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Employee Engagement and Business Performance: The Mediating Role of Customer Experience and Financial Performance

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Abstract
This study examines the relationship between employee engagement and business performance in the banking sector, with customer experience and financial performance positioned as mediating mechanisms. Grounded in Social Exchange Theory and the service-profit chain perspective, the study adopts a quantitative, cross-sectional research design. Data were collected from 300 employees working in selected public- and private-sector commercial banks using a structured questionnaire measured on a five-point Likert scale. Partial Least Squares Structural Equation Modelling was performed using ADANCO with 5,000 bootstrap resamples. The findings reveal that employee engagement has significant positive effects on customer experience, financial performance, and business performance. Financial performance also has a strong positive effect on business performance, whereas customer experience does not have a statistically significant direct effect on business performance. Mediation analysis indicates that financial performance significantly mediates the relationship between employee engagement and business performance, while customer experience does not emerge as a significant mediator. The study contributes by integrating employee, customer, financial, and organizational performance perspectives within a unified banking-sector framework. Practically, the findings highlight employee engagement as a strategic resource for strengthening financial and business outcomes and suggest that its impact on business performance is transmitted more strongly through financial performance than through customer experience alone.

Keywords:

Introduction

The banking sector is increasingly shaped by digitalization, intensified competition, evolving customer expectations, and pressure to achieve sustainable financial and business outcomes. Despite the growing importance of digital channels, employees remain central to relationship management, financial advice, complaint resolution, service recovery, and the delivery of complex banking services. Consequently, banks increasingly depend not only on technological capabilities but also on employees who are psychologically engaged with their work and capable of creating superior customer experiences. Employee engagement reflects the extent to which individuals invest cognitive, emotional, and physical energy in their work roles (Kahn, 1990) and has subsequently been conceptualized in terms of vigor, dedication, and absorption (Schaufeli et al., 2002). The importance of engagement is particularly evident in service organizations, where employees provide a critical connection between internal organizational conditions and external customer outcomes. The service-profit chain proposes that favourable employee outcomes can improve service delivery and customer responses and ultimately contribute to financial performance (Yee et al., 2011; Lambert et al., 2021). Empirical evidence from retail banking similarly suggests that employee attitudes, customer satisfaction, and business outcomes are interconnected, although the strength of the intervening customer mechanism may vary across settings (Gelade & Young, 2005).

Customer experience has simultaneously become an important competitive concern in banking. Digital and conventional banking encounters are increasingly evaluated in terms of service quality, convenience, perceived value, usability, personalization, trust, and employee-customer interaction. Research shows that these experience-related dimensions influence satisfaction and loyalty and are associated with banks' financial outcomes (Mbama & Ezepue, 2018). A subsequent review of digital-banking research also emphasizes the need to connect customer-experience mechanisms with performance-related outcomes rather than examining them independently (Chauhan

et al., 2022). However, an important gap remains. Existing banking research has largely examined segments of the employee–customer–performance chain. Earlier work linked employee attitudes with customer satisfaction and sales performance, while contemporary studies have concentrated extensively on digital customer experience, satisfaction, loyalty, and financial performance. Comparatively limited empirical attention has been given to an integrated model in which employee engagement simultaneously influences customer experience and financial performance and these mechanisms explain broader business performance. This gap matters because analysing employee, customer, and financial outcomes independently may obscure how human-resource investments are ultimately converted into organizational value. The literature review developed for the present study accordingly positions Employee Engagement as the antecedent, Customer Experience and Financial Performance as parallel mediating mechanisms, and Business Performance as the final outcome.

Accordingly, this study aims to examine how employee engagement influences business performance in the banking sector and the extent to which customer experience and financial performance transmit this relationship. The study integrates Social Exchange Theory with the service-profit chain perspective and tests five structural relationships within a unified PLS-SEM framework. Theoretically, it extends engagement research beyond employee-level consequences by connecting engagement with customer-facing, financial, and broader business outcomes. Practically, the study can help bank managers determine whether investments in employee engagement create value primarily through improved customer experiences, enhanced financial outcomes, or direct improvements in business performance. This positioning is particularly relevant because contemporary banking research continues to identify customer-centricity and financial outcomes as closely connected strategic priorities (Bhatnagr et al., 2024).

2. Literature Review and Hypothesis Development

2.1 Theoretical Foundation

The proposed framework is grounded primarily in Social Exchange Theory (SET) and the Service-Profit Chain (SPC). SET explains workplace behaviour as a reciprocal exchange process in which employees who perceive supportive and rewarding relationships with their organization are more likely to reciprocate through greater involvement, commitment, and discretionary effort. Employee engagement therefore represents more than simple job satisfaction; it reflects the extent to which employees invest cognitive, emotional, and behavioural resources in performing their organizational roles. In service organizations, these investments may influence not only employee-level outcomes but also the quality of customer interactions. The Service-Profit Chain complements SET by explaining how favourable employee conditions can progressively translate into customer and organizational outcomes. Empirical research supports the proposition that employee engagement can influence operational service performance, customer perceptions, and eventually financial outcomes (Lambert et al., 2021). This logic is particularly applicable to banking, where employees remain important during advisory services, complaint resolution, relationship management, account servicing, lending, and the integration of customers into increasingly digital service systems. Banking research further indicates that customer experience involves both digital and human components, including service quality, perceived value, usability, trust, complaint handling, and employee-customer engagement (Mbama & Ezepue, 2018; Chauhan et al., 2022). Accordingly, the present framework positions Employee Engagement (EE) as the antecedent, Customer Experience (CE) and Financial Performance (FP) as parallel intervening mechanisms, and Business Performance (BP) as the ultimate organizational outcome. This structure is consistent with the conceptual positioning developed in the study, which integrates employee, customer-facing, financial, and business-level dimensions within a single framework.

2.2 Employee Engagement and Customer Experience

Customer experience refers to customers' cumulative perceptions resulting from interactions with an organization across service encounters and touchpoints. In banking, those experiences increasingly combine mobile and internet banking with employee-supported interactions. Although banking digitalization has reduced dependence on branch-based transactions, employees continue to play an important role when services involve uncertainty, relationship development, financial advice, complaint resolution, or customized assistance. Research on digital banking demonstrates that customer experience is shaped not only by technological usability and convenience but also by employee-customer engagement, service quality, perceived value, customization, and trust (Mbama & Ezepue, 2018). A systematic review by Chauhan et al. (2022) similarly identifies functional, technological, and human dimensions as important determinants of banking customer experience, including complaint handling as an important humanic component. Engaged employees are likely to demonstrate greater attentiveness, persistence, responsiveness, and willingness to resolve customer problems. From a social-exchange perspective, such discretionary effort represents a behavioural consequence of employees' positive relationship with their organization. From an SPC perspective, it represents the employee-to-customer stage through which internal organizational conditions become visible to customers. The original framework likewise proposes that engaged bank employees should provide more responsive and

reliable interactions. Therefore:
H1: Employee engagement has a positive effect on customer experience.

2.3 Employee Engagement and Financial Performance

Employee engagement may also generate financial value through productivity, service efficiency, customer retention, sales behaviour, lower service failures, and stronger execution of organizational objectives. Within banking, employees can influence commercially relevant outcomes through deposit mobilization, cross-selling, customer acquisition, relationship retention, product recommendations, and efficient processing of transactions and service requests. These mechanisms make engagement potentially relevant to financial performance even when its effects are not immediately visible in accounting measures. The broader service-profit literature supports this logic. Lambert et al. (2021) found that employee engagement functioned as an important starting point in a chain linking employee conditions with service performance, customer perceptions, sales, and profit-related outcomes. Recent research integrating employee engagement, customer satisfaction, and financial performance also provides evidence that engagement can contribute indirectly to improved financial results through customer-related mechanisms. This reasoning is especially relevant for banking because small improvements in service productivity, customer retention, or cross-selling can accumulate into meaningful branch- or organization-level financial consequences. The study's theoretical model therefore treats engagement as a human-resource condition capable of generating financial outcomes rather than solely attitudinal benefits. Accordingly:
H2: Employee engagement has a positive effect on financial performance.

2.4 Customer Experience and Business Performance

Customer experience is increasingly a source of differentiation in banking because competing institutions frequently offer comparable core financial products. Consequently, convenience, trust, personalization, responsiveness, service recovery, channel integration, and relationship quality can affect how customers evaluate their banking relationships. Positive experiences may promote satisfaction, loyalty, advocacy, customer retention, and continued or expanded use of banking services. Mbama and Ezepue (2018) found significant relationships among digital-banking customer experience, satisfaction, loyalty, and financial performance, demonstrating that customer experience can carry consequences beyond immediate service evaluations. Evidence from Vietnam further shows that banking customer experience can affect financial performance through intermediate mechanisms such as satisfaction and word-of-mouth, although the relationships differed across pre-pandemic and lockdown periods (Nguyen et al., 2022). This variability is important because it suggests that customer experience should not automatically be assumed to produce the same performance consequences in every banking context. More recent Indian digital-banking research also emphasizes links among online customer experience, loyalty, trust, satisfaction, and financial outcomes, reinforcing customer-centricity as an important strategic concern for financial institutions. Theoretically, favourable customer experiences should strengthen customer relationships and thereby contribute to market, service, competitive, and organizational outcomes. Therefore:
H3: Customer experience has a positive effect on business performance.

2.5 Financial Performance and Business Performance

Financial performance and business performance are related but conceptually distinct. Financial performance reflects economic outcomes such as profitability, revenue growth, return generation, cost efficiency, and achievement of financial targets. Business performance is broader and may encompass competitive position, growth, market outcomes, service effectiveness, operational success, and achievement of strategic objectives. The distinction is important because strong accounting performance represents one component of organizational success rather than its entirety. Financial strength can nevertheless enable broader business performance. Profitable and financially stable banks have greater capacity to invest in technology, workforce development, digital infrastructure, service innovation, branch modernization, risk management, and customer relationship initiatives. Digital-banking research illustrates this connection by explicitly integrating customer-related factors with financial-performance outcomes and broader customer-centric objectives (Chauhan et al., 2022; Bhatnagr et al., 2024). The proposed study therefore treats financial performance as an important pathway through which operational and employee-related advantages can support overall organizational outcomes. This distinction is also reflected in the underlying conceptualization, where FP represents economic results and BP represents the wider success of the banking organization. Accordingly:
H4: Financial performance has a positive effect on business performance.

2.6 Employee Engagement and Business Performance

Employee engagement can contribute to business performance independently of the proposed mediators. Engaged employees tend to exhibit initiative, persistence, cooperation, customer orientation, and discretionary effort. At an organizational level, these behaviours may improve

productivity, service quality, responsiveness, implementation effectiveness, and the organization's ability to achieve strategic objectives. The service-profit literature provides evidence that employee engagement can exert both direct and indirect effects on organizational outcomes. Lambert et al. (2021), for example, demonstrated that engagement was connected to operational, customer, and financial measures within a service-profit chain. Such findings support the view that engagement should not be treated solely as a proximal employee attitude; rather, it can constitute an organizational resource with wider performance implications. For banks, this direct pathway is theoretically plausible because employee behaviours influence numerous activities beyond individual customer encounters, including teamwork, process accuracy, compliance, problem solving, service innovation, and achievement of branch objectives. This rationale is consistent with the study's framework, which proposes both mediated and direct routes from employee engagement to business performance. Hence:

H5: Employee engagement has a positive effect on business performance.

2.7 Mediating Roles and Conceptual Framework

Taken together, SET and the Service-Profit Chain suggest that the influence of employee engagement on business performance may operate through multiple mechanisms. The first is a customer pathway, whereby engaged employees improve service encounters and customer experiences, which may subsequently support organizational outcomes. The second is a financial pathway, whereby engagement contributes to productivity, commercial effectiveness, retention, or operational efficiency, thereby enhancing financial performance and ultimately business performance. This positioning is supported by banking scholarship connecting customer experience with financial results. Mbama and Ezepue (2018) link customer experience, satisfaction, loyalty, and bank financial performance, while Nguyen et al. (2022) show that the financial consequences of customer experience may depend on intervening customer mechanisms and contextual conditions. Reviews of digital banking similarly call for integrated models that connect technology and customer factors with performance outcomes rather than treating these research streams separately.

Accordingly, Customer Experience and Financial Performance are positioned as parallel mediating mechanisms between Employee Engagement and Business Performance. However, consistent with the parsimonious conceptual model, mediation is evaluated through indirect-effect analysis rather than introducing additional numbered hypotheses. No moderation relationship is proposed. The resulting model therefore contains five structural paths EE→CE, EE→FP, CE→BP, FP→BP, and EE→BP—and provides an integrated explanation of how employee engagement may translate into business value in the banking sector.

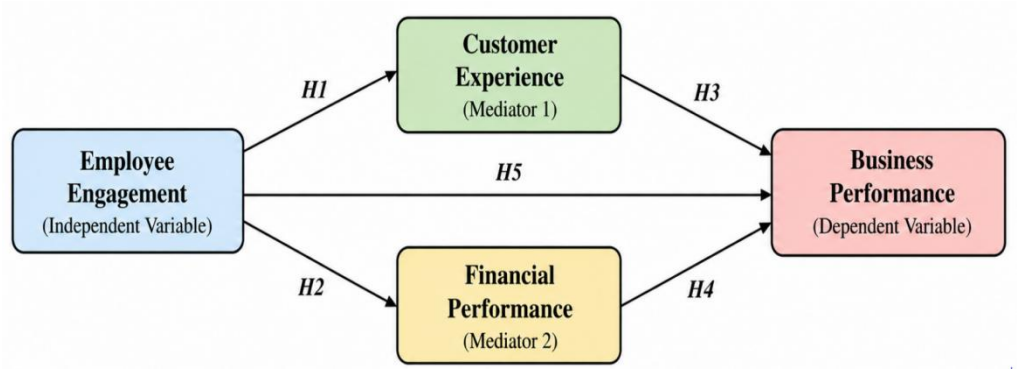


Figure 1 Conceptual Framework

3. Methodology

This study adopted a quantitative, cross-sectional research design to examine the relationships among employee engagement, customer experience, financial performance, and business performance in the banking sector. The study focused on employees working in selected public- and private-sector commercial banks, particularly those involved in customer service, branch operations, relationship management, and supervisory or managerial functions. Respondents were required to have at least one year of experience in their current organization to ensure sufficient familiarity with customer interactions and branch-level performance. A stratified purposive sampling technique was employed to obtain representation from different employee categories and banking institutions. The final study targeted 300 respondents, which was considered adequate for PLS-SEM given the relatively parsimonious structural model and the need for stable bootstrap estimates and mediation analysis. Before the main survey, a pilot study involving 50 respondents was conducted to assess item clarity, internal consistency, questionnaire flow, and preliminary measurement reliability.

The questionnaire measured four constructs: Employee Engagement, Customer Experience,

Financial Performance, and Business Performance. Each construct was operationalized using five adapted items drawn from established scales in the employee engagement, service/customer experience, and organizational performance literature. Responses were recorded on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The instrument was reviewed for contextual suitability and wording clarity before pilot testing, and minor revisions were made where required. Data were collected through a structured self-administered questionnaire distributed electronically and, where feasible, in printed form. Participation was voluntary, and respondents were informed about the academic purpose of the study, confidentiality of responses, and their right to withdraw. No personally identifiable or sensitive financial information was requested.

To reduce common-method and response bias, the questionnaire assured anonymity, used neutral wording, separated predictor and outcome constructs within the survey, and avoided leading or double-barrelled questions. Data were also screened for missing responses, duplicate cases, and response-pattern irregularities before analysis. The hypotheses were tested using Partial Least Squares Structural Equation Modelling (PLS-SEM) with ADANCO 2.4.1. PLS-SEM was considered appropriate because the study focused on simultaneous estimation of multiple latent-variable relationships, prediction-oriented assessment, and mediation effects. Reliability, convergent validity, discriminant validity, path coefficients, R^2, effect sizes, indirect effects, and bootstrap confidence intervals were evaluated using 5,000 bootstrap resamples.

4. Results

4.1 Data Screening and Sample Information

The empirical analysis was based on 300 respondents from the banking sector. The dataset comprised 20 observed indicators representing four latent constructs: Employee Engagement (EE), Customer Experience (CE), Financial Performance (FP), and Business Performance (BP), with five indicators assigned to each construct. Examination of the raw dataset indicated that all 300 observations were complete, with no missing responses or duplicate cases. All measurement items were recorded on the intended five-point response scale, with observed values ranging from 1 to 5. At the construct level, the mean scores were 3.095 for Employee Engagement, 3.120 for Customer Experience, 3.123 for Financial Performance, and 3.029 for Business Performance. The corresponding standard deviations were 1.022, 1.029, 0.907, and 0.948, respectively. These values indicate adequate variability in responses for subsequent structural equation modelling. The PLS-SEM analysis was performed using ADANCO 2.4.1. The iterative estimation procedure converged after six iterations, and statistical inference was based on 5,000 bootstrap samples.

4.2 Reliability and Convergent Validity

The reliability of the four reflective constructs was evaluated using Dijkstra–Henseler's rho_A, Jöreskog's composite reliability (rho_c), and Cronbach's alpha. Employee Engagement demonstrated high internal consistency, with rho_A = 0.899, rho_c = 0.896, and alpha = 0.896. Customer Experience also showed satisfactory reliability, with rho_A = 0.890, rho_c = 0.883, and alpha = 0.883. Financial Performance produced rho_A = 0.831, rho_c = 0.818, and alpha = 0.803, whereas Business Performance yielded rho_A = 0.831, rho_c = 0.828, and alpha = 0.829. Thus, all reliability coefficients exceeded the conventional threshold of 0.70. Convergent validity was assessed using the average variance extracted (AVE). Employee Engagement recorded an AVE of 0.633 and Customer Experience an AVE of 0.603, both exceeding the recommended value of 0.50. Financial Performance (AVE = 0.478) and Business Performance (AVE = 0.492) were marginally below the conventional 0.50 benchmark. Nevertheless, their composite reliability values exceeded 0.80, indicating acceptable internal consistency, although the comparatively low AVE values should be acknowledged when interpreting the measurement model.

4.3 Measurement-Model Assessment

Indicator loadings for Employee Engagement ranged from 0.741 to 0.855, indicating satisfactory indicator reliability. Customer Experience loadings ranged from 0.682 to 0.890. Financial Performance showed greater variation, with loadings from 0.516 to 0.789, while Business Performance loadings ranged from 0.645 to 0.762. The relatively weak loading of FP1 (0.516), together with several indicators below 0.70, explains the slightly reduced AVE for Financial Performance and Business Performance. However, the indicators were retained because the overall construct reliability remained satisfactory and deletion should not be based solely on statistical criteria where content validity would be affected. Multicollinearity at the indicator level was not problematic. Variance inflation factor values ranged from 1.097 to 2.897 across all indicators, remaining below commonly applied critical thresholds.

Discriminant validity was examined using the heterotrait-monotrait ratio of correlations (HTMT), HTMT2, and the Fornell–Larcker criterion. Most construct pairs demonstrated satisfactory discriminant validity. Specifically, HTMT values were 0.438 for EE–CE, 0.509 for EE–FP, 0.626 for EE–BP, 0.640 for CE–FP, and 0.611 for CE–BP. However, the HTMT value between Financial Performance and Business Performance was 0.955, exceeding the conservative 0.85 and conventional 0.90 thresholds. HTMT2 similarly produced a value of 0.995 for FP–BP. The Fornell–Larcker results showed the same concern because the squared correlation between FP and BP (0.886) exceeded the AVE of both Financial Performance (0.478) and Business Performance (0.492). Accordingly, discriminant validity was

established for most construct pairs but not fully established between Financial Performance and Business Performance. This result indicates substantial empirical overlap between these two constructs and should be considered when interpreting their structural relationship.

4.4 Structural-Model Results

The explanatory power of the structural model was evaluated through the coefficient of determination (R^2). Employee Engagement explained 19.5% of the variance in Customer Experience (R^2 = 0.195; adjusted R^2 = 0.192) and 24.4% of the variance in Financial Performance (R^2 = 0.244; adjusted R^2 = 0.242). The combined predictors explained 92.1% of the variance in Business Performance (R^2 = 0.921; adjusted R^2 = 0.920).

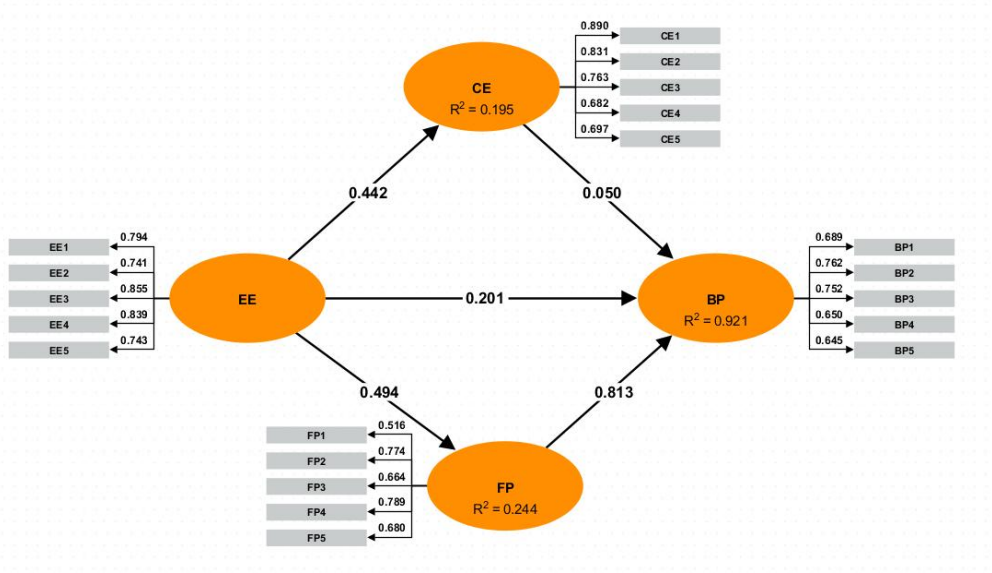


Figure 2 Structural Model

The direct path from Employee Engagement to Customer Experience was positive and statistically significant (β = 0.442, SE = 0.053, t = 8.393, p < 0.001, 95% CI [0.336, 0.541]). Employee Engagement also had a significant positive effect on Financial Performance (β = 0.494, SE = 0.054, t = 9.211, p < 0.001, 95% CI [0.388, 0.597]). The direct relationship between Employee Engagement and Business Performance was significant (β = 0.201, SE = 0.052, t = 3.879, p < 0.001, 95% CI [0.097, 0.299]). Financial Performance had the strongest effect on Business Performance (β = 0.813, SE = 0.049, t = 16.704, p < 0.001, 95% CI [0.723, 0.911]). In contrast, the effect of Customer Experience on Business Performance was small and statistically non-significant (β = 0.050, SE = 0.053, t = 0.942, p = 0.346, 95% CI [-0.059, 0.146]).

4.5 Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	95% CI	Decision
H1	EE → CE	0.442	8.393	<0.001	[0.336, 0.541]	Supported
H2	EE → FP	0.494	9.211	<0.001	[0.388, 0.597]	Supported
H3	CE → BP	0.050	0.942	0.346	[-0.059, 0.146]	Not supported
H4	FP → BP	0.813	16.704	<0.001	[0.723, 0.911]	Supported
H5	EE → BP	0.201	3.879	<0.001	[0.097, 0.299]	Supported

Thus, four of the five proposed direct hypotheses were supported. The results suggest that employee engagement contributes positively to customer experience, financial performance, and business performance, while financial performance has a particularly strong association with business performance. Customer experience, however, did not demonstrate a statistically significant direct contribution to business performance after the other predictors were simultaneously considered.

4.6 Mediation Analysis

The total indirect effect of Employee Engagement on Business Performance through the two proposed mediators was positive and statistically significant (β = 0.424, SE = 0.051, t = 8.330, p < 0.001, 95% CI [0.328, 0.530]). The total effect of Employee Engagement on Business Performance was β = 0.625 (SE = 0.044, t = 14.322, p < 0.001, 95% CI [0.537, 0.708]). Because the direct effect of Employee Engagement on Business Performance remained significant (β = 0.201), the overall results indicate partial mediation. To distinguish the two parallel mediation mechanisms, the specific indirect effects were additionally calculated from the 5,000 bootstrap path estimates. The indirect effect through Customer Experience was very small (EE → CE → BP: β ≈ 0.022), and its bootstrap confidence interval included zero (95% CI

approximately [-0.028, 0.064]). Therefore, Customer Experience did not significantly mediate the relationship between Employee Engagement and Business Performance.

In contrast, the specific indirect effect through Financial Performance was substantial (EE → FP → BP: β ≈ 0.402), with the bootstrap confidence interval entirely above zero (95% CI approximately [0.307, 0.508], $p < 0.001$). Financial Performance therefore significantly mediated the relationship between Employee Engagement and Business Performance. Consequently, the significant overall indirect effect was driven almost entirely by the Financial Performance pathway rather than the Customer Experience pathway. No moderation relationship was specified in the conceptual model; therefore, moderation analysis was not applicable to the present study.

4.7 Effect Sizes

Cohen's f^2 statistics were used to examine the substantive contribution of individual predictors. The effect of Employee Engagement on Customer Experience was $f^2 = 0.242$, indicating a moderate effect. Employee Engagement had an f^2 of 0.323 on Financial Performance, representing a moderate-to-relatively strong contribution. Its direct effect on Business Performance yielded $f^2 = 0.367$. Customer Experience produced only a very small effect on Business Performance ($f^2 = 0.020$), consistent with its non-significant path coefficient. By contrast, Financial Performance produced an exceptionally large effect on Business Performance ($f^2 = 4.927$). This unusually large effect is consistent with the very high FP–BP correlation and should therefore be interpreted cautiously in light of the discriminant-validity issue identified between these two constructs.

4.8 Model Fit and Robustness Analysis

The saturated-model SRMR was 0.0888, while the estimated-model SRMR was 0.1247. The corresponding discrepancy measures were d_ULS = 1.656 and d_G = 0.421 for the saturated model and d_ULS = 3.268 and d_G = 0.490 for the estimated model. These values exceeded their bootstrap-based HI95 and HI99 reference values, indicating that exact model fit was not supported. Thus, although the model demonstrated substantial explanatory power, particularly for Business Performance, global fit results suggest that the model should not be described as having excellent overall fit. Several robustness checks were considered. First, inference was based on 5,000 bootstrap replications, and the principal significant relationships remained significant when evaluated using both conventional 95% and more stringent 99% percentile confidence intervals. For example, the 99% bootstrap intervals remained above zero for EE → CE [0.305, 0.578], EE → FP [0.351, 0.623], EE → BP [0.062, 0.330], and FP → BP [0.695, 0.949]. Conversely, the 99% interval for CE → BP [-0.100, 0.182] continued to contain zero, confirming the lack of support for this relationship.

Second, indicator-level VIF statistics were all below 3, suggesting that ordinary indicator multicollinearity did not materially distort the estimates. Third, the direct, indirect, and total effects consistently indicated that Financial Performance was the dominant mechanism linking Employee Engagement with Business Performance. The total effect of Employee Engagement on Business Performance (β = 0.625) was substantially larger than its direct effect (β = 0.201), further demonstrating the importance of the indirect pathway. Nevertheless, the robustness of the Financial Performance–Business Performance relationship requires caution. Their latent correlation was 0.941, HTMT was 0.955, and HTMT2 was 0.995, indicating considerable conceptual and empirical overlap. The very large path coefficient (β = 0.813), exceptional f^2 value (4.927), and R^2 of 0.921 for Business Performance may partly reflect this overlap. Accordingly, while the direction and statistical significance of the Financial Performance pathway are highly stable across bootstrap specifications, the magnitude of the effect should not be interpreted without qualification. Overall, the results provide strong support for the role of Employee Engagement in enhancing Financial Performance and Business Performance in the banking-sector context. Financial Performance emerged as the principal mediator, whereas Customer Experience did not independently transmit the effect of Employee Engagement to Business Performance in the estimated model.

5. Discussion

The study examined how employee engagement contributes to business performance in the banking sector through customer experience and financial performance. The findings provide partial support for the proposed framework. Four of the five direct hypotheses were supported: employee engagement significantly influenced customer experience, financial performance, and business performance, while financial performance strongly influenced business performance. In contrast, the direct effect of customer experience on business performance was statistically non-significant. The mediation analysis further showed that financial performance significantly transmitted the effect of employee engagement to business performance, whereas customer experience did not demonstrate a significant mediating effect. The positive relationship between employee engagement and customer experience supports the theoretical reasoning of Social Exchange Theory and the service-profit chain. Engaged employees are more likely to invest discretionary effort, demonstrate responsiveness, and provide attentive service, thereby improving customers' interactions with the bank. This result is consistent with Lambert et al. (2021), who found employee engagement to be an important starting mechanism in the service-profit chain, influencing customer- and performance-related outcomes. It is also consistent with banking research

showing that employee-customer engagement represents an important component of customer experience alongside service quality, perceived value, usability, and trust (Mbama & Ezepue, 2018). Thus, even as banking becomes increasingly digital, engaged employees remain important in shaping customers' overall evaluations of service encounters.

The significant effect of employee engagement on financial performance further demonstrates that engagement has implications beyond favourable employee attitudes. Engaged banking employees can contribute through productivity, customer acquisition, cross-selling, retention, service efficiency, and effective execution of organizational objectives. The finding is consistent with the service-profit-chain evidence of Lambert et al. (2021), who demonstrated that engagement can ultimately contribute to financial performance through operational and customer-related mechanisms. The result therefore reinforces the view that employee engagement should be treated as an economically relevant organizational resource rather than simply an HR outcome. A particularly important finding was the strong positive relationship between financial performance and business performance. Financial performance produced the largest structural effect on business performance ($\beta = 0.813$), suggesting that improvements in economic outcomes are closely associated with the broader competitive and operational success of banks. This finding corresponds with banking research that links customer-focused and digital capabilities with financial outcomes and wider organizational performance (Mbama & Ezepue, 2018; Chauhan et al., 2022). However, this result requires cautious interpretation because Financial Performance and Business Performance displayed substantial empirical overlap: HTMT was 0.955 and HTMT2 was 0.995. Consequently, the exceptionally large path coefficient and effect size may partly reflect insufficient discriminant validity between these constructs.

The most notable unexpected result was the non-significant relationship between customer experience and business performance ($\beta = 0.050$, $p = 0.346$). This differs from research indicating that positive customer experiences can contribute to loyalty, satisfaction, and financial outcomes (Mbama & Ezepue, 2018). Nevertheless, the result is not entirely inconsistent with earlier retail-banking evidence. Gelade and Young (2005) found that customer satisfaction played only a weak intervening role between employee attitudes and sales performance and concluded that the effect could be too small to have substantial practical importance. One explanation is that customer experience may influence business performance only indirectly through satisfaction, loyalty, retention, or financial outcomes rather than producing an immediate direct effect. Moreover, contemporary banking customers interact through multiple digital and physical channels, making the translation of individual service experiences into organization-wide business outcomes less direct. The mediation results reinforce this interpretation. Although the combined indirect effect of employee engagement on business performance was significant, the pathway through customer experience was not significant, whereas the pathway through financial performance was substantial. Theoretically, this finding refines the service-profit-chain argument by suggesting that the employee-to-performance process may not operate uniformly through every customer-related mechanism. In the present banking context, the financial pathway appears to be the dominant mechanism.

From a practical perspective, banking managers should view employee engagement as a strategic performance lever. Investments in supportive leadership, recognition, meaningful work, development opportunities, role clarity, and employee participation may contribute not only to better customer interactions but also to stronger financial outcomes. At the same time, the non-significant customer-experience pathway implies that improving customer experience alone may be insufficient unless positive experiences are converted into retention, cross-selling, loyalty, and other commercially meaningful outcomes. Several limitations should be acknowledged. The cross-sectional design restricts causal inference, while self-reported measures may introduce common-method bias. The study also relied on 300 respondents from the banking sector, limiting generalizability to other service industries. Most importantly, the weak discriminant validity between financial and business performance warrants caution when interpreting their relationship. Future studies should use longitudinal or multi-source designs, obtain objective financial indicators where possible, distinguish financial and non-financial business-performance dimensions more sharply, and examine additional mechanisms such as customer satisfaction, loyalty, digital banking experience, or service quality. Comparative studies across public and private banks would also help determine whether the observed relationships vary across institutional contexts.

6. Conclusion

This study examined the relationship between employee engagement and business performance in the banking sector, with particular attention to the mediating roles of customer experience and financial performance. Using a quantitative, cross-sectional design and PLS-SEM analysis, the study sought to explain how employee-related factors are translated into broader organizational outcomes. The findings show that employee engagement has significant positive effects on customer experience, financial performance, and business performance. Financial performance also demonstrated a strong positive relationship with business performance, whereas customer experience did not exert a statistically significant direct effect on business performance. The mediation analysis further indicated that financial

performance significantly mediated the relationship between employee engagement and business performance, while customer experience did not emerge as a significant mediator. Overall, financial performance represented the stronger mechanism through which employee engagement contributed to business outcomes. Theoretically, the study extends the application of Social Exchange Theory and the service-profit chain perspective by integrating employee engagement, customer experience, financial performance, and business performance within a unified banking-sector framework. It also demonstrates that the pathways connecting employee engagement with organizational outcomes may differ in strength and significance. Practically, the findings suggest that banks should treat employee engagement as a strategic organizational resource. Initiatives that enhance employee involvement, commitment, support, and service orientation may contribute to stronger financial and business outcomes. The central takeaway is that engaged employees matter for organizational performance, but their impact appears to be translated more strongly through financial performance than through customer experience alone.

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