirmed that justice in the shape of the system is highly admirable as it carries a positive effect on the employees' performance and suggests that organization as many efforts can to prevail justice in the organization for smooth functioning and growth. [11] also highlighted the significance of the procedural justice and conveyed its importance to the academia as the fruitful effect of PJ on the employees' performance and stated that fairness in procedures is extremely important to get the organizational milestones and the same can positively contribute to the sentiment of employees that will help the organization to maintain the growth and consider the same PJ as a way forward to achieve heights. Zhang et al. (2014) considered that organizational justice, mainly PJ is used for testing in regression for testing the hypothesis, and the results certificate that the encouragement of the employees is purely based on the procedural justice and suggest that procedural justice is vital for the improved performance of the organization and it can further strengthen the system to establish the fair system of procedures. [13] while investigating the employees of educational institution expressed the importance of procedural justice that account for more enhanced performance of the employees and help to produce better results. The organization outcomes can be enhanced with the top-level provision of fairness in the organization system. The prevailing perceived justice in the organization is vital which can enhance the employees' productivity and can discourage the turnover intention in the organization. Further study suggests that the focus of the organization should be on organizational justice, particularly PJ is more vital to obtain results. [14] Explained the role of a leader, particularly explaining his role in framing the framework that predicts the procedures and policies which are characterized by the feature of justice and fairness to be given to employees to get favorable results in terms of many organizational outcomes. The study also suggests that as many efforts the top management of the co can ensure in terms of the justice regarding procedures are expected to benefit the organization. Decremer (2006) explained that PJ is vital that carries an impact on the performance of employees. The study focused on the regression technique to find results and showed that PJ is the most influencing factor to substantiate employees' performance. The study highlights the significance of justice

in procedures to overcome the weaknesses and to ensure the top-class justice in fairness and procedures for maintaining the growth curve up[15].

## **2.2 Distributive Justice and Employees' performance**

[16] also analyzed the impact of distributed Justice as an independent variable on the employees' performance using the employees of the health sector to test the framed hypothesis a regression was used which explicitly found the positive connection between DJ and employee's performance. The study goes on to say that the DJ is highly important for improving organizational performance. [17] examined that the leader, in particular, his or her role in developing an excellent framework that demonstrates the procedures and policies that are primarily characterized by the virtues of justice and fairness to be given to employees to achieve favorable results in terms of many organizational outcomes. The study also suggests that as many efforts the top management of the co can ensure in terms of distributive justice regarding procedures would yield more returns for the organization.

[18] stated that employee engagement during or after the performance review process has been stressed in the previous study on performance appraisal and expressed the importance of distributive justice that account for more improved performance of the employees and delivers better results. The organization outcomes can be enhanced with the top-level provision of fairness in the organization system. The prevailing perceived justice in the organization is vital which can enhance the employees' productivity and can discourage the turnover intention in the organization. Further study suggests that the focus of the organization should be on distributed justice particularly the justice in procedures and systems. [14]declared that DJ is a factor that has an impact on the performance of employees. To acquire results, the study employed simple regression and found that DJ is the most influential component in substantiating employees' performance. The study emphasizes the importance of distributive justice in processes for overcoming flaws and ensuring top-notch justice in fairness and procedures for keeping the development curve on the track. [11] Job satisfaction during or after the performance appraisal process has been stressed in the previous study on performance evaluation. The study also suggests that as many efforts the top management of the co can ensure term of the distributive justice regarding procedures are expected to benefit the organization.

According to [27] the role of a leader, especially explaining his or her role in developing an excellent framework that shows the procedures and policies which are mainly characterized by the virtue of justice and fairness to be given to employees to get favorable results in terms of many organizational outcomes. The study also suggests that as many efforts the top management of the co can ensure terms of justice regarding procedures would yield more returns for the organization. Pay for performance only improves employee perceptions of distributive

justice when it is supported by a commitment to performance evaluation. The findings are in line with typical assumptions about the HR bundle, which stress the relevance of HR practice combinations or bundles [12].Similarly, [5] expressed the importance of distributive justice that account for more improved performance of the employees and deliver better results. The organization outcomes can be enhanced with the top-level provision of

fairness in the organization system. The main perceived justice in the organization is vital which can enhance the employees' productivity and can discourage the turnover intention in the organization. Recent research reveals that the organization's emphasis should be on distributive justice, including justice in procedures and systems. According to [8], distributive justice refers to employees' perceptions of general fairness between the total scope of investments made and the associated reward. It's worth noting that distributive justice spans a wide range of organizational results, including advancements, incentives, punishment, labor programmers, benefits, and performance evaluation. The core idea is that resource allocation is based on perceptions of distributive fairness, justice, trust, commitment, and organizational effect].

### **2.3 Interactional Justice and Employees' performance**

According to [23] Interactional justice, according to previous research, plays a critical role in fostering high-quality leader-member interaction which has ramifications for employee performance. The larger framework in which these impacts play out, on the other hand, has gotten less attention. We propose that interactional justice difference is an essential contextual modulator of the connection between interactional justice and LMX, based on justice and social exchange theories. We propose that a high level of interactional justice difference weakens the relationship between interactional justice and LMX, affecting the impacts of interactional justice on employee performance and employee creativity. [24]Conducted research, and workers of educational institutions acknowledged the importance of Interactional Justice and Employee Performance, both of which contribute to improved employee productivity and excellent results. With top-level fairness provision in the organization structure, the organization's outcomes can be improved. The current perception of justice in the firm is critical since it may boost employee productivity while also reducing the likelihood of turnover. Further study suggests that the focus of the organization should be on interactionalJustice and Employee performance is more vital to obtaining results.

[25]described the leadership style, in particular, his role in portraying the framework that predicts the procedures and policies that are characterized by the feature of justice and fairness to be given to employees to achieve favorable results in terms of a variety of organizational outcomes. The study also suggests that as many efforts the top management of the co can ensure in terms of the Interactional Justice and Employees performance regarding procedures are expected to benefit the organization

LMX is a concept that describes the efficiency of the overall relationship between a leader and a supporter, built over time as a function of many associated symptoms of social interaction. Interactional justice comprises a group of episodic social interactions between a leader and a follower, whereas LMX is a concept that describes the quality of the overall relationships between the leader and a supporter, built over time as a function of many repeated episodes of social interaction [28]. High degrees of interpersonal like, trust, and emotions of long-term mutual duty and reciprocity between a leader and a follower describe high-quality LMX relationships [21].

[28] used the organizational justice, specially interactional Justice and Employees performance as the independent variable and used the regression for testing the hypothesis and the results document that the encouragement of the

employees is purely based on the interactional Justice and Employees performance and suggest that interactional Justice is vital for the improved performance of the organization and organization should stringently focus on the justice system in term of procedures. [20]Evaluate the stated hypothesis, a regression was employed to explicitly find the positive relationship between IJ and employee performance employing personnel from the health industry. The study goes on to say that the IJ is particularly useful for improving organizational performance. [6]Demonstrates the impact of interactional justice on an organization's turnover behavioral decision. The impacts of procedural, distributive, and interactional justice are compared in this study. To collect data from numerous companies, a subjective survey approach is employed. To assess the impact of three judicial systems, multivariate correlation analysis and a distribution analysis are used. The study continues by demonstrating the impact of interactional justice on an employee's decision to leave a business. [18] emphasized the significance of Interactional fairness, which accounts for increased employee performance and better outcomes. With top-level fairness provision in the organization structure, the organization's results can be improved[28].

### **3. Research Methodology**

#### **3.1 Population and sampling**

In many types of research always the sample is taken from the population. The population represents all the obscurations that are therefore unstuck sample is talcum like [11] termed population as initial and sample size shaped be talcum from the population. That truly represents the population as more sample size can be good for good results and reliable results also. This study is based on 200 employees of the commercial banks in Peshawar. All these employees' are selected on a random basis and as per [13], if the size of the sample is 100 or above then it is good. So in this study, the representatives are more than 100 then, and the results are expected to be fine and statistically good.

#### **3.2 Data Sources and Collection**

Data can be gathered through many approaches like questionnaires, and observation methods and may be gathered through group discussion. It can also be gathered via interview approaches like structured and unstructured interviews. This study is using a questionnaire for getting the respondent's responses. Questionnaires can be sent to get back from the respondents. This study is based on 200 employees' data. 200 responses are good enough for analysis of the research [19]. The questionnaire is purely based on the licit scale, which is short from strongly agree to strongly disagree.

#### **3.3 Operational Definitions of Variables**

This study is based on independent variables' impact on dependent variables. Organizational justice is divided into three, i.e. Procedural justice, distributive justice, and interactional justice. The dependent variable is the employee's performance.

The right and fairness in the various procedure are termed procedural justice, which is extremely important for the organization's performance and the motivation of employees. [16] argue that various techniques and rules are permanently adhered to by the organization. Excellent rules and regulations are playing a key role in the organizational uplift. The study uses the scale and questionnaire of [22] to measure this procedural justice and is based on a 5-point scale.

Distributive justice is very vital for the success of the organization. If all employees get equally treated concerning promotion and rewards then the organization's performance will be improved. Hence banking sector is where employees' activation is playing a key role. Distributive justice is an important facet of overall justice. This is also measured using the used scale & questionnaire of [18].

Every organization provides equal opportunities to all employees who are respectful of their interaction with the boss. If there is justice in terms of interactions the organization will have constant growth. Better treatment in this regard will be a booster for employees. While using the scale of [15]. The study is conducted.

The employee's performance is vital for the growth and maturity of the organization. The employee's performance is obtained through the use of output which is obtained by the organization.

### 3.4 Econometric model

The following econometric model is used for the data analysis.

$$\text{Employees performance} = B_0 + B_1 DJ + B_2 PJ + B_3 IJ + M$$

## 4. Data Analysis

### 4.1 Reliability Analysis

Reliability in research is first conducted to test the data for further appreciation. The table shares that the alpha value that reflects the consistency in data is ok, because it is passing the derived level which is 0.70. The value of all variables is above 0.70.

Table 1: Reliability analysis

Variables	no of items	combined value
PI	5	0.723
DJ	5	0.781
IJ	4	0.821

EP	4	0.803
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## 4.2 Regression Analysis

The results in table 2 predicting that procedural justice in the banking sector has positive nexus with the employees performance as the T-value is above the threshold i.e 1.97, which means that PJ has positive and statistically significant effect on employees performance of banking sector. Likewise, IJ and DJ also showing significant T-values which predict that both carry significant positive impact on the employees performance in banks in Pakistan. Both R-square and F-value show that model is significant and enough explanatory power.

**Table 2: Regression analysis**

Variables	coefficients	T-value
PI	0.234	2.45
DJ	0.345	3.45
IJ	0.256	2.54

**F-value, 45.67, R-square, 0.45**

## 4.3 Discussion

H1: Distributive justice has a positive effect on employee performance.

The result reveals that DJ is a significant factor in influents and enhancing the performance of employees in Banks. The significant beta and T-value are greater than 2 and have a significant impact on the performance of banks employees. It is good news for the banks that justice in terms of distribution is there. Many other studies also outlined that organizations is having a positive connection with employee performance.

H2: Procedural justice has a positive impact on E.P while using the regression to test this hypothesis it has been observed from the analysis that procedural justice is a significant effect.

The employee's performance in banks gives a good message to the policy matters in banks. The T-value of PJ stands at the significant level of 5% probability level which confirms the significant effect of PJ on EP. In part few studies it has also been Witt missed.

H3: interactional justice has a positive impact on EP while investigating the effect of IJ on the performance of employees in banks. It is concluded that IJ is shaping a significant impact on the employees' performance which

means that as the interactional justice in the banking sector employees tends to increase it will have a positive influence on the performance of the employees of banks. The corresponding P-value of the variable is significant at the 5% probability level, which confirms the positive impact of IJ on EP.

## **5. Conclusion of the Study**

Organizational justice is one of the most debatable topics of the modern era. Justice whatever prevails; it gives fruitful results, especially in motivating employees to improve their performances and uplifting the overall performance. Banking sector is wide range sector in Pakistan where employees' performance matters a lot and their performance enhances the overall performance of bank. This study is based on exploring bank's employees in relation to their performance. This study has collected data from 200 employees as respondents, who were randomly selected and assessed. There variables using different techniques for the reliability and validity of variables and testing the hypothesis. The study has applied a simple regression technique to test the hypothesis and obtained results based on the developed hypothesis.

The results portrayed that DJ is having a positive significant impact on the employees' performance which determines that DJ can assure more employees' performance. While noting similar studies in past can also be seen with the same results. The results also demonstrated that DJ is also vital to impact the performance of employees in banking sector as the bet of this variable is statically significant. It showed that the prevailing DJ system is well managed in banking sector and it has a positive effect on the performance of employees. Otherwise many studies in the literature also agree that DJ has a positive effect on the employees' performance.

While investigating the impact of IJ on the employees' performance, it was revealed that IJ has a positive note in this regard as it significantly improves the employees' performance. The results determine that interaction justice prevails in banking sector in Pakistan.

### **5.1 Recommendations and Managerial Implications**

1. As the results show that DJ is highly significant in influencing the EP, which means that commercial banks should enhance its distributive justice system to get further milestones.
2. As the obtained results show that PJ is significantly impacting the EP in banks, which validates that commercial banks should focus on its PJ to enhance further justice in this regard.
3. The current results in terms of IJ are enlarging which means that the organization should enhance the interactional justice with the view to getting the desired milestones and mile actions to further enhance the interactional justice in the organization.

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