



Advance Journal of Econometrics and Finance

Vol-4, Issue-1, 2026

Advance Journal of Econometrics and Finance

Online ISSN

2959-8990

Print ISSN

2959-8982

<https://ajeaf.com/index.php/Journal/About>

Name of Publisher: SCHOLAR CRAFT EDUCATION & RESEARCH HUB

Review Type: Double Blind Peer Review

Journal Frequency: Quarterly Research Journal (4- Issue)



Impact of High-Performance Work System on Employee Performance Through Psychological Empowerment

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	Abstract
<p>Tahmass Khan PhD Scholar, Abbottabad University of Science and Technology, Havellian, Pakistan. Email: khantahmass@gmail.com</p> <p>Palwasha Khan PhD Scholar, Abbottabad University of Science and Technology, Havellian, Abbottabad. Email: palwashakhann345@gmail.com</p> <p>Dr. Asghar Kamal Assistant Professor, Sarhad University of Science and Information Technology, Peshawar. Corresponding Author Email: asghar.ba@suit.edu.pk</p>	<p>The purpose of this examination is to examine the impact of high performance work system (HPWS) on employee performance (EP). Along with this, the study also evaluated the mediation role of psychological empowerment in afore mentioned relationship. According to this examination HPWS is considered as an important factor in enhancing EP. However, there were limited studies on HPWS in Pakistani context and especially on Banks. The implementation of PE is important because if employees are psychologically healthy and relax they pick things more easily and the results of HPWS will give more effective results. This study fills this literature and empirical gap. Populations of current study were managers and employees of two Banks (National Bank of Pakistan and Habib Bank Limited). Data was collected from more than 500 employees of banks using standardized scales. Data was collected through self-administered questionnaires adapted from previous studies. Obtained results proves that HPWS has positive and significant relationship with EP, and PE plays significant role in between HPWS and EP. This research has multiple theoretical and managerial implications. This research outcomes were found beneficial for practicing managers to obtain better results from their employees working in banking sectors. PE helps employees to reduce work stress and improve work competencies. By effective utilization of combination of both these factors HPWS and PE managers can enhance employee performance.</p>
<p>Keywords</p>	<p>High Performance work system (HPWS), Employee Performance (EP), Psychological Empowerment (PE).</p>



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INTRODUCTION

HPWS refers to HR practice that helps enable an employee to improve its performance in an organization (Úbeda, Claver, Marco, Zaragoza, & García, 2018). HPWS also refers to a set of human resource practices intend peoples working in an organization as a source of gaining competitive edge by improving their skills, contribution, commitment, involvement & adoptability (Malik, Manroop, & Patel, 2019). Peoples are important assets of any organizations and HRM existing literature highlighted the importance of peoples in achieving organizational performance (Yong, 2020). By improving employees' skill and work competency, organization can get close to achieve maximum output and achieve advantage over our competitors. Previous studies on HPWS have tested the positive influence of HPWS on individuals as well as on organization performance and organizational goal achievement. HPWS also relates to individual outcomes, including job satisfaction, devotion toward work, and individual performance (Fabi, Bruno, Richard Lacoursière, & Louis Raymond, 2015). Existing HRM researches on high performance work system shows that HPWS are mostly beneficial and produced fruitful results for organizations (Bruno, 2015).

A common problem identified by prior researcher is management's extra focus on achieving organizational goals, instead of focusing on employees as employees are part of that organizational environment and they play a vital role in better organization performance. Organizational smooth sailing depends on employees' hard work (Huang & Liang-Chih, 2016). By applying HPWS processes on employees will increase their motivational level so they can perform task more effectively and results of that work produce more profitable environment. On other hand by neglecting employees need and wants and by not providing them smooth work path results in increase stress, workload and as a result low output will be gained (Hauseman, Pollock, & Wang, 2017) and ultimately their productivity will be reduced. By visualizing effects of HPWS on employee well being, there are both negative and positive views. Positive side includes positive outcomes such as higher job satisfaction, higher organizational commitment, and lower emotional exhaustion and depersonalization and negative side includes results negative outcomes i.e decreased health related issues, increased workload also may results in increased depression, anxiety and lower job satisfaction. To avoid these results, further investigation on HPWS is recommended by different researchers including making the employees psychologically strong and comfortable on job and by making the employees feel that they are important asset and part of organization (Miao, Rentao, & Yi Cao, 2019). If the employees are psychologically satisfied with their job they will perform their duties more effectively (Carda, Naiara, Francisco & Canet. 2017). Thus, their overall productivity will be enhanced. Based on these arguments, psychological empowerment is added mediating variable in the relationship of HPWS and EP. Primary goal of study is to find out the effect of HPWS on EP. The study will also evaluate the mediating role of PE in aforesaid relationship.

Research Objectives

The study will achieve following objectives:

- To find out the relationship between High Performance Work System and Employee Performance.
- To find out the relationship between High Performance Work System and Psychological Empowerment.
- To find out the relationship between Psychological Empowerment and Employees Performance.
- To find out how High Performance Work System Influences Employee Performance through Psychological Empowerment.

LITERATURE REVIEW

High Performance Work System

HPWS are such HR practices that are designed to enhance performance outcomes of both Firm and employee by improving their skills, work capability and by motivating them (Nadeem, Riaz, & Danish, 2019).

Seven HPWS practices (Caldwell, & Floyd, 2014) can be used in HPWS to produce effective and fruitful profitable environment by engaging their employees by considering them as a loyal partner for the success of organization.

1. Ensuring Employee Security

Policies like part time job, downsizing and contract basis jobs are trends followed by most of the organizations but this will not help an organization to make faithful employee partners (Inuwa, 2016). Job security of employee is long term but an effective element in the path of performance (Paauwe, 2004). HPWS prefers creating trust between employees and management so they can perform by assuming that they are the partners of that organization which can play an extra role behavior in modern world market.



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2. Selective Hiring

Hiring employees by identifying their skills, attributes according to the job nature is important. Hire employee according to job requirement makes more sense than simply hiring a candidate which looks best on paper (Collins, 2001). Identifying character, behavior, sincerity, ethics and service orientation are the factors (Bottger, & Barsoux, 2012) which cannot be changed through training so in assigning an employee for a job proper process may be necessary to hire a proper person fit for a long-term job.

3. Decentralized Decision-Making

Organizations with HPWS know the importance of goals and objective identification. For the achievement of those goals organization delegate authority of decision making and empower employees working with them to perform more effectively and achieve best organizational results (Evans, & Davis, 2005). By working with skillful and supported empowered teams that takes part in decision making and by that employee trust will be increased towards management and HPWS methods. Making teams of employees finds more productive, for this organizations need to make powerful and independent group who knows their responsibility and work by themselves to achieve targets. Organizations with successful utilization of team building created by top level management finds them more responsible and helpful in achieving hierarchical goals. At this stage where employees can understand each other and work together will be more significant their work will complete in time. By creating environment of decentralized decision-making (Kezar, Carducci, & Contreras, 2006) qualities of employees will enhanced toward achievement of organizational goals and individual possession at every level.

4. High Results-Based Compensation

By creating compensation framework in which rewards will be provided to workers for the achievement of goals when the organization succeeds in achieving goals and expands their employees' views toward goals and make them devoted toward their work will find more productive (Xu, Kwok, Zhao, & Chen, 2017). Reimbursing laborers subordinate upon affiliation execution is most effective gotten component of a predominant culture that joins advantage sharing at all through an affiliation. The rationale of unforeseen remuneration is verifiably impartial and reasonable and affirms to representatives that they will partake in the products of their work. Team based benefits (Chong, & Eggleton, 2007) creates arrangement of social responsibility between organization and to other colleagues.

5. Training By Commitment

HPWS organizations always prepared to provide proper training to their staff members so the frame work of organization will not be disturbed they provide proper training to their employees to make them work with more efficiency. Making their employees competent of determining issues and to provide better quality and to make hcanges in organization work techniques for proving more better services and products that will helpful in trust building in between employees and management which will increase companies outcomes (Chang, & Chen, 2011). Interestingly with numerous associations that consider preparing to be a lace that can be killed, HPWS frameworks continuously provides trainings and enhancing their capabilities and prepare them for obtaining organization goals and objectives which will contribute toward organizational success. It will also improve capacity of organization to achieve goals. Exploration proof recommends that connecting with representatives in business related group preparing builds their proprietorship and responsibility and their capacity to add to the accomplishment of basic organizational objectives. (Laszlo, & Johnsen, 2009).

6. Reduced Status Barriers

It is an essential key of a HPWS is that smart thoughts and hierarchical enhancements can arise out of laborers at all levels of the affiliation (Leggat, Bartram, & Stanton, 2011). Pay dissimilarity and the use of pictures like language, dress, real space, and benefits can establish a connection with delegates that an affiliation sees status dynamically, rather than seeing every laborer like the individual is both regarded and huge. Philosophers have noticed that incredible associations try to fabricate high trust societies by sustaining and creating individuals, instead of by controlling them. Dealing with delegates like regarded assistants by diminishing status blocks, by empowering laborers, and by treating laborers with balance and respect collects trust and obligation. (Caldwell, & Floyd, 2014).

7. Sharing Key Information

The sharing of financial, indispensable, and necessary information gives to employees that they are trusted and they can utilize this huge information to assist their relationship with achieving its targets. Significantly enthusiastic and all around pre-arranged delegates need information to have the alternative to add to their affiliation's success. Sharing information and giving the readiness in how to use it to achieve goals looks good, yet various standard affiliations will not do either and finish the expense in lost possibilities and diminished trust (Prince, Katz, & Kabst, 2011).



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Psychological Empowerment

PE is expressed as a term that urges & permits workers to assume liability for any improvement achieved in the performance of work and their relegated task while adding to the fulfillment of the general goal of the related organization (Degago, 2014).

1. Meaning

Meaningfulness manages the estimation of a work objective, decided comparable to a representative's own goals and principles or significance concerns a feeling that the work of every single employee is significant. (Thomas, & Velthouse, 1990).

2. Competence

The next dimension of empowerment is competence which is about employees own competency or capability of that how effectively he can perform his job / duty when he is willing to do it by himself. Competence is one's faith in his/her ability to perform exercises with expertise. It is similar to office convictions, individual authority or exertion execution anticipation. (Thomas, & Velthouse, 1990).

3. Self-Determination

Self-determination is the third empowerment dimension which follows causal obligations regarding an employee's activities. It is simply the laborer's knowledge on the standard In the beginning and continuation of work practices and cycles. (Bell, 1980) It is a feeling of decision making in starting or managing individuals own activities. Self-determination is about persons own perception that how effectively he can manage its work and his own choice that with what techniques and procedures he can work more effectively.

4. Impact

Impact is the other dimension of empowerment which shows that how much a worker can impact key, authoritative, or working results at work (Ashforth, 1989). The overall idea of effect has been concentrated under different names, including learned-weakness and locus-of-control. Effect is the opposite of learned-weakness, not withstanding, it contrasts from locus-of-control. Inside locus-of-control is an overall character trademark, while the effect insight suffers with the work setting. (Lee, & Koh, 2001).

Employee Performance

Employee Performance is express as how a worker does their task obligations and executes their necessary errands. It alludes to the adequacy, quality, and proficiency of their yield (Karatepe, 2013).

EP is about workers outcomes that how much efficient an employee is. And following objectives or guidelines according to the organizations policies. Employees will be appreciated for their better performance and their efforts will be count that how effectively they perform their tasks, and how they fulfill their responsibilities according to the norms set by organization. EP is about employee own efficiency and his delegation of work if an employee is doing his duty according to his capacity towards goals, then he can definitely find his way to success.

Speed and Efficiency: *To find out that how much amount of average work will be done/completed by an employee in a day, month or annually.*

Quality and Depth: *Making comparison between employee work with other colleges of same field or in other organization.*

Trust and Consistency: *Is that employee reliable so that to let him take part in decision making or asking for suggestions.*

High Performance Work System and Employee Performance

In the course of the most recent couple of many years, researchers in SHRM field have given a lot of consideration regarding superior work frameworks HPWS and their adequacy on significant worker and hierarchical results (Rabl & Kühmann, 2014). An arising researches in this field has as of late underlined the part of individual representatives' involvement in HR frameworks inside the association and has recommended that the viability of HR rehearses relies upon how much workers can really see or experience such HR rehearses (Hong, Jiang, Liao, & Sturman, 2017) A few investigations likewise give strong experimental proof in regards to the interceding part of individual representatives' view of HPWS in the connection among HPWS and individual work results, for example, work fulfillment and individual execution (Den, Boon, Verburg, and Croon, 2013). While it is essential to comprehend the part of individual workers' impression of HPWS in advancing individual perspectives and practices, it is similarly significant (Kehoe & Wright, 2013). Without a doubt, the lower level of representative impression of HPWS may subvert the viability of HPWS (Bowen, & Ostroff, 2004). Consequently, a significant inquiry for specialists and experts is the means by which to fortify the agreement between firm HPWS and workers' aggregate impression of HPWS, particularly given that the usage of firm HPWS isn't possible without cost. Until except this, not many investigations have investigated this subject (Hong, Jiang, Liao, & Sturman,



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2017). It is significant for associations to comprehend how they can deal with deal with representatives' altogether. HPWS assume a synergistic part with the authoritative techniques that lead to better

High-Performance Work Systems and Psychological Empowerment

PE is an important factor that affects employee works and it also cause in increase or decrease in employees work capacity (Conger, & Kanungo, 1988). PE is said as a persuasive methodology and characterized as "a collaboration of improving vibes of self-amplessness among objective arranged people through conditions that develop weakness and through their departure by both formal definitive practices and easygoing methods of giving reasonability information. (Thomas, & Velthouse, 1990) characterized empowerment as inborn inspiration exhibited in following four discernments: which means, effect, ability, and self-assurance (Spreitzer, 1995) likewise proposed four components of PE: which means, capability, effect, and self-sufficiency. HPWS are the ecological signs that impact PE (Arefin, Arif, & Raquib, 2015). HPWS incorporate HR rehearses that impact psychological empowerment. For instance, HPWS impacts representatives to feel enabled and opportunity (Appelbaum, Bailey, Berg, Kalleberg & Bailey, 2000), execution based compensation spikes delegates to feel self-chose at work broad preparing upgrades representatives capacities to perform assignments, which further spurs them to show their skills at work, participative organization enables delegates to find themselves more controlled in doing their tasks (Arefin, Arif, & Raquib, 2015).

Psychological Empowerment and Employee Performance

Changes in business environment have constrained associations to search the board frameworks to stay serious in the present fierce economy (Shahzad, 2014). "Engaging" employees has gotten a central subject of related organization and authority practices that have been embraced to allow relationship to end up being more genuine, PE is seen as a strategy to develop a versatile affiliation that is prepared for acclimating to a changing external environment (Degago, 2014). PE is observed to be straightforwardly identified with work spaces where imaginativeness was covered and workers were removed, showing discontent both only and aggregately. Worker empowerment is critical to the authoritative change measure as empowering satisfies the people need for a feeling of control. This is an especially basic need in a period of hierarchical change as the bigger powers of progress are for the most part past the individual control. Barely anybody gets a kick out of the chance to feel like that they are being pushed around. There ought to be consistently a cautious equilibrium in conceding capacity to workers. On the off chance that you are too careless in your guidelines, the organization's primary concern endures. In any case, in the event that you are excessively exacting, you wind up making terrible emotions or in any event, harming your standing (Prichard, 2013). With the above thoughts and other related data, it is feasible to see the relations found among PE and EP. This bears question in researchers' brain and demands to pose an inquiry whether empowering employee have connection with employee performance and what it especially mean for execution of representatives in financial area.

Mediating role of Psychological Empowerment

Earlier examination underscored the interceding job of PE in the affiliation between context oriented factors like hierarchical approaches and practices and representative mentalities and practices. All the more explicitly, psychological empowerment goes about as an intervening instrument through which hierarchical HR rehearses sway on representative business related perspectives and practices. (Arefin, Arif, & Raquib, 2015) tracked down that psychological empowerment interceded the positive connection among HPWS and extra-job practices like authoritative citizenship conduct, worker proactive conduct. At the point when representatives see a significant degree of PE, they are bound to feel obliged to respond for what their associations have given by expanding their endeavors to assist the association with accomplishing its objectives. Accordingly, in light of social trade hypothesis and surviving exploration (Arefin, Arif, & Raquib, 2015), we recommend that elite HR frameworks are emphatically identified with workers' view of mental empowerment, which, thusly, goes about as an intervening job in the connection between superior HR frameworks and occupation commitment (Aselage & Eisenberger, 2003) . Henceforth, HPWS and more elevated levels of PE can strain representatives' time and exhaust their physical, mental, and enthusiastic energy by making better standards, requiring additional exertion, and requesting broad duties, which shows that HPWS and saw PE could bring about asset misfortune through a troubling cycle. Further, people will in general overestimate the heaviness of misfortune contrasted and the estimation of gain (Tversky & Kahneman, 1981) in view of the supremacy of asset misfortune guideline in COR hypothesis (Halbesleben, 2014).(Wells, Hobfoll, and Lavin 1999) tracked down that psychological pain starts from asset misfortune as opposed to from asset acquire. In this way, even in spite of the fact that PE is related with both asset acquire through the empowering interaction and asset misfortune through the troubling cycle, the positive result may be balanced by the adverse impact of PE on PW, particularly when representatives' free time, assets, or individual capacity don't meet work assumptions (Jensen, 2013). Based on the above contentions, we recommend that PE addresses another intervening component (arbiter a cycle of asset misfortune) (time and energy) in the connection between HPWSs and EP. In fact (Ehrnrooth & Björkman 2012) tracked down that the HRM interaction expands responsibility through the interceding job of PE. In this way, HPWS affect EP through their positive impact of PE.

How Empowerments Help in Improving Organizational Performance

PE has been viewed as a significant idea since it possibly influences results that advantage people and organizations (Han, 2009). There has been expanding interest in the idea of empowerment among both research scholars and experts (Conger & Kanungo, 1988). They have accepted empowerment as an approach to energize and expand dynamic at lower levels in an organization and, simultaneously, improve employees work potentials (Allahyari, 2011). Psychological empowerment prompts significant social results. For example, representatives who are engaged have a more grounded ability to be self-aware viability and they can comprehend client request effectively, tackle issues in the help ideal and successfully and show seriously remarkable execution in the assistance (Khan, 2011; Ravichandran & Gilmore, 2006). They can offer better quality, support and feel. A feeling of pride in their work on the off chance that they are trusted and engaged (Chow, 2006). It is additionally the most ideal approach to advance a decent dependable worker client relationship (Fragoso, 2000). Psychological empowerment carries advantages to workers too (Fragoso, 2000). It empowers employees to accomplish great work and to assume liability for their own work capabilities (Lashley, 1996). It practices employees psyches to discover elective and better approaches to execute their positions and builds their potential for advancements and occupation fulfillment. It brings about self-improvement since the entire cycle expands their sensations of certainty and control in themselves and their organizations (Fragoso, 2000). In this manner, Psychological empowerment has been emphatically connected with work fulfillment (Seibert, 2004).

Theoretical Frame Work of Study

In this study HPWS behaves as an independent variable, PE behaves as mediator and EP behaves as dependent variable. HPWS functions helps in improving EP and both have positive relation. Control variables of this study were respondent's age, gender, qualification and job experience. All these variables help to gain authentic data for this study.

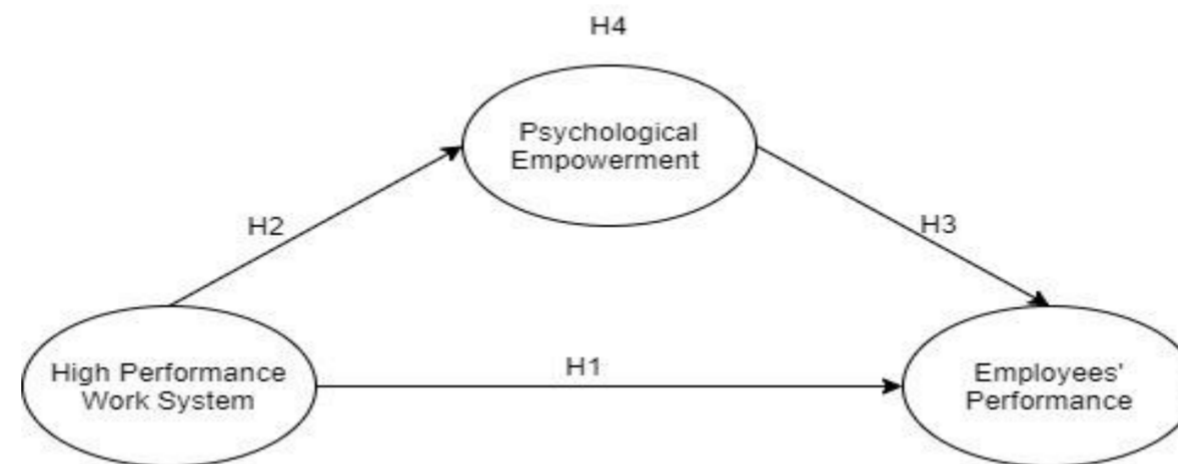


Figure: Theoretical Framework

METHODOLOGY

The study employed a quantitative cross-sectional research design. Data were collected at one point in time from banking employees to examine relationships among HPWS, psychological empowerment, and employee performance. The questionnaire was designed carefully by using Five-point Likert scale. The questionnaire items were selected with the cooperation of supervisor. Research design explains the outcomes gained through data about research variables. Items of questionnaire was adopted from previous researches and responses was recorded on Five-point Likert's Scale ranges from 1 to 5 (2 strongly agree, 1 agree, 0 neutral, -1 disagree, -2 strongly disagree). For this research total of 50 items were selected from under study variables 21 items related to HPWS (takeuchi, Heli, Lepak, Kazuo, 2010) , 12 items are related to PE (Azizi, Heidarzadi, Soroush, Janatolmakan, & Khatony, 2020).. and 17 items were related to EP (Po-Chien Chang, 2011).

Figure 3.5 item Scale

Variable	Source	No of Items
HPWS	takeuchi, Heli, Lepak, Kazuo (2010)	21
PE	(Azizi, Heidarzadi, Soroush, Janatolmakan, & Khatony, 2020)	12
EP	Po-Chien Chang (2011)	17

Population and Sample

The population of interest in this study consist of the employees working in banking sector of Pakistan. Population selected for this purpose belongs to branches of NBP and HBL branches located in Hazara division. Data about population was collected by self-visiting and from internet. Population of this study consist of 327 bank employees. In which both male and female has taken part. Self-Administered survey was performed after taking proper permission.

327 respondents were found to be an appropriate sample size for this research. The employees were selected using systematic random sampling technique. Respondent from banks was selected for data collection process.

Data Analyses and Results

All statistical tests were conducted by using Statistical Program for Social Sciences (SPSS) version 23. Baron and Kenny (1986) mediation and moderation method process was used to carry out the mediation analysis for this study.

From 307 respondents, male respondents were 274 with 89.2% and female were 33 with 10.8%. Table below gives the detail information about respondent's demographics.

Figure 4.1: Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	274	89.2	89.2	89.2
	FEMALE	33	10.8	10.8	100.0
	Total	307	100.0	100.0	

Figure 4.2: Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18-27	141	46.2	46.2	46.2
28-37	110	35.8	35.8	82.1
38-47	41	13.2	13.2	95.3
48 and above	15	4.8	4.8	100.0
Total	307	100.0	100.0	

Figure 4.3: Education of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
14 YEARS	6	1.9	1.9	1.9
16 YEARS	171	55.7	55.7	57.5
18 YEARS	113	36.8	36.8	94.3
ABOVE 18	17	5.7	5.7	100.0
Total	307	100.0	100.0	

Reliability analysis is the tool which is used for the evaluation of the instrument's items internal consistency. Reliability of the measuring instruments reveals the consistency as well as stability of the measuring scale. This measuring instrument consisted of 50 items has a Cronbach Alpha value 0.915. Cronbach Alpha value is use as a coefficient to measure the reliability of the research instrument. Reliability of the research instruments measure the consistency alongside dependability of the actions. The Cronbach's Alpha statistics shows that how the research instruments items are reliable and correlated positively with each other. Threshold frequency for Cronbach Alpha is 0.07 and above (Bell et al., 2017). Cronbach Alpha's coefficient for HPWS will be putted below in table 4.5 which is 0.899 which shows that is reliable. Cronbach alpha for PE is 0.794 which also shows that is reliable. And value for employee performance is 0.92 which is reliable. Cronbach Alpha value for the research instrument is 0.915. and is given in figure below.

Table 4.7: Cronbach alpha values of variables will be given in below

Cronbach's Alpha	N of Items
.915	50

Figure 4.7: Cronbach's Alpha coefficients

Variables	Cronbach's Alpha coefficient	Items
HPWSS	0.899	21
PE	0.869	12
EP	0.794	17

Regression Analysis & Baron and Kenny's Test for Mediation

To find out the strength between different variables regression is used. the major purpose of this research is to find out the impact of HPWS on EP and also the mediating role of PE in Pakistan Banking sector. To examine the strength of the association between two or more constructs the statistical test of regression is utilized generally. Baron and Kenny (1986) 4 step research approach will be used to test hypothesis. First step of this approach finds the relational path between dependent variable and independent variable. Second step shows the affect of independent variable on mediator, third step finds the affect of mediator on dependent variable and also shows the effect of independent variable on dependent variable through mediator. Last step contains analysis about any changes occurred in dependent variable. Table 4.4 shows that model of this study is significant.

It is clear from the results given in table 4.9(a, b) that beta value ($\beta=0.214$, $t=9.061$) lies in significance hence prof that HPWS is positively and significantly related to EP

Figure 4.9(a): ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	537.915	1	537.915	13.484	<.001 ^b
	Residual	4148.736	104	39.892		
	Total	4686.651	105			

Dependent Variable: EP

Predictors: (Constant), HPW

Figure 4.9(b) Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients		95.0% Confidence Interval for B		
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	43.063	4.752		9.061	<.001	33.639	52.487
	HPWS	.214	.058	.339	3.672	<.001	.099	.330

a. Dependent Variable: EP

a. Dependent Variable: EP

Hypothesis Testing and Summary

The data collected and analyzed about the variables and about formulated hypothesis shows that all of hypothesis were significant and all variables have significant and positive relationship with each other. The entire hypothesis had confirmed that their relation is valid and significant hypothesis is shown in figure 4.13.

Figure 4.13: Hypothesis Table

S.No	Statement of Hypothesis	Results
H1	HPWS has positive and significant effect on employee performance	Confirmed
H2	HPWS has positively and significantly related to psychological empowerment.	Confirmed
H3	Psychological empowerment (PE) has positive and significant relation with employee performance.	Confirmed

H4 Psychological empowerment mediates the relationship between HPWSs and employee performance Confirmed

DISCUSSION

The findings of this study provide strong empirical support for the proposition that High-Performance Work Systems (HPWS) significantly enhance employee performance in the banking sector of Pakistan, both directly and indirectly through psychological empowerment. Consistent with social exchange theory, the results indicate that when employees perceive organizational investment in the form of structured recruitment, training opportunities, performance-based rewards, participation, and information sharing, they respond with higher levels of task performance. More importantly, the study clarifies the psychological process underlying this relationship. HPWS was found to significantly increase employees' perceptions of meaning, competence, self-determination, and impact, which collectively constitute psychological empowerment. This confirms that HR systems influence performance not merely by shaping external behaviors, but by strengthening intrinsic motivation and internal work-related cognitions. The partial mediation result suggests that while HPWS has a direct structural impact on performance, a substantial portion of its effectiveness operates through empowerment mechanisms.

The discussion also highlights the contextual relevance of these findings within the Pakistani banking industry. In service-driven environments where employee-customer interactions are central, psychological states such as autonomy and competence are particularly influential in determining service quality and efficiency. The results extend prior HPWS research by demonstrating that empowerment serves as a critical explanatory link in a developing economy context. This contributes to the growing body of literature emphasizing that strategic HR practices must be interpreted and internalized by employees to produce optimal outcomes. Thus, empowerment should not be viewed as an isolated construct but as an outcome shaped by systematic HR interventions. The study reinforces the argument that organizations seeking sustainable performance improvements must design HR systems that nurture both capability development and psychological ownership.

Theoretical Implications

This research contributes to available literature by examining the mediating role of psychological empowerment in relationship with high performance work system and employee performance in context to service sector in developing countries. As it was hypothesized that psychological empowerment mediates the relationship between High performance work system and employee performance study results supports the hypothesis. It implies that employee performance will be enhanced by High performance work system and through psychological empowerment. Psychological empowerment helps employees to reduce stress and work with confidence in banking organization. This research contributes towards better utilization of high performance work system functions to achieve organizational goals more effectively. By effective utilization of HPWS employee's work capacity will be enhanced. It help in evaluating the impact of psychological empowerment on employees performance. This study clears that the level of impact of organization level (HPWS) and individual level (psychological empowerment) on employee performance as well as their combine effect.

Managerial Implications

These study findings are valuable to managers practicing managers of banks as well as can be implemented to other organizations to achieve better results from their employees. This study highlights the positive affect of psychological empowerment on employee's performance. Generally individuals who are working in organization will become depressed and mentally sick therefore their work competency and work power decreased and in this way psychological empowerment helps them in reducing stress and improving work competencies. By effective utilization of high performance work system functions and individuals PE hence by paying attention towards both of these factors managers can enhance employees performance. By providing them job satisfaction there is chance of better performance some employee may appear to think that they are not essential for organization and will be kicked aside anytime.

Implementation of HPWS functions bring creativity and help to improve their skills and polish them for work. these results can be utilized by managers for enhance overall organizational performance through improvement of employee performance by effective utilization of HPWS and psychological empowerment.

LIMITATIONS AND SUGGESTIONS

- i. For very first limitation for this investigation is that this research is limited to only banking sector. It would be suggested that analysis on other organizations will make this research more appropriate.
- ii. Research data for this investigation is taken from banking sector related to only Hazara division of Pakistan. For future it is suggested to conduct research on large scale which might make this research more reliable.
- iii. Sample for this research is low it is preferable to make future research with more respondents which will make more reliable research



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- a. Most of data for this research is taken from NBP and HBL. It would suggest to collect data from a wide range of banks that would enhance the results
- iv. Data for this research is conducted through questionnaires. For future it is preferable to collect data through other data collection techniques.

CONCLUSION

From above study it is obvious that HPWS and EP have some significant relation. Data shows that some employee finds their work important and try to do all possible efforts to do their work and these are satisfied employees but here some other unsatisfied employee will also be there who are not work with their full capacity and organization needs to motivate them and let them feel that they are essential part of that firm. Data shows that most of the employee are not motivated by the challenging tasks given to them. This will lead them to stress and mental sickness. Every employee have its own psyche and he will react according to it management needs to understand and take actions according to everyone's psyche. Management has to introduce some activities which may reduce their stress.

Whereas performance of employee relates to working style of employee. Employees are important part of any organization and by letting him to work according to his own mindset is more worthy and fruitful. Organization needs to care about their employee's psychological health. Employee's health may affect by wrong policies, work load, work pressure and due to many other factors. This all lead an employee to poor performance and degradation and all these things lead a healthy employee to mental stress. Due to which his physical health also not stays well and for this may lead both organization and employee to loss. Every individual working in an organization is essential his role is important and by letting him know his importance may lead him to better performance. Empowerment leads employee to understand his work significance. Management has clear views about their goals and for that they have divide work and responsibilities and supervisors need to supervise them according to human ethics that will create a healthy environment which will help employee to work easily and with more devotion. This will lead bank employees toward enhanced performance and to better results.

This discussion conclude that Managements plays a major role in the achievement of goal. Management system of banks could benefit from this investigation. and help their employees to enhance their performance.

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