

Niazi, Amna; Hassan, Hamid

Article

Effect of justice on employee performance in the banking sector of Pakistan

Pakistan Journal of Commerce and Social Sciences (PJCSS)

Provided in Cooperation with:

Johar Education Society, Pakistan (JESPK)

Suggested Citation: Niazi, Amna; Hassan, Hamid (2016) : Effect of justice on employee performance in the banking sector of Pakistan, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 10, Iss. 3, pp. 735-752

This Version is available at:

<https://hdl.handle.net/10419/188277>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by-nc/4.0/>

Effect of Justice on Employee Performance in the Banking Sector of Pakistan

Amna Niazi (Corresponding author)
Humanities and Management Sciences Department, University of Engineering and
Technology, Lahore. Pakistan
Email: amnkn@gmail.com

Hamid Hassan
Institute of International Affairs, Aichi University, Nagoya campus, Aichi, Japan
Email: hamid.hassan@nu.edu.pk

Abstract

The main goal of this study was to examine the impact of the three dimensions of justice on organizational performance when trust mediates the relationship. The industry chosen for this study was the banking industry of Pakistan. The data were collected from a developing country to see how results differ when compared with already conducted studies on justice from a developed country. The present study also takes into consideration the three dimensions of justice rather than considering justice to be a one-dimensional or two-dimensional construct. A total of 300 respondents who were employees of banks participated in the study. A self-administered questionnaire was used to collect data. The findings of the study suggested that procedural and interactional justice had strong, positive and significant relationship with organizational trust but distributive justice had a weak but positive relationship with organizational trust. It was also empirically proved that organizational trust plays a vital role in determining organizational performance.

Keywords: distributive justice, procedural justice, interactional justice, trust, employee performance, banking industry

1. Introduction

Organizational justice is a widely studied topic in the field of organizational behavior (Parker & Kohlmeyer, 2005). The ever increasing importance of this phenomenon is majorly due to its link with employee performance and other behavioral outcomes (Colquitt, Greenberg, & Zapata-Phelan, 2005). It is evident that justified conducts and practices motivate employees and add value to organizational productivity (Wegge et al., 2011). Organizations perform better where fair perception of justice prevails. Adams was a great proponent of the perception of fairness (Adams, 1963, 1965). His work focused on perception of fairness of outcome, which he termed as distributive justice (Homans, 1961; Leventhal, 1976). Distributive justice is a concept that is embedded in the equity theory which states that people form perception of justice by keeping in view the effort they put in their work and the outcome that they receive (Crosby, 1976; Deutsch, 1975; Folger, 1984). Fair treatment by the employer enhances employee performance. Negative

outcomes such as turnover intentions, low work performance, low moral were found among people who considered that they were not treated fairly (Mikula, 1986). As research increased on justice and fairness it was observed that it is not only the outcome that forms the perception of justice but employees also consider the rules and regulations through which they are awarded the rewards. Hence, the focus of the research shifted to the process through which the outcome was received which was later named as procedural justice (Lind & Tyler, 1988; Saunders & Thornhill, 2003). Meanwhile, another concept of justice emerged when Bies & Moag (1986) proposed that the interpersonal treatment among employees and managers during the process and distribution of rewards is also very important. This concept was known as interactional justice.

Higher level of trust, organizational commitment and collective performance was found among employees of the organizations where positive perception of organizational justice prevailed (Aryee, Budhwar & Chen, 2002). Past research shows that trust is an important factor in the employee and manager relationship (Pennings & Woiceshyn, 1987; Mayer & Gavin, 2005). Porta, Lopez, Shleifer and Vishny (1996) also considered trust to be of vital importance among the worker and employer relationship even in large organizations. Lewicki and Bunker (1995) and McAllister (1995) states that trust is the confidence on the other person, in a situation, where risk is involved. It is an expectation that the other person shall perform as expected (Deutsch, 1973). Perception of organizational justice and perception of organizational trust are found to be positively associated (Cohen-Charash & Spector, 2001). A number of researchers have included both justice and trust in their studies i.e. (e.g., Aryee, Budhwar, & Chen, 2002; Cropanzano, Prehar & Chen, 2002; Folger & Konovsky, 1989; Kernan & Hanges, 2002; Pillai, Schriesheim & Williams, 1999). Since, the focus of these studies has been on the western; economies thus application of this analogy to the eastern and developing economy would open new horizons.

The concept of trust is embedded in the social exchange theory which states that trust builds with the passage of time (Blau, 1964). Generally speaking, as trust level increases among employees, uncertainty among people decreases. Hence, they feel obligated to perform the task assigned. Trust in literature is also distinguished as affect-based trust and cognition-based trust. McAllister (1995) defines the later as trust based on facts such as past records and judgments of one's own self. On the other hand, affect- based trust is the trust which is based on the judgment of others. This may include observations of others in creating an image about the other person's personality. This is more of an emotional tie with the individual rather than professional linkages. Fair perception of justice and trust have many positive implications for employees behaviors which eventually effects their performance and hence, the performance of the organization at large.

A fair and good link is very important in the employee and employer relationship as it creates opportunities for financial growth for the firm (Rosenberg & Trevino, 2003). From the employee point of view, employees who feel secure, needed and trusted by the management intend to perform better, leading to overall progress of the organization (Lind & Tyler, 1988).

The current study explores the impact of different dimensions of justice on organizational performance in the banking sector of Pakistan. Using smart PLS on the 300 responses collected from the employees of banks, the research papers comprehensively explains the impact of justice on performance of banks. This study is unique since it adds organizational trust as the mediating variable and also enlightens the research from the point of a developing country. This study would help the managers and overall banking industry to

understand the needs of the employees and focus on the factors to establish effective and efficient human resource system. The country selected for this study is Pakistan and the sector chosen is the banking industry. Pakistan is a developing state and in any developing country banking sector is one of the most important institutions which can contribute towards the development of the economy. Initially, the banking industry of Pakistan was strengthened by the Banking Sector Act 1956. Afterwards, nationalization policy of 1974 proved a devastating decision for the banking sector and consequently for the economy. Demotivated workers led to poor productivity and performance. Realizing the adverse effects of nationalization on human resources, policy makers announced privatization in early 1990s. Since then, the banking industry is enjoying continuous progress. Reviewing the conditions of banking sector and the elements behind it, it can be inferred that the organizational justice plays very crucial role when the factors behind employee performance are explored in various institutions. As the perception of employees regarding organizational justice influence their behavior, motivation level, job commitment and performance, thus it makes it a very important topic to study from the organizational point of view.

This study also drives on the work of Hofstede (1980) cultural dimensions. Since, much of the work of justice and trust was done in the societies where individualistic culture prevails thus its generalizability to the developing countries like Pakistan was still a dilemma. This present study tries to open new possibility and builds on Hofstede study on cultural dimensions from the developing nation's perspective. This study would explore that which dimension of justice is considered to be given more preference by the employees when rewards are being distributed. Another aspect that is probed in this study is whether employees from the developing nations give weight to economic gain or to the social exchange where transactions are based on trust and intangible gain. Since, Pakistan is a country where people believe in collectivist culture. They are inclined together with the bond of caste, race, community and religion hence reinforcing the people together in a psychological and social setup. It would be interesting to study how social obligation and trust level affects the role of justice and the performance of employees. Since, the values, principles and moral ethics of individualist western society differ drastically from collectivist east. Thus, this study would address the previous limitations that were found in prior studies conducted in individualist states.

2. Literature Review and Hypotheses Development

Organizational justice is considered to play a vital role in assisting the organizations of 21st century to gain competitive advantage. It is concerned with the rational and fair conduct with workers (Randeree, 2008). The term organizational justice was initially coined by Greenberg (1987). Organizational justice is the perception of an employee regarding how the organization practices fairness among the workers (Greenberg, 1987). Justice or fairness is defined as what is morally right. It is linked with ethics, equity, laws and rules. Perception of fairness in organization has many implications. It leads to many outcomes related to employee's behavior and attitude (Tabibnia, Satpute & Lieberman, 2008). This research takes into consideration each type of organizational justice and studies the impact of these dimensions on organizational performance when organizational trust mediates the relationship. There are three main facets of organizational justice namely distributive justice, procedural justice and interactional justice (Adams, 1965; Leventhal, 1980; Bies & Moag, 1986). Distributive justice is concerned with the rewards and the way they are distributed. The focus of distributive justice is on the outcomes of decisions (Homans,

1961; Leventhal, 1976). This concept is based on Adams equity theory (Adams, 1965; Cropanzano & Greenberg, 1997; Greenberg, 1987).

Adams (1965) in his theory suggested that when judging fairness of results, individuals compare the input and output ratio. Input includes the effort and time they have put in and output represents the results in the form of compensation and rewards they are getting. Workers compare the input and output ratio of them and also compare it with their colleagues.

The results that they conclude build their perception of justice. Employees are not only concerned with the distribution of rewards but employees working in the organizations also want to know if fair process was followed while distributing the rewards. This concept is termed as procedural justice (Hendrix et al., 1998; Holbrook, 1999). Procedural justice pays attention on employee perception of fairness in the procedure used while distributing the rewards (Thibaut & Walker, 1975). Thibaut and Walker brought the concept of procedural justice, believing that the determining factor for fairness perception was not only the reward but also the procedure and plan of carrying out the decisions. Brockner and Siegel (1996) narrated that procedural justice was likely to trigger higher levels of trust among the workers in a firm. Lind, Kanfer and Earley (1990) stated that procedural and distributive justice both affects trust level in the organization and former holds a strong relationship.

The third element of organizational justice presented by Bies and Moag (1986) was known as interactional justice. Interactional justice emphasized on the interpersonal treatment received during the distribution of rewards and incentives. Interactional justice holds a very important place in literature since kind intentions and positive word of mouth both change the attitudes of people. These perceptions are very helpful in developing and maintaining strong bond of trust based relationship among the employee and employer (Degoey, 2000; Lamertz, 2002).

It is important from the organizational point of view to study such factors as justice, structure, policies, procedures of human resource and organizational culture since it has a direct effect on building trust among employees (Whitener et al., 1998). Yuan and Zamantili (2009) narrated that trust is one of the important and vital ingredients to promote effectiveness and gain competitive advantage for the organization. Mayer, Davis and Schoorman (1995) described trust as the willingness of an individual to be vulnerable. It is the dependency on a person without monitoring or controlling that person. Blau (1964) stated that one cannot depend or trust the other person without a social exchange relationship. A person cannot be trusted until the person proves to be trustworthy. This may be only achieved through social exchange relationship. Social exchange relationship is different from economic relationship where things are based mainly on economic return. In social exchange things are unspecified and obligations are not clear but only a sense of obligation to reciprocate exists. Trust builds as a result of social exchange relationship.

Research has revealed that attitude and behavior are both linked with employees trust (Aryee, Budhwar & Chen, 2002; Atuahene-Gima & Li, 2002; Dirks et al., 2002). A study conducted by Wong, Wong & Ngo (2002) also confirmed that trust has direct effect on work performance. Trust gives confidence to the parties that the other party would do as expected and perform according to the expectation (Rousseau et al., 1998). Paliszkievicz, Koochang and Nord (2014) also found a positive correlation among organizational trust and organizational performance.

In the present research it is proposed that the three dimensions of justice have a positive relationship with organizational performance and organizational trust mediates the relationship. Research suggests diverse relationship of distributive justice with organizational trust. Some research implies that distributive justice plays less effective role in determining the organizational trust than procedural justice (Barling & Phillips, 1993). However, when this link was studied with satisfaction as the outcome variable distributive justice had twice the impact on satisfaction than procedural justice (Tyler, Rasinski & McGraw, 1985). Research conducted by Lind and Tyler (1988) suggested that procedural justice is linked to institutional evaluators and distributive justice is more linked with specific outcome in question. A study conducted by Cohen-Charash and Spector (2001) found that trust was positively related to distributive and procedural justice. Another study conducted by McFarlin and Sweeney (1992) also concluded that trust in organizations is greatly impacted by workers perception of organizational justice. Employees who perceive injustice in the organizations would form intentions to quit or indulge in destructive behavior (Mishra & Spreitzer, 2000). Thus for this study it is proposed that:

- **H₁:** There is a positive relationship between distributive justice and organizational trust

If workers believe that the procedures used in distribution of rewards are not fair then they are more chances that their trust level would decline. Since it is a perception thus an employee may perceive that proper procedures are not followed. However, organization might be following the rules accordingly. From an employee's perspective, the outcomes of injustice in procedures may lead to many negative outcomes such as low level in employee's perceived obligations, commitment, and satisfaction (Robinson, 1996). Hosmer (1995) stated that psychological contracts that are formed between an employee and an employer are based on perceptions. Thus, the way decisions are made regarding rewards and how well the rewards are distributed both impact employee trust level. When there is a breach in this psychological contract then the trust level of an employee reduces and when this contract is reinforced the employee seems satisfied and hence the trust level increases (Cohen- Charash & Spector, 2001). Therefore, from the above argument it is proposed that:

- **H₂:** There is a positive relationship between procedural justice and organizational trust

According to Moorman (1991) interactional justice play an important role in influencing employee's behavior than procedural justice. Employees' attitude is influences by perception of interactional justice. Research conducted by Khiavi, Shakhi, Dehghani and Zahiri, (2016) also concluded that interactional justice and trust had a positive relationship. A study conducted by Kickul, Lester and Finkl (2002) also proved that interactional justice is a vital component in determining organizational trust. Similarly Aboul-Ela (2014) in his research also stated that interactional justice impacts employee trust more than that of procedural justice. Research conducted by Bies and Moag (1986) also narrated that international injustice also leads to procedural injustice. Since interactional justice is more related to respect, ethics, procedures and politeness thus if employees perceive communication to be unfair then they would also perceive the procedures and rules to be unfairly implemented as well. This would then lead towards dissatisfaction and low morale in performance. Using the same analogy it is proposed that:

- **H₃:** There is a positive relationship between interactional justice and organizational trust

Empirical evidence proves that employees who have higher level of trust in their organizations tend to perform better than those organizations where low level of interpersonal trust prevails. Liou, 1995; Robinson, 1996; Robinson and Morrison (1995) proved with empirical evidence that trust leads to many favorable outcomes for the organizations. Trust plays an important role when uncertainty arises in relationships. According to Mayer and Gavin (2005) employees change their intentions to stay with the organization and contribute in its success when uncertainty arises. This also leads to decrease in focus at work and detracts the employee from performing better (McAllister, 1995). Since trust reduces uncertainty thus it plays a very important role in mediating the relationship between justice and performance (Blau, 1964). According to Rousseau et al., (1998) trust gives the confidence in the relationship that the other party would perform according to the expectation when required. Hence, it is proposed that justice fosters trust and increases the employees' performance level since they feel secure in their organization.

- **H₄:** There is a positive and direct relationship between organizational trust and performance.

3. Methodology

The current study uses quantitative approach to fulfill its objectives. Field survey was conducted in three major cities of Punjab, Pakistan including Lahore, Faisalabad and Gujranwala. The questionnaire was distributed to 400 employees of different banks. However, 300 complete responses were collected through survey from the upper, middle and lower management of public and private banks of Punjab. Participants were randomly approached by surveyors at different times of the day during working days. The participants were requested to complete the structured questionnaire and hence they were assured that all the data would be kept anonymous.

Partial Least Squares Structural Equation Modeling Techniques (PLS-SEM) is used for statistical analysis of data. Using PLS-SEM with the help of SmartPLS, the research finds the impact of various justice types on organizational performance with mediating impact of organizational trust. PLS bootstrap was then applied, which is a re-sampling procedure for re-evaluating replicability. Partial Least Square also presents the complete analysis of measurement model and a structural model.

3.1. Measurement Scales

The 14 item scale of organizational justice developed by Colquitt (2001) was used to assess the construct of organizational justice. Amongst three dimensions of organizational justice, procedural justice was measured by using six items. The Cronbach alpha of this scale as reported in the earlier study conducted by Neihoff and Moorman (1993) was 0.90. In the current study the cronbach alpha of procedural justice is 0.70. Distributive justice was measured by using four items. Cronbach alpha reported for this scale by Moorman et al., (1998) was 0.90. For the present study the Cronbach alpha is 0.81. Interpersonal justice was measured by using four items from the instrument developed by Colquitt (2001). Cronbach alpha concluded by Zhong et al., (2010) in their study is 0.90. For the current study the Cronbach alpha for interpersonal trust is 0.77. To measure organizational trust the scale originally developed by Paliszkiwicz (2010) was adapted and 13 items were selected to measure the construct. The scale's reliability (Cronbach's alpha = 0.89) was acceptable. In order to measure organizational performance, questionnaire was developed

by Dollinger and Golden (1992) was used. Six items scale assessing respondents' perception about their firm's performance over one year was selected. Cronbach's alpha for organizational performance was 0.83, indicating acceptable reliability of the construct. All the items in the questionnaire are measured with Likert-type scale where 5 represented strongly agree, 4= agree, 3= neutral, 2= disagree, and 1= strongly disagree.

4. Data Analysis and Interpretation

To evaluate the measurement model and testing the hypothesis, Partial Least Square-Structural Equation Modeling (PLS-SEM) was used. This technique is used as recommended by Anderson and Gerbing (1988) and Hair et al. (2012). They stated that this technique is a robust technique that does not require the data to be normally distributed. SEM analysis was chosen over regression analysis, because SEM can simultaneously analyze all of the paths in one analysis (Chin & Newsted, 1999). Figure 1 represents the proposed research model.

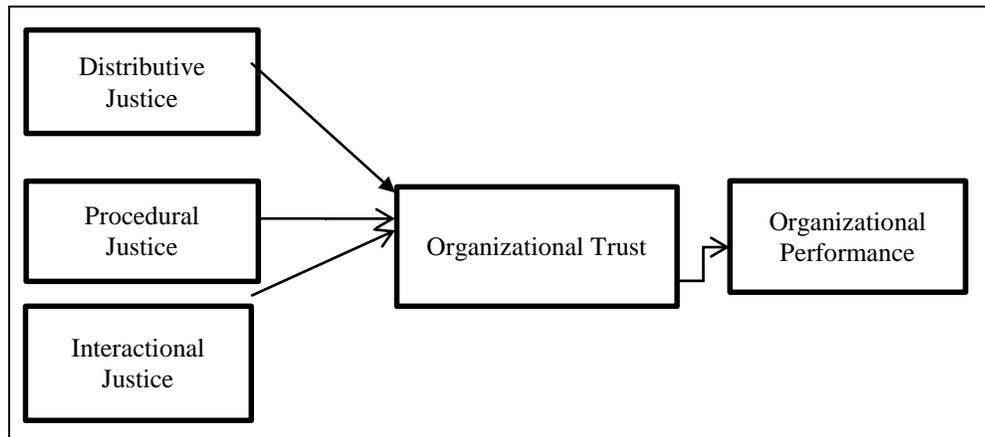


Figure1: Research Model

Among the total respondents, 67% were male participants and 33% were female participants. This is consistent with the banking environment of Pakistan where majority of the people working in banks are males as compared to females. Out of 300 respondents 16.3 % were under the age of 25, 57.3% were in between the age of 25 to 34, 19.3% were among the age bracket of 35 to 44, and 7% were above 45 years of age. Table 1 shows the complete demographic information about the participants including the gender, age, income level and work experience.

Table 1: Demographic Information of the Respondents

Measure	Frequency	Percentage
Gender		
Male	201	67.0
Female	99	33.0
Age		
Less than 25	49	16.3
25-34	172	57.3
35-44	58	19.3
45 and Above	21	7.00
Work Experience		
Less than One Year	26	8.70
1-2yrs	55	18.3
3-4yrs	76	25.3
5-6yrs	46	15.3
7-8yrs	97	32.3
Income		
Under 40,000	105	35.0
40,001-55,000	102	34.0
55,001-70,000	47	15.7
Above 70,000	46	15.3

The conceptual model is studied in two stages in SEM-PLS. In the prior stage outer model is studied where it is confirmed that the items under study are valid and reliable. In the second stage inner model is examined where the interrelationship of the variables is measured and their strength is explored.

The outcome of the empirical analysis highlighted that the measurement model fulfills the criteria of reliability having values ranging from 0.7001 to 0.8907. As suggested by Fornell and Larcker (1981) the discriminant validity was evaluated by examining the cross-loadings. The relationship between correlations among constructs and the square root of average variance extracted was also assessed. Convergent validity and discriminant validity was also proved to be valid with composite reliability values ranging from 0.7842 to 0.9092, AVE ranging from 0.5001 to 0.6175, and factor loadings ranging from 0.5871 to 0.8864. Hence, the empirical data showed validity since the indicator loadings exceeded 0.7 and the AVE of each construct also exceeded 0.50 (Fornell and Larcker, 1981). The outcome of the structural path analysis specified that only one relationship between distributive justice and trust was insignificant.

Coefficient of determination (R^2) represents the variance in one latent variable, caused by other latent variables. In the present study, 31.2 percent of variance caused in organization trust of banking sector of Punjab is due to three discussed type of justice. Similarly, 39.2 percent variation in the organization performance of banking sector of Punjab is due to organizational trust. This means that the organizational trust has strong influence on the

organizational performance. The path coefficients express the strength of effect of one variable on the other variable. Moreover, the weight of various path coefficients represents the relative statistical importance of variables. The empirical data states that strongest effect on the organization trust is caused by procedural justice with β value 0.326 and the weakest effect is caused by distributive justice with β value 0.098. It is inferred from the results that the procedural justice is most important form of justice in the banking sector of Punjab. This result proves that in the banking sector employees are not much concerned with the reward itself but they are more concerned with the procedures and rules through which they are distributed. The model presents that 62.6 percent of variation on the organizational performance in banking sector is caused by organizational trust and remaining effect is due to external factors.

4.1. Measurement Model Results

The outer model assesses the validity and reliability of the measurement model and the psychometric properties of the scales used. Table 2 presents the tabular presentation of the measurement model.

Table 2: Measurement Model Results

Measurement Items	Loading Value	Cronbach's Alpha	Composite Reliability	AVE
DJ1	0.8453	0.8145	0.8475	0.5872
DJ2	0.7087			
DJ3	0.5881			
DJ4	0.8864			
IJ2	0.7228	0.7712	0.8284	0.6175
IJ3	0.8193			
IJ4	0.8117			
OT10	0.7769	0.8907	0.9092	0.5010
OT11	0.7174			
OT12	0.6982			
OT13	0.7179			
OT14	0.6384			
OT15	0.6192			
OT2	0.7480			
OT3	0.7115			
OT5	0.6715			
OT6	0.6159			
OT7	0.6682			
PJ1	0.7493	0.7001	0.7842	0.5001
PJ3	0.7410			
PJ4	0.6764			
PJ5	0.5871			
POP1	0.7361			
POP2	0.7227			
POP3	0.7251	0.8335	0.8775	0.5448
POP4	0.6957			
POP5	0.7224			
POP6	0.8205			

Principal component analysis (PCA) was applied and the items with loading values greater than 0.50 were chosen while eliminating the others (Wold, Geladi, Esbensen & Öhman, 1987). Cronbach's alpha presents internal consistency reliability. Items with value 0.7 or greater were selected as threshold values. Since, the values of the Cronbach alpha were greater than the threshold values hence, internal reliability was proved. The composite reliability of the items is presented in the next column. Average variance extracted (AVE) shows the variance in the latent variable occurs due to the relative amount of variation in

its items caused by measurement error. According to Bagozzi and Yi (1998), the acceptable value of AVE is 0.5 or higher. According to Fornell and Larcker (1981) discriminant validity is established if the square root of AVE in each latent variable is larger than other correlation values among the latent variables. Table 3 shows the correlations among various constructs. The bold values in the diagonal are the square root of the AVE. It is clear from Table 3 that the diagonal values are greater than the inter-construct correlations which indicate acceptable discriminant validity of all constructs. Therefore, it may be concluded that the constructs have required construct validity.

Table 3: Discriminant Validity

		1	2	3	4	5
1	Distributive Justice	0.7662				
2	Interactional Justice	0.1923	0.7860			
3	Organizational Performance	0.1175	0.3681	0.7381		
4	Organizational Trust	0.2717	0.4417	0.6263	0.7078	
5	Procedural Justice	0.3542	0.3550	0.3117	0.48753	0.7071

4.2 Structural Model Results

Structural model presents the results of hypothesis testing. In this empirical analysis the structural paths and the R² values depict the explanatory power of a structural model. Bootstrapping was done prior to hypothesis testing. 5000 samples from 300 responses were used to serve the purpose. The path coefficients estimated after boot strapping show the significance level and t-statistic of the relationships which provide basis to accept or reject the hypothesis.

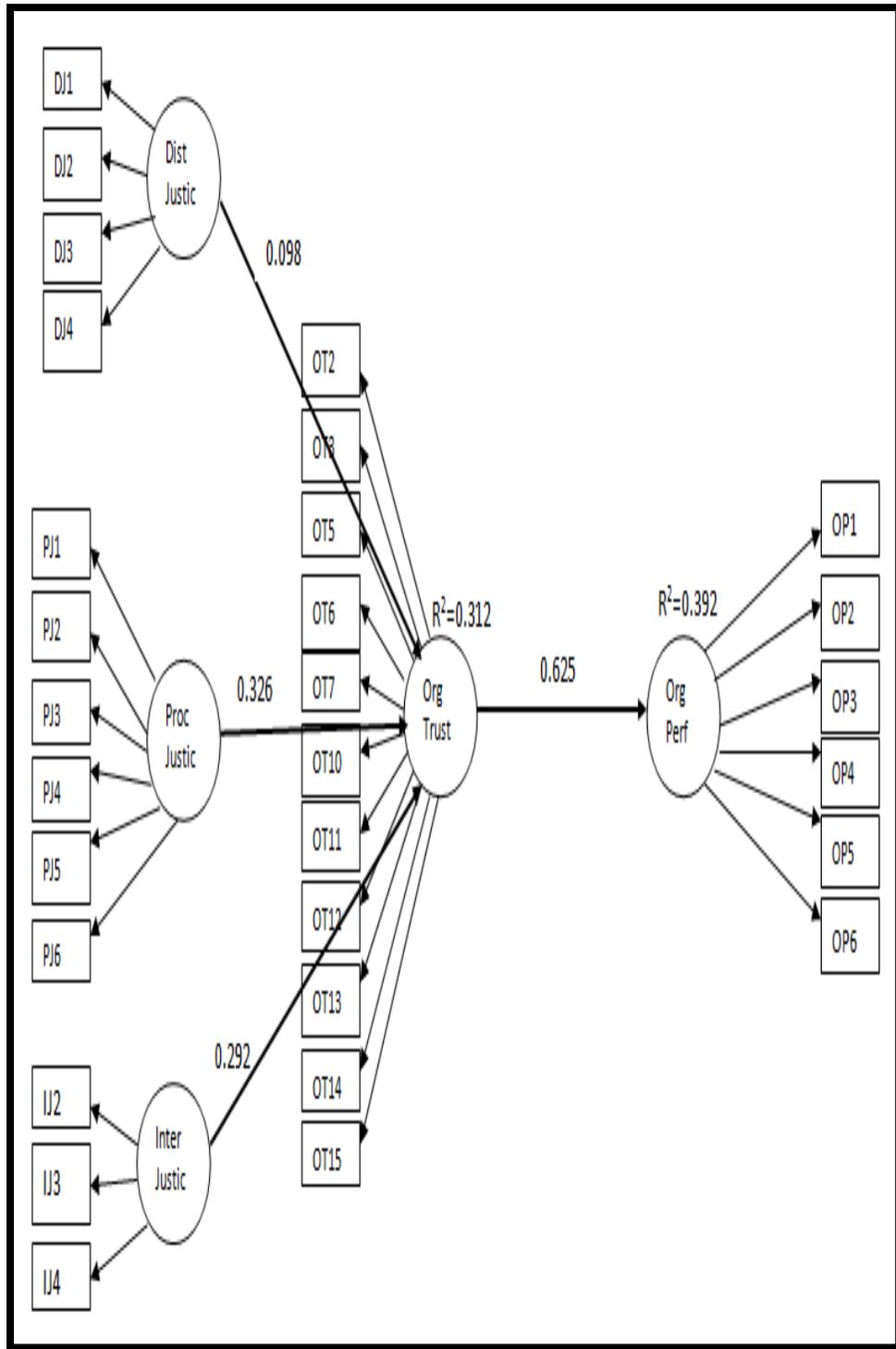


Figure 2: Path Analysis

Table 4: Result Hypothesis Testing

	Path Coefficient	Standard Deviation	Standard Error	t- Statistics
Inter. Justice -> Org. Trust	0.3005	0.0307	0.0307	9.7752
Dist Justice -> Org. Trust	0.0904	0.0421	0.0421	2.1487
Proc. Justice -> Org. Trust	0.3488	0.0393	0.0393	8.8704
Org. Trust -> Org. Performance	0.6263	0.0303	0.0303	20.7021

Table 4 illustrates that a positive relationship exists between the three types of justice with trust and organizational trust has positive relationship with organizational performance. However, a significant relationship does not exist between distributive justice and organizational trust because the path coefficient is less than 0.20. An important finding of the present study is the role of procedural justice on organizational trust. This is consistent with the results drawn by Hubbell & Chory-Assad (2005) in their study on organizations. They also found that procedural justice plays an important role in increasing trust among the employees than interactional justice. Other researchers have also found that interactional justice play an integral role in organizational context (Fang et al., 2011). Thus, it may be concluded that the role of justice dimensions may be context specific.

5. Discussion and Conclusion

In the present research, the relationship between the three dimensions of perception of justice, organizational trust and organizational performance was examined in the banking sector of Pakistan. Specifically, this study specified and tested a mediating role for organizational trust in the relationship between organizational justice and employee performance. The study proved that the three dimensions of justice affected organizational trust differently. A strong impact was seen on organizational trust by interactional and procedural justice however a very weak association was found between distributive justice and organizational trust. Distributive justice is concerned with a worker's perception of fairness of rewards (Greenberg & Colquitt, 2005). Results from the study were partially consistent with the work of Barling and Phillips (1993) who stated that procedural justice is a major determinant of trust as compared to distributive justice. This research was unique in nature because the previous studies considered organizational justice to be a unidimensional construct. The present research went further and examined the separate effect of the three dimensions of justice on trust. It also examined the integrative model of social exchange and its application to the eastern collective culture. The findings from the study reinforced the social exchange theory considering interactional justice to be a vital determinant of organizational trust. The results of this study were different from the results of the study conducted by Brockner and Adsit (1986) who concluded that men were more sensitive to distributive justice than women. However, in the present study the number of men was more than that of women but still distributive justice was not a primary determinant of trust.

The result of the study suggests multiple implications. Firstly, the study emphasizes on the generalizability of the social exchange model to the eastern culture. This research

reinforces the importance of trust in organizations where employees are also connected by a force of social exchange phenomenon. This highlights the fact that employees are a major source for achieving competitive edge. Building a good perception of justice may be challenging but it is now important for companies to function effectively. It has become even more challenging for companies due to the trend of having a multicultural workforce. From a practical perspective, companies must incorporate strategies in their human resource practices which forms and builds trust among employees (Whitener, 1997).

REFERENCES

- Aboul-Ela, G. M. (2014). Analyzing the relationships between organization justice dimensions and selected organizational outcomes-empirical research study. *The Business & Management Review*, 5(2), 34-44.
- Adams, J. S. (1963). Towards an understanding of inequity. *The Journal of Abnormal and Social Psychology*, 67(5), 422-436.
- Adams, J. S. (1965). Inequity in social exchange. *Advances in Experimental Social Psychology*, 2, 267-299.
- Anderson, J. C. and Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin*, 103(3), 411-423.
- Aryee, S., Budhwar, P. S. and Chen, Z. X. (2002). Trust as a mediator of the relationship between organizational justice and work outcomes: Test of a social exchange model. *Journal of Organizational Behavior*, 23(3), 267-285.
- Atuahene-Gima, K. and Li, H. (2002). When does trust matter? Antecedents and contingent effects of supervisee trust on performance in selling new products in China and the United States. *Journal of Marketing*, 66(3), 61-81.
- Bagozzi, R. P., Yi, Y. and Nassen, K. D. (1998). Representation of measurement error in marketing variables: Review of approaches and extension to three-facet designs. *Journal of Econometrics*, 89(1), 393-421.
- Barling, J. and Phillips, M. (1993). Interactional, formal, and distributive justice in the workplace: An exploratory study. *The Journal of Psychology*, 127(6), 649-656.
- Bies, R. J. and Moag, J. S. (1986). Interactional justice: Communication criteria of fairness. *Research on Negotiation in Organizations*, 1(1), 43-55.
- Blau, P. M. (1964). *Exchange and Power in Social Life*. Transaction Publishers.
- Brockner, J., Siegel, P. A., Daly, J. P., Tyler, T. and Martin, C. (1997). When trust matters: The moderating effect of outcome favorability. *Administrative Science Quarterly*, 42(3), 558-583.
- Chin, W. W. and Newsted, P. R. (1999). Structural equation modeling analysis with small samples using partial least squares. *Statistical Strategies for Small Sample Research*, 2, 307-342.
- Cohen-Charash, Y. and Spector, P.E. (2001). The role of justice in organizations: A meta-analysis. *Organizational Behavior and Human Decision Processes*, 86(2), 278-321.
- Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. and Ng, K. Y. (2001). Justice at the millennium: a meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, 86(3), 425 - 445.

- Colquitt, J. A., Greenberg, J. and Zapata-Phelan, C. P. (2005). What is organizational justice? A historical overview. In J. Greenberg & J. A. Colquitt (Eds.), *The handbook of organizational justice*, pp. 3–56. Mahwah, NJ: Erlbaum.
- Cropanzano, R. and Greenberg, J. (1997). Progress in organizational justice: Tunneling through the maze. *International Review of Industrial and Organizational Psychology*, 12, 317-372.
- Cropanzano, R., Prehar, C. A. and Chen, P. Y. (2002). Using social exchange theory to distinguish procedural from interactional justice. *Group & Organization Management*, 27(3), 324-351.
- Crosby, F. (1976). A model of egoistical relative deprivation. *Psychological review*, 83(2), pp.85-113.
- DeGoeij, P. (2000). Contagious justice: Exploring the social construction of justice in organizations. *Research in Organizational Behavior*, 22, 51-102.
- Deutsch, M. (1973). *The Resolution of Conflict: Constructive and Destructive Processes*. New Haven: Yale University Press.
- Deutsch, M. (1975). Equity, equality, and need: What determines which value will be used as the basis of distributive justice? *Journal of Social Issues*, 31(3), 137-149.
- Dirks, K. T. and Ferrin, D. L. (2002). Trust in leadership: meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 87(4), 611-628.
- Dollinger, M.J. and Golden, P.A. (1992). Inter-organizational and collective strategies in small firms: Environmental effects and performance. *Journal of Management*, 18(4), 695-715.
- Fang, Y. H., Chiu, C. M., & Wang, E. T. (2011). Understanding customers' satisfaction and repurchase intentions: An integration of IS success model, trust, and justice. *Internet Research*, 21(4), 479-503.
- Folger, R. (1984). Perceived injustice, referent cognitions, and the concept of comparison level. *Representative Research in Social Psychology*, 14(2), 88-108.
- Folger, R. and Konovsky, M. A. (1989). Effects of procedural and distributive justice on reactions to pay raise decisions. *Academy of Management Journal*, 32(1), 115-130.
- Fornell, C. and Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research*, 18(3), 382-388.
- Greenberg, J. & Colquitt, J. A. (Eds.). (2005). *Handbook of Organizational Justice*. Mahwah, NJ: Lawrence Erlbaum.
- Greenberg, J. (1987). A taxonomy of organizational justice theories. *Academy of Management review*, 12(1), 9-22.
- Hair, J.F., Sarstedt, M., Ringle, C.M. and Mena, J.A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science*, 40(3), 414-433.
- Hendrix, W. H., Robbins, T., Miller, J. and Summers, T. P. (1998). Effects of procedural and distributive justice on factors predictive of turnover. *Journal of Social Behavior and Personality*, 13(4), 611- 632.

- Hofstede, G. (1980). Culture and organizations. *International Studies of Management & Organization*, 10(4), 15-41.
- Holbrook Jr, R.L. (1999). Managing reactions to performance appraisal: The influence of multiple justice mechanisms. *Social Justice Research*, 12(3), 205-221.
- Homans, G. C. (1961). *Social Behavior: Its Elementary Forms*. London, England: Routledge & Kegan Paul.
- Hosmer, L. T. (1995). Trust: The connecting link between organizational theory and philosophical ethics. *Academy of Management Review*, 20(2), 379-403.
- Hubbell, A. P. and Chory-Assad, R. M. (2005). Motivating factors: perceptions of justice and their relationship with managerial and organizational trust, *Communication Studies*, 56(1), 47-70.
- Kernan, M. C. and Hanges, P. J. (2002). Survivor reactions to reorganization: antecedents and consequences of procedural, interpersonal, and informational justice. *Journal of Applied Psychology*, 87(5), 916 – 928.
- Khiavi, F. F., Shakhi, K., Dehghani, R. and Zahiri, M. (2016). The correlation between organizational justice and trust among employees of rehabilitation clinics in hospitals of Ahvaz, Iran. *Electronic physician*, 8(2), 1904 - 1910.
- Kickul, J., Lester, S. W. and Finkl, J. (2002). Promise breaking during radical organizational change: do justice interventions make a difference?. *Journal of Organizational Behavior*, 23(4), 469-488.
- Lamertz, K. (2002). The social construction of fairness: Social influence and sense making in organizations. *Journal of Organizational Behavior*, 23(1), 19-37.
- Leventhal, G. S. (1976). The distribution of rewards and resources in groups and organizations. *Advances in Experimental Social Psychology*, 9, 91-131.
- Leventhal, G. S. (1980). *What should be done with equity theory?.* In *Social exchange*. Springer US. pp. 27-55.
- Lewicki, R. J. and Bunker, B. B. (1995). *Trust in relationships: A model of development and decline*. Jossey-Bass.
- Lind, E. A. and Tyler, T. R., (1988). *The social psychology of procedural justice*. Springer Science & Business Media.
- Lind, E. A., Kanfer, R. and Earley, P. C. (1990). Voice, control, and procedural justice: Instrumental and noninstrumental concerns in fairness judgments. *Journal of Personality and Social Psychology*, 59(5), 952-959.
- Liou TK. (1995). Understanding employee commitment in the public organization: a study of the juvenile detention center. *International Journal of Public Administration* 18, 1269–1295.
- Mayer, R. C., Davis, J. H. and Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20(3), 709-734.
- Mayer, R.C. and Gavin, M.B. (2005). Trust in management and performance: Who minds the shop while the employees watch the boss?. *Academy of Management Journal*, 48(5), 874-888.
- McAllister, D. J. (1995). Affect-and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal*, 38(1), 24-59.

- McFarlin, D. B. and Sweeney, P. D. (1992). Research notes. Distributive and procedural justice as predictors of satisfaction with personal and organizational outcomes. *Academy of Management Journal*, 35(3), 626-637.
- Mikula, G. (1986). *The Experience of injustice – Towards a Better Understanding of its Phenomenology*. In H. W. Bierhoff et al. (Eds.), *Justice in Social Relations* (pp. 103 - 123). New York: Plenum Press.
- Mintzberg, H. (1973). *The Nature of Managerial Work*. New York: Harper & Row.
- Moorman, R. H. (1991). Relationship between organizational justice and organizational citizenship behaviors: Do fairness perceptions influence employee citizenship? *Journal of Applied Psychology*, 76(6), 845-855.
- Paliszkievicz, J. O. (2010). The relationship between social perspective and knowledge management. *International Journal of Innovation and Learning*, 7(4), 450-466.
- Paliszkievicz, J., Koochang, A. and Nord, J. (2014). Management trust, organizational trust, and organizational performance: Empirical validation of an instrument. *Online Journal of Applied Knowledge Management*, 2(1), 28-39.
- Parker, R. J. and Kohlmeyer, J. M. (2005). Organizational justice and turnover in public accounting firms: A research note. *Accounting, Organizations and Society*, 30(4), 357-369.
- Pennings, J. M., & Woiceshyn, J. (1987). *A typology of organizational control and its metaphors*. In S. B. Bacharach & S. M. Mitchell (Eds.), *Research in the sociology of organizations*, 5: 75-104. Greenwich, CT: JAI Press.
- Pillai, R., Schriesheim, C. A. and Williams, E.S. (1999). Fairness perceptions and trust as mediators for transformational and transactional leadership: A two-sample study. *Journal of Management*, 25(6), 897-933.
- Porta, R. L., Lopez-De-Silane, F., Shleifer, A. and Vishny, R. W. (1996). Trust in large organizations (No. w5864). *National Bureau of Economic Research*.
- Randeree, K. (2008). Organizational justice: migrant worker perceptions in organizations in the United Arab Emirates. *Journal of Business Systems, Governance and Ethics*, 3(4), 57-67.
- Robinson, S. L. and Morrison, E. W. (1995). Psychological contracts and OCB: The effect of unfulfilled obligations on civic virtue behavior. *Journal of Organizational Behavior*, 16(3), 289-298.
- Robinson, S.L. (1996). Trust and breach of the psychological contract. *Administrative Science Quarterly*, pp.574-599.
- Rosenberg, A.S. and Treviño, L.K. (2003). A proposed model of between-group helping: An identity-based approach. *Journal of Managerial Issues*, 15(2), 154-174.
- Rousseau, D.M., Sitkin, S.B., Burt, R.S. and Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. *Academy of Management Review*, 23(3), 393-404.
- Saunders, M.N. and Thornhill, A. (2003). Organizational justice, trust and the management of change: An exploration. *Personnel Review*, 32(3), 360-375.
- Spreitzer, G.M. and Mishra, A.K. (2000). An empirical examination of a stress-based framework of survivor responses to downsizing. *The organization in crisis: Downsizing, restructuring, and privatization*, Oxford Blackwell. pp.97-118.

Effect of Justice on Employee Performance

- Tabibnia, G., Satpute, A.B. and Lieberman, M.D. (2008). The sunny side of fairness preference for fairness activates reward circuitry (and disregarding unfairness activates self-control circuitry). *Psychological Science*, 19(4), 339-347.
- Thibaut, J. W. and Walker, L. (1975). *Procedural Justice: A Psychological Analysis*. L. Erlbaum Associates.
- Tyler, T.R., Rasinski, K.A. and McGraw, K.M. (1985). The Influence of Perceived Injustice on the Endorsement of Political Leaders¹. *Journal of Applied Social Psychology*, 15(8), 700-725.
- Wegge, J., Jeppesen, H.J., Weber, W.G., Pearce, C.L., Silva, S.A., Pundt, A., Jonsson, T., Wolf, S., Wassenaar, C.L., Unterrainer, C. and Piecha, A. (2011). Promoting work motivation in organizations. *Journal of Personnel Psychology*, 9(4), 154–171.
- Whitener, E.M., Brodt, S.E., Korsgaard, M.A. and Werner, J.M. (1998). Managers as initiators of trust: An exchange relationship framework for understanding managerial trustworthy behavior. *Academy of Management Review*, 23(3), 513-530.
- Wold, S., Geladi, P., Esbensen, K. and Öhman, J. (1987). Multi-way principal components- and PLS-analysis. *Journal of Chemometrics*, 1(1), 41-56.
- Wong, Y. T., Ngo, H. Y. and Wong, C. S. (2002). Affective organizational commitment of workers in Chinese joint ventures. *Journal of Managerial Psychology*, 17(7), 580-598.
- Yuan W. K. and Zamantili N. D. (2009). Procedural justice, participation and power distance: Information sharing in Chinese firms. *Management Research Review*, 33(1), 66-78.
- Zhong, X. Y., Lu, W. X., Ling, S. O., & Kan, S. (2010). Protective effects of interactional justice on job insecurity of Chinese workers: evidence from a large-scale state-owned telecom company. In *2010, IEEE 2nd Symposium on Web Society* (pp. 443-448). IEEE.