



Examining the Effects of Job Satisfaction and Motivation on Employee Performance: The Mediating Role of Employee Engagement

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Abstract

This study examines the influence of employee job satisfaction and motivation on their performance, as well as the mediating effect of employee engagement in this relationship. This study used a quantitative methodology using an explanatory research design. Perceptual data were collected from the primary source. Structured questionnaires were utilized to analyze the collected primary data from 384 staff working in government banks in the Kathmandu Valley. Data were analyzed using descriptive statistics, correlation analyses, and structural equation modeling, using SPSS and Smart PLS 4. Reliability and validity assessments of all measures were ensured before data analysis using confirmatory factor analysis. Results of this study showed that employees reported average scores of job satisfaction and motivation, but above-average scores of engagement and performance. There were also positive correlations among all study variables. Moreover, studies found that motivation directly, as well as indirectly through employee engagement, affected employee performance. Job satisfaction influenced performance indirectly through engagement, but not directly. This study offers a number of practical and theoretical contributions endorsing the application of established motivational and engagement models within the Nepalese context.

Background

In today's business world, Human Resources (HR) is widely recognized as one of the most essential assets to an organization's success, and this is especially true in service-based industries such as commercial banking. As the foundation of the nation's financial systems, banks face challenges, including low levels of productivity, high employee turnover rates, and intense competition between domestic and international competitors (Bhattarai, 2021; Riyanto et al., 2021). Job satisfaction has been defined as employees' positive emotional states developed through their evaluations of their work experience (Locke, 1976), while employee performance refers to employees' ability to complete tasks, increase productivity, and contribute to achieving organizational goals (Viswesvaran & Ones, 2000). There is a positive relationship between job satisfaction and employees' performance; those employees who are satisfied at work are more motivated, engaged, and efficient than those who are not (Judge et al., 2001). Many researchers have indicated that factors such as wages,



working conditions, and the organizational culture can influence this association (Spector, 1997). Moreover, due to contextual differences, there is a lack of consistency in empirical evidence regarding employees' performance predictors in the literature (Bhattarai, 2023), and there is always the inconclusive debate of increasing employees' performance and creativity in every organization (Bhattarai et al., 2024b). Moreover, organization and management theories developed in developed countries can not be generalized in the context of developing countries before testing their unique context (Bhattarai & Budhathoki, 2023; Bhattarai et al, 2024a).

The study believes it is very important for employees to understand how their day-to-day performance relates to the overall success of the organization. The consistency of performance appraisal varies greatly because some employees' appraisals are semiannually, while others are annually (Sainju, 2018). There is a clear research gap in the context of Nepal, particularly regarding the commercial banking sector, despite the large body of literature examining the relationship between job satisfaction and employee performance. Previous research has mainly focused on moderating factors like job satisfaction (Al-Ali et al., 2019), or mediating factors like employee engagement (Riyanto et al., 2021), and work motivation (Majid et al., 2020). However, several theoretical and empirical studies, including those conducted in manufacturing environments (Alromaihi et al., 2017), report an empirically supported positive relationship between job satisfaction and work performance, often moderated by employee engagement. Therefore, as a response to the aforementioned context, this study aims to test a model that measures the direct influence of employee job satisfaction and motivation on their work performance, as well as the mediating effect of employee engagement in this relationship in the context of Nepali banking industries.

Literature Review

Job Satisfaction

Job satisfaction is an important predictor of how employees will perform in their jobs (Locke, 1976), and it is described as an individual's positive emotional response to his or her judgments of his or her work experiences. Employees are more likely to be satisfied with their jobs when they believe they have been treated fairly, have gotten enough acknowledgment for their efforts, and believe their work has purpose. In terms of performance management system effectiveness, research has shown that when employees are given clear expectations, confidential feedback, and growth chances, they are more satisfied with their jobs. As a result, in Nepal's commercial banking environments, where turnover rates are extremely high and banks compete for employees, improving job satisfaction through the implementation of structured performance management systems is most likely to increase employee retention and productivity (Karki et al., 2023; Chalise & Pokharel, 2022).

Employees Motivation

Performance is influenced by employee motivation and Employee motivation is typically considered through theoretical frameworks, such as Expectancy Theory (Vroom et al., 2015) and Reinforcement Theory (Skinner, 1953), which suggest that motivation for an employee occurs when they feel that their effort will result in desirable consequences and rewards, therefore motivating employees to engage in work-related activities and behaviors toward attaining goals. Research has shown that when a performance management system is aligned with incentives, recognition, and employee development opportunities, employees have demonstrated increased motivation and improvements in performance (Almulaiki, 2023). As a consequence of this research, it is reasonable to assume that commercial banks, in which the quality of services provided, the levels of workloads, and performance targets are significant, would be able to enhance the commitment and productivity of their employees using motivation strategies within the performance management process.

Employees Performance

Performance of an employee is defined as completing a job, being productive in their job, and contributing to the organization's goals (Viswesvaran & Ones, 2000). Systems for managing the performance of employees, such as goal setting, appraisals, feedback, and reward, have shown positive effects on performance (Fang & Layraman, 2022). When done well, the practices for appraisal help make sure individual goals align with organizational goals,

offer the opportunity for the development of the employee through feedback, and encourage the behaviors that are desired by the organization (Karu et al., 2018). Therefore, in the banking industry of Nepal, effective performance management will include tailoring motivational, engagement, and satisfaction factors into their performance management in order to enhance the performance of their employees, and to support their competitive position and quality of services (Karki et al., 2023).

Employee Engagement

Engagement is an intermediate link among job satisfaction, motivation, and performance (Riyanto et al., 2021). Engagement increases the involvement and enthusiasm of employees toward their jobs and, therefore, impacts productivity and efficiency in organizations. The types of performance management systems that incorporate participatory decision making, empowerment, and continuous feedback will help increase employee engagement (Margaretha et al., 2021), thus converting employee motivation and satisfaction into actual employee performance. Commercial Banks in Nepal and other industry studies have demonstrated that employee engagement is not only linked to increased efficiency, reduced turnover, and absenteeism, but has become an essential element in the employee performance equation (Margaretha et al., 2021; Chalise & Pokharel, 2022).

Conceptual Framework

This study presents a conceptual framework to examine the mediating effects of job satisfaction and employee performance within commercial banks in Nepal. The proposed framework by Riyanto et al. (2021) contextualizes. The framework endeavors to clarify the mechanisms by which job satisfaction impacts employee performance in Nepalese commercial banks by incorporating these constructs.

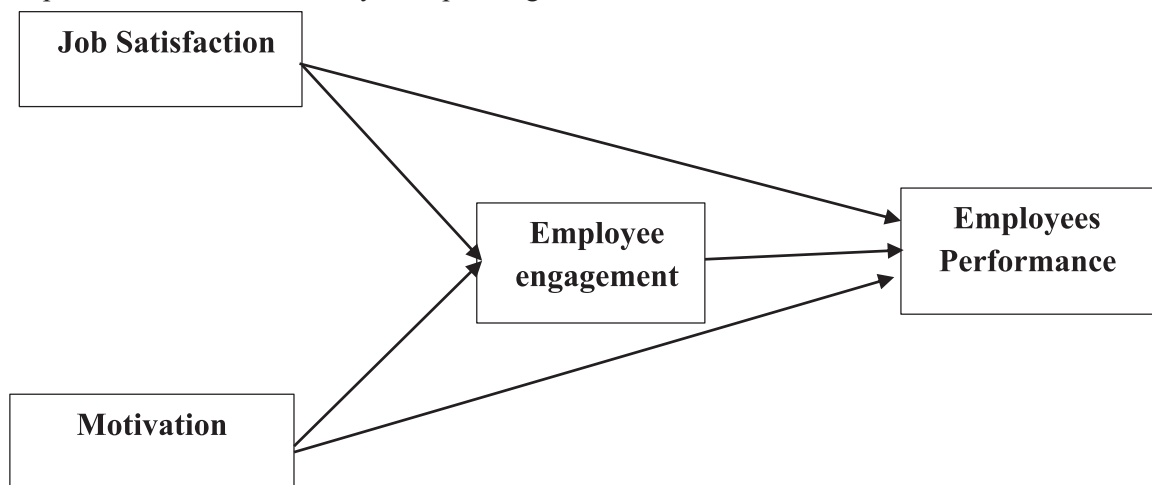


Figure 1. Conceptual Framework

Job Satisfaction and Employee Performance

Mulwa and Weru (2017) concluded that bank management should foster their employees' awareness of the role of the performance management system, reward good performers, address training gaps identified, professionally conduct appraisals, and give accurate feedback concerning staff's performance after the performance appraisal process. The performance appraisal helps management to perform the administrative decision-making process. It is related to promotions, firings, layoffs, and pay increases (Kagotho, 2018). The organization carries out this process, management has to perform the administrative operations like hiring and firing, reward choices as a result gained through the appraisal process (Karu et al., 2018). The critical role of an effective financial compensation system in improving employee performance in Nepalese financial institutions (Karki et al., 2023). These organisations employ people who are highly qualified and capable. Based on the above discussion, we proposed the following hypothesis:

H1: There is a significant effect of job satisfaction on employee performance.

Motivation and Employee Performance

If employees are positively motivated, it improves both their effectiveness and efficiency drastically for achieving organizational goals (Fan & Layraman, 2022). Performance management system, including developing and planning performance, managing and reviewing performance, and rewarding performance (Ravi Chandra & Saraswathi, 2018). Also, Herzberg et al. (1959) found that there is no association between employee performance and performance criteria, performance assessment, or quality improvement techniques. Employees sometimes try to take PA as an effort of management to get to know the employees. They take it as an unreasonable effort. They think it is the way an organization takes control over the employee (Sainju, 2018). Such managers use PA to motivate, direct, and develop subordinates, and to maximize access to essential resources in the organization to improve productivity (Schleicher et al., 2018). Balance Scorecard must be used as a multi-dimensional method for measuring performance and as a strategic management system to improve employee performance (Suherli et al., 2018). As per the review, this research proposes the following hypothesis. The reinforcement theory supports positive reinforcement of desired behavior, which occurs when an individual performs a desired behavior and receives a reward for that performance (Skinner, 2014). Negative reinforcement of behavior occurs when an unpleasant stimulus is removed once a specific behavior is performed. Hence, this study formulates the following hypothesis:

H2: There is a significant effect of motivation on employee performance.

Mediating Role of Employee Engagement in the Relationship between Job Satisfaction and Employee Performance

Employee performance is not directly impacted by employee engagement, but it can be significantly affected by the mediation of motivation and job satisfaction (Riyanto et al., 2021). Stirpe et al. (2022) argued that the relationship between job satisfaction and performance outside of one's role, in which engagement plays a significant part, is that of engagement. Job satisfaction only partially mediated the relationship between employee engagement and organizational performance (Al-dalahmeh et al., 2018). There are mediating effects of engagement in the relationship between employees' satisfaction and performance (Stirpe et al., 2022). Also, Job engagement positively and significantly influences job satisfaction, although it does not have significant effects on organizational performance (Noercahyo et al., 2021). There is a positive and significant effect of employee engagement and job satisfaction on organizational performance. Based on the above review, the current study proposed the following hypothesis:

H3: There is a mediating effect of employee engagement in the relationship between job satisfaction and employee performance.

Mediating Role of Motivation and Engagement in the Relationship between Employee Motivation and Performance

Employee performance is not directly influenced by employee engagement; however, it can be significantly affected by the mediation of motivation and job satisfaction (Riyanto et al., 2021). Employee engagement partially mediated the relationship between satisfaction, motivation, and organizational performance (Al-dalahmeh et al., 2018). The performance management system, working conditions, compensation, and promotion are organizational elements that influence employees' performance in the study, and it was concluded that the performance management system has a significant moral impact on how well workers perform in firms (Almulaiki, 2023). Also, the equity theory supports the significance of fairness and how perceived inequity affects both job satisfaction and motivation (Adams, 2015). The reinforcement theory supports positive reinforcement of desired behavior, which occurs when an individual performs a desired behavior and receives a reward for that performance (Skinner, 2014). Negative reinforcement of behavior occurs when an unpleasant stimulus is removed once a specific behavior is performed. Therefore, the current study formulates the following hypothesis:

H4: There is a mediating effect of employee engagement in the relationship between motivation and employee performance.

Research Methodology

This study employs quantitative research methods, and an explanatory research design was used. There are 20 commercial banks operating in Nepal (July 2025). Among them, three commercial banks are government-owned: Nepal Bank Limited (NBL), Rastriya Banijya Bank Limited (RBBL), and Agricultural Development Bank Limited (ADBL). These three government banks employ a total of 8,280 staff, with 2,585 working for NBL, 2,670 for ADBL, and 3,027 for RBBL (NRB, 2025 July). This figure represents the entire population for the objective of this study. The Yamane (1967) sample size formula was utilized to determine the suitable sample size when the population size is known. 384 samples were taken under judgmental sampling. The instruments are mostly derived from Riyanto et al. (2021) and contextualized to address the cultural and organizational requirements of Nepal's banking sector. This study was based on a primary source of data. The researcher was working together with the HR department of banks to share the online survey and printed questionnaire set, which was distributed at the office.

Reliability and Validity

The measuring scales for employee performance were evaluated for reliability. Each scale's Cronbach's alpha coefficient was determined using SPSS; Nunnally's (1978) suggested threshold of 0.70 indicates adequate reliability. The convergent validity was supported if the factor loadings are high (>0.6) on a particular construct and the average variance extracted (AVE) for that construct exceeds .5 (Hair et al., 2012). Discriminant validity was also supported if the square roots of the AVE for each construct are all greater than the inter-construct correlation values; this supports that the constructs can be considered as unique (Fornell & Larcker, 1981) when the measurement model has appropriate fit indices (e.g., CFI > 0.90 , RMSEA < 0.08), the CFA model was confirmed to fit the data.

Data Analysis

The main purpose of data analysis in this study is to find the impact of job satisfaction and employees' performance in the context of Nepal. First includes primary data analysis, which includes a summary of descriptive statistics associated with general information of the respondents, like gender, age, and designation, along with the percentage of the general information of the respondents. Descriptive statistics such as mean, SD, CV, correlation, and regression, from SPSS Software 2025. Structural Equation Modeling (SEM) from SMART PLS 4 to test mediation/moderation.

Results and Analysis

Table 1. Respondents Profile

		Frequency	Percent
Gender	Male	329	85.68
	Female	55	14.32
Position	Assistant level	132	34.38
	Assistant officer	114	29.69
	Officer	86	22.39
	Senior officer	52	13.54
Age	Below 30 years	79	20.57
	31 to 40 years	162	42.19
	Above 40 years	143	37.24
Education	Bachelors	170	44.27
	Master	135	35.16
	Above Master	79	20.57
Experience	Below 10 years	68	17.6

	Frequency	Percent
11 years to 20 years	149	38.8
21 years to 30 years	116	30.3
Above 30 years	51	13.3
Total	384	100

Note. Questionnaire Survey 2025

Female participants were significantly outnumbered by males; 329 (85.68%) male participants versus 55 (14.32%) female participants in the study. The largest groups consisted of assistant levels (132 participants), officers (86 participants), and senior officers (52 participants). The assistant level was the highest in terms of the number of participants, followed by the assistant officer level, while the lowest participant numbers were at the senior officer level.

A total of 79 participants (20.57%), 162 participants (42.19%), and 143 participants (37.24%) represented the different age ranges (less than 30, 31-40, greater than 40, respectively). Given that the majority of participants were in the 31-40 range, there is an obvious skew toward middle-aged individuals. Also, education level; 79 participants (20.57%) held an "Above Master" degree; 135 participants (35.16%) held a "Master's Degree"; and 170 participants (44.27%) held a "Master's Degree." Most of the participants held a Bachelor's degree, followed by Master's degree holders, and then those with higher than a Master's degree.

The length of time participants had worked at their place of employment also varied: 68 participants (17.6%) reported less than 10 years; 149 participants (38.8%) reported 11-20 years; 116 participants (30.3%) reported 21-30 years; and 51 participants (13.3%) reported more than 30 years.

Measurement Model

The Confirmatory factor analysis (CFA) was used to validate the constructs of employee performance, job satisfaction, motivation, and employee engagement. Confirmatory factor analysis (CFA) was conducted with SMART PLS 4.1.0.9 to determine the model fit. The 29 measurement items were initially assigned to each of the four latent components.

Six of the 29 items were sequentially removed from the measurement model due to their latent construct loading being below 0.60. Two variables (EP6 and EP8) from the latent construct of employee performance have been eliminated as measurement items. Similarly, one measurement item (JS7) was excluded from the latent construct of Job Satisfaction. Likewise, one item (M6) was excluded from the latent construct of Motivation items. Likewise, one item (EE7) was excluded as a measurement variable from the latent constructs of employee engagement. Therefore, an acceptable model fit index was achieved.

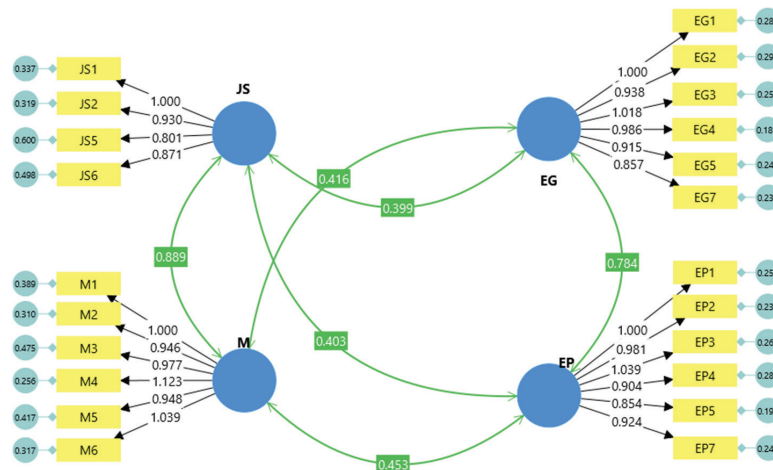


Figure 1 CFA Analysis

Table 2: Factors loadings each construct

		1	2	3	4
Employees Performance	EP1	0.759			
	EP2	0.780			
	EP3	0.775			
	EP4	0.721			
	EP5	0.750			
	EP7	0.752			
Job Satisfaction	JS1		0.771		
	JS2		0.766		
	JS5		0.758		
	JS6		0.816		
Motivation	M1			0.78	
	M2			0.80	
	M3			0.74	
	M4			0.86	
	M5			0.75	
	M6			0.82	
Employee engagement EE1					0.76
	EE2				0.74
	EE3				0.78
	EE4				0.82
	EE5				0.76
	EE6				0.74
	EE7				0.74

Note. Data Processed with Smart PLS 4, 2025

The results of the study constructs' factor loadings. As shown, each measurement item is related to its corresponding factor at a statistically significant level and therefore demonstrate high levels of convergent validity. The loadings for "Employees' Performance" ranged from .721 to .780; hence, all six measurement items effectively captured the performance aspect of the construct. The "Job Satisfaction" factor had loadings ranging from .739 to .860, with the highest loading for "JS4," which confirms that these measurement items represent job satisfaction well. The factor loadings for "Motivation" were between .741 and .820, which indicates a strong representation of the motivation aspect among employees. The "Employee Engagement" items had loadings ranging from .667 to .837, which implies that all of the measurement items made meaningful contributions to the construct, but the lowest association was with "EE3." Overall, the factor loadings demonstrated that the measurement model is reliable and that each measurement item is a valid indicator of its corresponding construct.

Table 3: Model Fit

Fit Indices	Recommended Value	Obtained Value	Results
P value	<.001	0.000	Acceptable
CMNI/df	<5	3.15	Acceptable
GFI	>.90	0.87	Acceptable
CFI	>.90	0.92	Acceptable
TLI	>.90	0.91	Acceptable
SRMR	<.08	0.05	Acceptable
RMSEA	<.08	0.07	Acceptable

Note. Data Processed with Smart PLS 4, 2025

The results of the fit indices for the measurement model. Although the chi-squared test was significant ($p < .001$), as it often is in large samples, the fit indices show that the model fits reasonably well. Specifically, the normed chi-squared (CMIN/df) was found to be 2.83, thus less than the recommended threshold of 3, showing that the model fits the data fairly well. Additionally, the GFI was found to be 0.86, while it could be better (it should be at least 0.90); however, it is still an acceptable score. Further, CFI and TLI were found to be 0.92 and 0.91, respectively, above the suggested threshold of 0.90, indicating the model is a reasonable fit. In addition, SRMR and RMSEA scores of 0.05 and 0.07, respectively, were each below the suggested threshold of 0.08, again showing that the model fits the data adequately. All in all, the values we obtained show that the measurement model has an acceptable fit by most conventional standards.

Table 4: Construct Reliability and Validity

	Cronbach's alpha (standardized)	Cronbach's alpha (unstandardized)	Composite reliability (rho_c)	Average variance extracted (AVE)
JS	0.874	0.873	0.873	0.620
M	0.907	0.907	0.907	0.630
EE	0.898	0.898	0.898	0.596
EP	0.889	0.888	0.889	0.573

Note. Data Processed with Smart PLS 4, 2025

Table 4 shows that all study constructs' Cronbach's Alpha Values exceeded 0.7 for both standardized and unstandardized values. This shows good construct-specific internal consistency. Job Satisfaction (JS) had an Alpha Value of 0.874, Motivation (M) of 0.907, Employee Engagement (EE) of 0.898, and Employee Performance (EP) of 0.889. Composite Reliability (CR) Values were 0.873 to 0.907, which is over the recommended cutoff of 0.70 and supports construct reliability. Average Variance Extracted (AVE) Values Ranged From 0.573 (EP) to 0.618 (M), Above the Minimum Required Value of 0.50, Indicating Convergent Validity for Each Study Construct. Results showed that study constructs were reliable and valid measures of their dimensions.

Table 5: Heterotrait-monotrait ratio (HTMT)

	JS	M	EE	EP
JS	-			
M	0.74	-		
EE	0.69	0.78	-	
EP	0.41	0.72	0.69	-

Note. Data Processed with Smart PLS 4, 2025

The Heterotrait-Monotrait (HTMT) Ratios were analyzed to determine discriminant validity between the Study Constructs. All of the HTMT Ratios are less than the usually accepted maximum permissible HTMT Ratio of 0.85 for satisfactory discriminant validity (HTMT Ratios = 0.41, 0.69, 0.74, 0.72, 0.69, and 0.78, respectively). The HTMT Ratio results show that all constructs measure separate concepts, hence there are no Multicollinearity concerns amongst them. Overall, the HTMT Ratios support the usage of the constructs in this investigation as being sufficiently discriminative.

Table 6: Fornell-Larcker criterion

	JS	M	EE	EP
JS	0.76			
M	0.43	0.79		
EE	0.78	0.38	0.77	
EP	0.40	0.84	0.39	0.76

Note. Data Processed with Smart PLS 4, 2025

The Fornell-Larcker Criterion was used to assess the discriminant validity of the study's constructs. The Fornell-Larcker Criterion stipulates that the square root of the Average Variance Extracted (AVE) of each study construct should be greater than the correlations of the study construct with the other study constructs. In this study, the diagonal entries in the table represent the square roots of the AVEs of the study constructs and ranged from 0.76 (JS & EP) to 0.79 (M). Each of the diagonal entries was greater than its respective off-diagonal entries, representing the inter-construct correlations. The correlation between Job Satisfaction (JS) and Motivation (M) is 0.43, the square root of the AVE for JS is 0.76, indicating that JS is distinct from M. Furthermore, although EE correlates 0.38 with Motivation (M), the square root of the AVE for EE is 0.77, thus demonstrating that EE is also distinct from M. As such, these results demonstrate that each study construct is unique compared to the other constructs, therefore demonstrating acceptable discriminant validity as per the Fornell-Larcker Criterion.

Table 8: Relationship between employee satisfaction, motivation, employee engagement and employee performance

	1	2	3	4
1) Employees Performance	-			
2) Job Satisfaction	.689**	-		
3) Motivation	.312**	.369**	-	
4) Employee engagement	.365**	.349**	.665**	-
N	384	384	384	384

** Correlation is significant at the 0.01 level (2-tailed).

Performance and satisfaction were strongly correlated ($r = 0.689, p < .01$). performance, therefore, is expected to be positively influenced when satisfaction increases. A moderate relationship existed between performance and motivation ($r = 0.312, p < .01$) and employee engagement ($r = 0.365, p < .01$). The findings suggest that both motivation and employee engagement will influence employee performance; however, to a lower degree than does job satisfaction. A moderate relationship existed between motivation and employee engagement ($r = 0.349, p < .01$), and between job satisfaction and employee engagement ($r = 0.369, p < .01$). Thus, job satisfaction is expected to positively influence motivation and employee engagement. Motivation and employee engagement are strongly related ($r = 0.665, p < .01$). Thus, motivated employees are much more likely to be highly engaged at work. In total, all study variables are positively correlated, providing empirical support for the theoretical notion that job satisfaction, motivation, and engagement are predictors of performance.

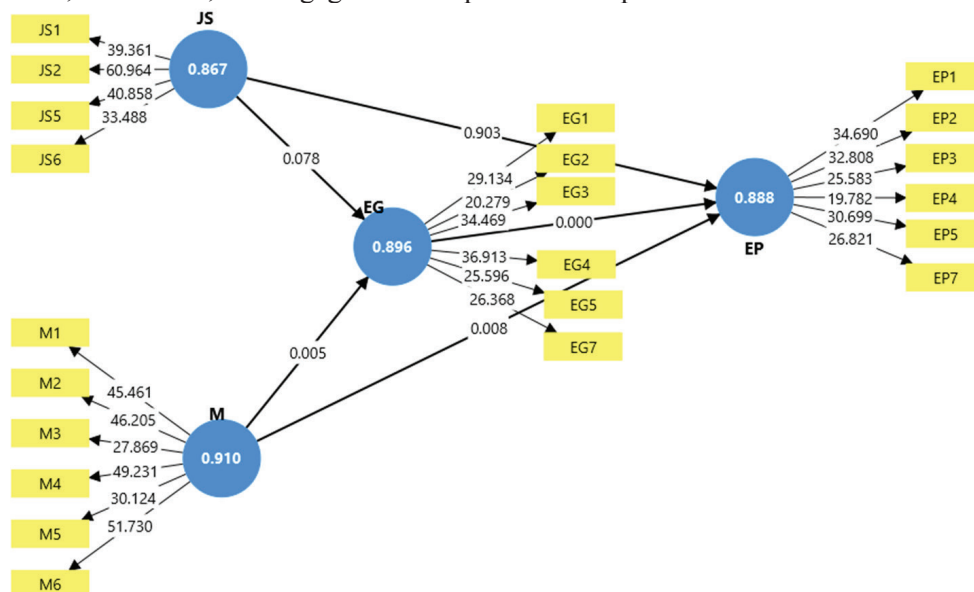


Figure 2 SEM Analysis

Table 9: Hypothesis test

	Beta value	Standard error	T	P values	Results
JS -> EP	0.105	0.05	1.73	0.903	Rejected
JS -> EG -> EP	0.101	0.052	1.94	0.049	Accepted
M -> EP	0.172	0.06	2.68	0.008	Accepted
M -> EG -> EP	0.171	0.06	2.68	0.001	Accepted

The regression coefficient results show that Job Satisfaction (JS) and Motivation (M) have a direct influence on Employee Performance (EP). Although the results show a positive correlation between job satisfaction and employee performance ($p = .903$), hypothesis 1 (H1) is rejected since the association is not statistically significant. The indirect path through JS was significant ($p = .049$), supporting the entire mediation effect of employee engagement as a major factor in determining job satisfaction and performance. On the other hand, there is a statistically significant positive correlation between employee performance and motivation ($p = .008$), which supports hypothesis 3 (H3). Therefore, while work satisfaction does not have a statistically significant direct impact on employee performance in this model. Motivation influences worker performance both directly and indirectly by raising worker engagement.

Discussion

The aim of this investigation is to identify the degree to which employee performance is affected by employee satisfaction, motivation, and engagement in the commercial banking industry in Nepal. In general, the level of employee performance of the sample ($M = 4.00$, $SD = 0.75$) was high. Additionally, employee engagement levels reported by the sample participants ($M = 4.12$, $SD = 0.79$) were extremely high. These findings from the present study corresponded to prior research, which found that employees who are highly engaged perform at higher levels than those who are less engaged and are more inclined to assist their organization to achieve its objectives (Mulwa & Weru, 2017). Furthermore, engagement served as a critical intermediary variable in this study. Engagement mediated entirely the relationship between job satisfaction and employee performance and partially mediated the relationship between motivation and employee performance. Prior studies have determined that engagement is a primary method to convert employee satisfaction and motivation into performance (Riyanto et al., 2021).

A strong correlation existed between job satisfaction and employee performance ($r = 0.689$, $p < .01$). Nevertheless, the direct regression analysis did not show a statistically significant relationship ($Beta = 0.157$, $p > .05$). The findings of the current study are consistent with prior research that emphasize the indirect impact of job satisfaction on employee performance through intermediate variables such as engagement, motivation, or organizational commitment (Al-Ali et al., 2019). The large indirect effect of job satisfaction on performance via engagement ($Beta = 0.052$, 95% CI (0.017, 0.199), $p < .001$) supports Locke and Latham's (2013) Goal Setting Theory, which states that individuals with clearly defined goals and who are actively working to achieve them will produce higher quality and quantity of output.

On the other hand, motivation produced a statistically significant direct effect on employee performance ($Beta = 0.103$, $p < .05$) and a partial indirect effect via engagement ($Beta = 0.069$, 95% CI (0.031, 0.117), $p < .001$). The direct effect corresponds to Vroom et al. (2015) Expectancy Theory, which states that motivated employees who perceive a direct link between effort and performance and rewards will be more successful in their performance. The partial mediation by engagement shows that motivation impacts performance via two different pathways; one pathway is direct, and the second is indirect, thus illustrating the two routes by which motivation creates better outcomes.

Furthermore, this study demonstrates the importance of fairness and recognition in the workplace. Adams (2015) Equity Theory states that employees compare their own input/output ratios to their coworkers, and perceived inequities reduce performance and engagement. Since employee self-reporting of job satisfaction regarding obtaining feedback and career advancement (Mean = 2.92 – 3.27) was moderate, the perceptions of fairness and recognition appeared to be critical to increasing employee engagement and subsequent performance.

Skinner's (1958) Reinforcement Theory is also supported, since motivational incentives, i.e., sufficient salary and sick leave available (Mean = 3.57 and 3.69, respectively), correlated with employee performance outcomes, showing that using rewards and positive reinforcement increases employee behaviors and productivity.

The results are consistent with empirical research in similar environments. Mulwa and Weru (2017) recognized that performance management systems (PMS) improve employee performance by creating clear expectations, determining skill deficits, and providing feedback. Similar conclusions were made by Meddiah & Wui (2022), who found that PMS improved employee performance and staff development through structured appraisal and incentive/reward systems. Likewise, Chalise and Pokharel (2022) and Karki et al. (2023) studies of the Nepalese financial services sector identified the importance of both internal and external incentives, leadership support, and Human Resource (HR) practices in improving employee performance in Nepalese financial service firms.

This study addresses an important research void in the area of Nepalese commercial banks related to the effects of PMS, since prior studies were primarily based upon developed economies or industrial sectors (Al-Ali et al., 2019), whereas the present study examines the unique social, economic, cultural, and organizational conditions faced by Nepal's banking sector.

Implications exist for bank managers based upon the results of this study. Banks need to implement strategies that promote employee engagement, such as employee involvement in decision-making processes, employee recognition programs, and open communication about goals, because employee engagement acts as the mediator of the relationships between job satisfaction and motivation and employee performance. Bank managers may also motivate employees via well-designed reward systems, training/development opportunities, and fairly evaluated assessment processes to promote employee performance. The results of the current study will help develop performance management systems in Nepalese banks that are tailored to meet the expectations of local employees and organizational goals.

Conclusion

Employee performance was related to their job satisfaction, motivation, and engagement. Motivation improves employee performance, but work satisfaction indirectly improves performance through employee involvement. Motivation improves employee performance directly or indirectly. Motivated workers outperform others due to intrinsic motivation and engagement. Job satisfaction alone may not affect employee performance, but it can improve performance by increasing engagement, underscoring the need for a participatory and rewarding workplace. Employee engagement completely mediated the relationship between job satisfaction and performance, but only slightly mediated motivation and performance. Employee involvement appears to be crucial to employee attitudes toward productivity. Finally, this study suggests that Nepalese commercial bank managers should promote employee engagement, equitably acknowledge employee contributions, build career paths, and motivate and manage staff performance.

Implications

This study provides useful guidance for bank's management and officials to enhance their employees' performance by intervening on their job satisfaction, motivation, and engagement. As employee engagement is the key link between job satisfaction, motivation, and performance, commercial banks must use HR policies to increase engagement. Since motivation improves employee performance, commercial banks should implement motivational techniques like competitive compensation, performance-based rewards and recognition programs, and employee welfare packages. Moreover, based on the findings of the current study, academics may carry on further studies in other contexts to generalize the theories.

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