

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

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Abstract

Purpose - The study was organized to empirically test out the Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction and also to find out that Employee Performance Mediates the relationship between them.

Design/Methodology/Approach –The data is collected from the banking industry of Pakistan in Multan, Lahore and Kot Addu. Data is collected from the respondents of banking Industry. The current study has the response rate is 70%. Sample size is 226. For data analysis, the Smart PLS- SEM version 3 is employed the Structural and Measurement Model for analyzing the effects among the variables and also SPSS v.20 was run to find out the descriptive statistics.

Findings – The findings of the study supported the proposed Hypothesized relationship wherein positive and significant relationships were found among Employee Competency, Psychological capital, Flourishing Environment on Customer Satisfaction and Employee Performance positively mediates the relationship between them.

Originality/value – The current study provide the new light to the researchers, Policy makers and practitioners to make them aware with the issues related to the mediator Employee Performance and their coordinating factors Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction.

Keywords: Employee competency, Psychological capital, Flourishing environment, Employee Performance, Customer Satisfaction

Introduction

The competency of employee is needed to keep back their customers. Previously it is not considered compulsory for the organization to improve their employee skills. Hence it's the main reason why competencies required importantly. In past, employees don't really

concerns with their skills whether they utilize them correctly or not. Presently, employees are more focused and are more motivated and know how these skills and capabilities will be required for their respective jobs. In Addition, the competency are considered to be more appropriate globally while working in the organization the major focus of any organization is their customers which can be achieved by the employees. Various workplace adopted different criteria to maintain their customers by exercising their employees.

(Mathis et al., 2019), explained the factors which related to the performance e.g.; quantity of the efforts, quality of the work, effectiveness and efficiency of working abilities and much more. It is also explained that organization performance needed to improve the employee individual performance. (Tahir and Inuwa, 2019), explains that the activities of the organization can be achieved if their employees perform to achieve customers and it shows the organization position also. There are many reasons for the organization to act with their policies which also related to the government which can changed their procedure today or even in the past. The perspective makes a large view point that the customer satisfaction can be utilize with the efforts any employee puts.

Psychological capital recognized now globally as well in the business field and education also. It also plays a certain role to improve the business activities. Psychological capital makes the organization environment dynamic. Another study also shows that psychological capital varies with the latest technological employees as well as with the previous employees (Fang et al., 2019). It also helps the employees to overcome the challenges given in the organization. (Tsaour et al., 2019), stated that it will also competitive for many firms also. Companies mostly improve their worker's efforts by changing in their practices and activities. When a employee work in a company he should be well aware of his skills and capacity so that he could work accordingly and learn something new which can be beneficial for him in long term. There are numerous studies conducted where employees are the center of the attention which leads the success. Additionally, he can also decide the company position by his performance. It is because of him customers can be connected to the company.

Various companies are exercising for making better policies and procedures while keeping in mind the flourishing environment, and somehow working environment makes employee work accordingly. Negative attitudes will be appear if the working environment expected to be more challenging which makes employee lazy with their tasks. The creativity that employees puts in his work also needs to be appreciated if it's considered then it will also affect the performance of an employee.

The competency plays a major role in the satisfaction of their consumers which is also a huge aspect for any organization. Thereafter, it is the employee who made a company grow and a mandatory factor for the organization. Activities and objectives are mostly carried out by the employee without them company wouldn't achieve its respective targets. The concepts like employee competency, flourishing environment and psychological capital is the most important concept for today's time. This study further explains that how these factors can be effect on customer satisfaction with employees working abilities.

Many previous studies showed the great impact on customer satisfaction through these studies. The study focuses on the information which was required to sorting out the issues

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

related to them by targeting customer satisfaction. However, employee performance can be made it possible in the banking sector and SMES. This study however, is the most informative for the researchers and for the practitioners through their contribution the improvement in the business economy will be got. The issues which are presented for the further study can be helpful to sorting out each of these variables which have a great influence on each of them.

Literature Review and Hypotheses Development

Employee Competency and Customer Satisfaction

The competency of employee which also gave detailed review about the potential which employee needs for their performance for the satisfaction of customers. The key is to keep the skilled employees for any company to make their organization improved by fulfilling their consumer desires. Many researches have been conducted to find the relation of competencies of employees for attracting their customers. For that reason many firms take employee competency very seriously which also a compulsory factor related to the business economically which also considered to be fortunate for the organization (Ibrahim et al., 2019).

Many studies (Ahmed et al., 2019, Atan and Mahmood, 2019, Harimurti and Suryani, 2019, Otoo, 2019, Safavi and Bouzari, 2019, Wulani et al., 2019) considered that to improve the consumers demands firms needed the accurate policies which is related to the abilities of employee. For any organization, their uses or their customers are the real and as well as mandatory goal which also decides the market position of the organization through them. Previous researches also displayed the effect with the service line of employee competency and hence emphasized on the further necessary service operators with the competencies of employees to customers satisfaction (Ghali, 2019). This study also recognizes the relationship of employee competency and Customer satisfaction in different manner Small and Medium Enterprise (SME'S). Clearly identifies the Hypotheses which are as follows:

H1; “There is a significant relationship between Employee Competency and Customer Satisfaction”.

Psychological Capital and Customer Satisfaction

The ability to overcome the situation and have potential to perform in an uncertain condition related to the Psychological Capital is defined as the employee performance to take out the job behavior. This may also affect the performance of an employee and emphasizes on their creativeness in the organization. In workplace environment different emotions also pulls them to motivate their efforts which basically leads to the significant impact on their performance and it will also automatically improves their customer demands.

Different researchers (Carmona et al., 2019, Ghali, 2019, Lim et al., 2019, Maslakci and Sesen, 2019) also clearly identifies the significant effect in the quality of service sector. Most of them have also analyzed the factors which related to the customers and acknowledge about them their significance. The availability of correct procedures will also gain the customers for

long time. To attract customers the expectation of their structures also should be equal to the organization design which is decided by the employee performance. (Ncube and Chimucheka, 2019, Safavi and Bouzari, 2019), also describes the factors which actually enhances the employee performance to satisfy customers. According to the, (Asril et al., 2019) clarifies that it may also be utilized with different service sections. Furthermore, it will also be recommended from the past researchers.

The study tries to understand the relation of Psychological capital on customer satisfaction. The proposed hypotheses will be organized as:

H2; “There is a significant relationship between Psychological capital and customer satisfaction”.

Flourishing Environment and Customer Satisfaction

It is described as the positivity of emotion leads to deduced positive behaviors of employee in the organization which leads to good results. Organization environment plays an important role in comforting the employee. Therefore, flourishing environment also be introduced as the maintenance of organization conditions to enhance the employee performance through Optimum, Psychological and resources of the culture. (APIYO, 2019, Ghali, 2019, Jung et al., 2019, Rothmann et al., 2019), described that employee is dependent on the workplace environment to be flourish.

Moreover, it is extracted as the organization behavior may significantly impacted on employee behavior for the environment flourishing which also be the cause of the growth of organization. Customer satisfaction may also be the necessary factor while considering position of the market. To work on the customer desires organization should be more reluctant with their tasks. By the knowledge of the flourishing environment, it will be seen that the employee will take part encouragingly if the workplace environment will also be flourished. Some of the studies also points that it is customer satisfaction which actually makes environment flourish in Corporate social responsibility sector (Asaari et al., 2019). Furthermore, (Batool, 2019) also shows some other related factors which also recognizes the satisfaction of the customers with the flourish environment. Following is the Hypotheses which were proposed as:

H3; “There is significant relationship between Flourishing Environment and Customer Satisfaction”.

Employee Performance Mediates the Relationship between Employee Competency and Customer Satisfaction

Research has also studied about the concept of skillful employee which enhances the chances for the organization to satisfy the customers. However, it also may be described their key features which shows that an individual skills and enough knowledge effect the ability of an employee. Basically both have similar features which have a impact on customer satisfaction to attain goals of the organization (Ghali, 2019, Khan et al., 2019). Furthermore, the study also believed that the skills of an individual have a significant result with the academic performance which also creates a stability with the job activity (Mohanty and Mishra). In addition, both employee competency and employee performance shows great impact to the

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

organization environment which makes increased in the organization (Redelinguys et al., 2019).

The study also revealed that employee should be aware of his capability to achieve the job requirements which then affect on his performance and leads to the success of the organization through satisfaction of the customers. Providing them the desired product to meet their expectations may also defined customer satisfaction. Specifically, in the service the competencies of the employee may differ their effort for satisfying customers (Tahir and Inuwa, 2019). According to (Potnuru et al., 2019), performance of an employee can also be the reason to find out the competencies of the employees.

The proposed hypotheses clearly show the relation of employee competency on Customer satisfaction with the employee performance which are as follows:

H4; “There is Positive and significant relationship between Employee Competency and Customer Satisfaction with the mediating effect of employee Performance”.

Employee Performance Mediated by psychological capital and customer satisfaction

An individual performance can be seen with their performance level in the workplace. Job related outcomes can also be resolve with employee performance according to the psychological capital. Further studies also unveil that various concepts which is related to a person’s mindset should be positive with the following traits e.g; Hope, Efficacy, Optimism and Resiliency (Andri et al., 2019).

Work performance of an employee can somehow describe the relation with the job performance. An individual which shows the high satisfaction level proved to be more motivated in their job performance with psychological capital and also can be a reason for the beneficial for organization (Çetin, 2011).

Greater the Psychological capital in employee performance makes higher the customer satisfaction. By focusing on that concept it will also enhance the job performance through which a company can be retain many customers with their satisfaction. All these perspectives make necessary demands of customers which can be a greater concept by improving the employee performance (Çetin, 2011).

According to the researchers, Peterson et al, (Friend et al., 2016), focuses more on employee performance. However, the study explains briefly the relation of Psychological capital on Customer satisfaction with the employee performance. Proposed hypotheses are as given below:

H5; “There is significant relationship between Psychological capital and Customer satisfaction with the Mediating effect of Employee Performance”.

Employee performance mediates the relationship between flourishing environment and customer satisfaction

By flourishing the workplace conditions an individual efforts can be a necessary reason which can actually gain the competitive advantage for their respective company. Thereafter,

the performance of an employee depicts the positive response for the working conditions. By fulfilling the demands of the customer satisfaction level various mandatory practices needed. The challenging working experience make organization’s employees more daring with their works which also enhance their job performance somehow this view can also be explained in the sense of flourishing environment. The objectives can be achieved by the activities of the employee ability. The study also focuses on the employee flourishing environment which actually contributes some portion with the performance level. The study found that the strategies and the practices should be made properly for the organization which shows pros to the employee performance to gain market value (Ramsay, 2019).

(Rautenbach, 2015) also clearly describe this study similarly by focusing on flourishing environment employee performance can be improved. Therefore the study found that how flourishing environment shows influence on customer satisfaction with the employee performance. The proposed hypotheses given as;

H6; “There is significant relationship between Flourishing Environment and Customer Satisfaction with the mediating effect of employee Performance”.

Methodology

Owing to be quantitative nature, casual study design has been adopted for the current investigation. In order to collect primary data, a survey through well-developed questionnaire was conducted. The questionnaire includes the major questions regarding the effect of flourishing environment, psychological capital and employee competency on customer satisfaction in banking industry of Pakistan. Participants’ responses were marked against seven point likert scales to analyze their frequencies and percentages under demographic characteristics and responses values from 1 to 7 ranges.

Sample Size and Data Collection

Sample of responses collected from the Banks of Lahore and Multan, Pakistan (Faisal Bank, UBL, HBL, Meezan Bank, UBL, SUMMIT Bank). Also, from 250,18 were returned 6 were not valid and finally 226 individuals reacted to the poll exactly what demanded and sufficient sample (Kline, 2015). Convenient sampling technique has been used to select respondents. Employees of banking sector were designation-wise categorized in which managerial and non-managerial level employees marked their desired option.

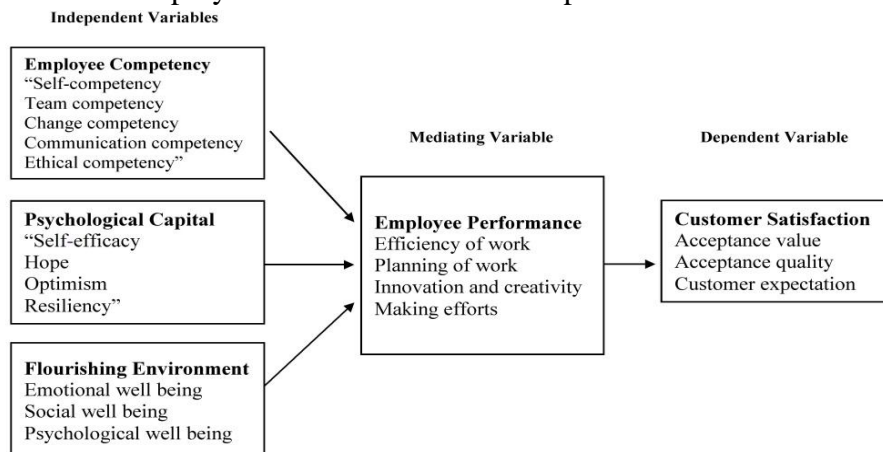


Figure 1; Research Model

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

Measurement of Variables Responses

Questionnaire was comprised five variables i.e. customer satisfaction, employee performance, flourishing environment, psychological capital and employee competency which contains on 12, 6, 6, 11 and 13 items respectively. Seven point likert scales were used against each variable of this study as adopted in the previous studies. Respondents had to select one option (from 1 = Strongly Agree to 7= Strongly Disagree).

Data Analysis

Structural Equation Modeling (SEM) technique was used to measure and analyse the data reliability, relationship among variables and to know moderation and mediating effects on dependent variable of this study. Smart PLS (Partial Least Square) is the software which is mostly used by the researchers for path modeling method. Through SEM, Hypothesis testing, factor loadings of items, Q square for mediation level, R square, correlations, co-efficient, data reliability and validity, Regression analysis and models were assessed and measured.

Results

Descriptive Analysis

In order to get demographic characteristics and opinions of 226 respondents, data was entered into SPSS v.20 under each item of questionnaire against 7-point likert scale for descriptive analysis. Demographic characteristic of the respondents were measured according to their working experience, gender and education.

Table 1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	SD
EC	226	1.00	7	3.3574	0.65481
PC	226	1.00	7	3.4358	0.61254
FE	226	1.00	7	3.8129	0.71582
EP	226	1.00	7	3.1481	0.54815
CS	226	1.00	7	3.5135	0.68152

Against CS, EP, FE, PC and EC, Mean and SD scores show in table 1 which reveal the data normality from range 1-7 is found valid. Thus, values against the data of all these five variables of the study found within the specified range. Further, all SD values are also coming within the reliable limit; therefore, the data's adequacy has been confirmed because there's no any excessive variation found in the study's data. These findings meet the standard level to proceed data for fur running analysis to generate results.

Data Validity and Reliability

Data validity was ensured by conducting pilot study and minor modification in the questionnaire in the light of experts' opinions. Further, to evaluate internal consistency of the data for reliability, CR, AVE, rho_A and Cronbach's Alpha values show (variables' scales in Table 3 and Factor Loadings in Table 2) that all 48-items chased minimum requirement (>0.7) of data reliability (Mathieu & Farr, 1991).

Table 2: Factor Loadings, Reliability and Validity

“Variables”	“Items”	“Loadings”	“Cronbach's Alpha”	“rho _A ”	CR	AVE
Customer Satisfaction	CS2	0.884	0.913	0.914	0.935	0.743
	CS3	0.850				
	CS4	0.837				
	CS5	0.855				
	CS6	0.882				
Employee Competency	EC1	0.757	0.943	0.944	0.951	0.616
	EC10	0.802				
	EC11	0.770				
	EC12	0.835				
	EC13	0.824				
	EC3	0.710				
	EC4	0.806				
	EC5	0.768				
	EC6	0.792				
	EC7	0.790				
	EC8	0.744				
Employee Performance	EP1	0.807	0.899	0.901	0.921	0.624
	EP10	0.770				
	EP2	0.826				
	EP3	0.831				
	EP4	0.745				
	EP6	0.784				
	EP9	0.762				
Flourishing Environment	FE1	0.842	0.908	0.911	0.929	0.686
	FE2	0.790				
	FE3	0.789				
	FE4	0.852				
	FE5	0.858				
	FE6	0.837				
Psychological Capital	PC1	0.725	0.926	0.928	0.937	0.600
	PC10	0.778				
	PC11	0.789				
	PC2	0.734				

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

PC3	0.796
PC4	0.836
PC5	0.772
PC6	0.780
PC8	0.708

Table 2: Reliability of Scales

Scales	“Cronbach's Alpha”	“rho_A”	“Composite Reliability”	“Average Variance Extracted (AVE)”
Customer Satisfaction	0.913	0.914	0.935	0.743
Employee Competency	0.943	0.944	0.951	0.616
Employee Performance	0.899	0.901	0.921	0.624
Flourishing Environment	0.908	0.911	0.929	0.686
Psychological Capital	0.926	0.928	0.937	0.600

Under the estimation of Data Reliability and Validity, Table 2 shows that all the scores of factors' loadings fulfill the conditions for model internal consistency >0.5 . Hence, the reliability and validity of the present data are proved.

Model Assessment

In Smart PLS, the Assessment of Factors Loading Model (The Initial Model) in Figure 1 and Structure Model in Figure 2 have been utilized for examining the collected data in SEM (Hair et.al; 2011). The internal model and external model show the relations between exogenous and endogenous.

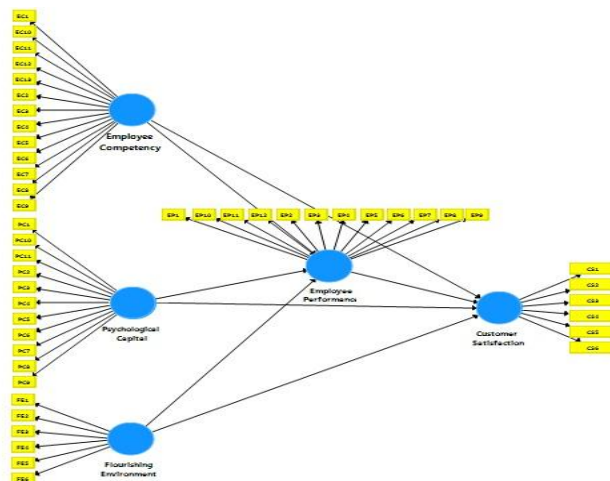


Figure 1: Factors Loading Model (The Initial Model)

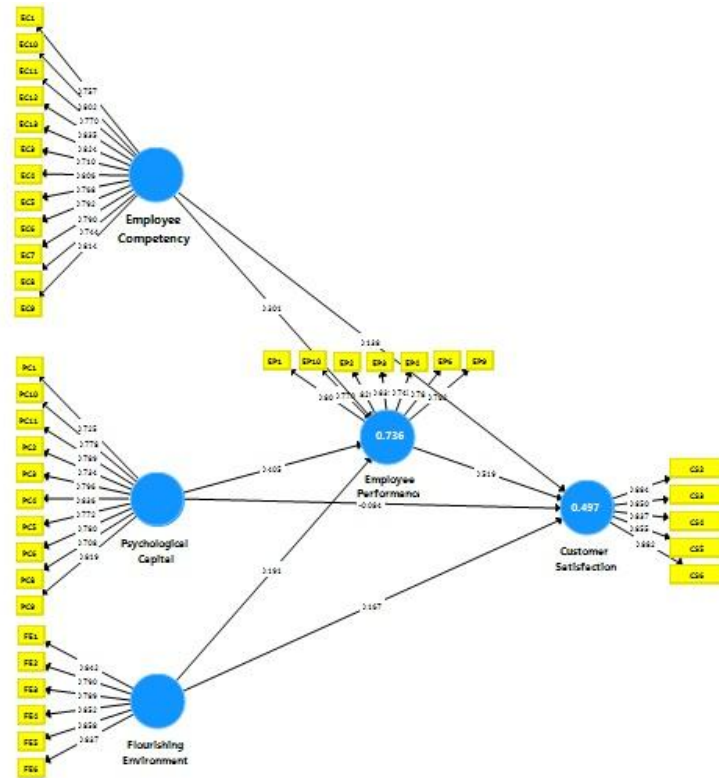


Figure.2: Structural Equation Model (Measurement Model)

Internal consistency for data reliability is shown in figure 1 in which all indicators are included. To get valid results for this study, the 9-items (CS1, EC2, EP5, EP7, EP8, EP11, EP12, PC7, PC9) bear low factor loadings (<0.600) therefore removed from Measurement Model which are appeared in Figure 2.

Table 3: Summary of Models

	“Saturated Model”	“Estimated Model”
“SRMR”	0.048	0.048
“d_ ULS”	1.858	1.858
“d_ G”	1.328	1.328
“Chi-Square”	1527.598	1527.598
“NFI”	0.804	0.804

To check the fitness of Measurement Model, values against SRMR, d_ ULS, d_ G, Chi-Square and NFI values must be less than .08 (Henseler, et al. 2014). Estimated Model and Saturated Model show the outer scores below 0.08, therefore, Model of this study found fit and valid.

Structural Equation Modeling

For hypothesis and proposed paths assessment, correlation analysis was done via SEM Model and data was computed to check the indirect effects, total effects and direct effects of mediating and independent variables on dependent variable of the study (Figure 2 and Table 4).

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

Table 4: Correlation

	Variables	M	S.D.	CS	EC	EP	FE	PC
1	Customer Satisfaction	1.3918	0.35	1				
2	Employee Competency	2.4570	0.58	.136*	1			
3	Employee Performance	2.2462	0.39	.500*	.326	1		
4	Flourishing Environment	2.2045	0.40	.220*	.239	.361*	1	
5	Psychological Capital	2.2055	0.53	.340*	.330*	.329	.314*	1

** . 2-tailed Correlation significance at the 0.01

* . 2-tailed Correlation significance at the 0.05

Correlation analysis shows the construct relationships i.e. Customer Satisfaction, Employee Competency, Employee Performance, Flourishing Environment and Psychological Capital. The standard deviation, mean of variables and correlation between variables is shown in table 4. Under the hypothesis testing, the results of correlation between “Flourishing Environment” and “Employee Performance” shows the correlation value **.361**** level of sig. $p=0.000$ which means there is a positive and significant correlation between both variables. The correlation between “Psychological Capital” and “Employee Performance” shows value **.314** level of sig. $p=0.000$ which means there is a positive and significant correlation between both variables. The correlation between “Employee Performance” and “Employee Competency” shows value is **.326** level of sig. $p=0.000$ which means there is a positive significant correlation between both variables. The correlation between “Employee Competency” and “Customer Satisfaction” found **.136*** level of sig. $p=0.018$ which means there is a positive significant correlation between both variables. The correlation between “Flourishing Environment” and “Customer Satisfaction” shows value **.220**** level of sig. $p=0.000$ which means there is a positive significant correlation between both variables. The correlation between “Employee Performance” and “Customer Satisfaction” shows value **.500**** level of sig. $p=0.000$ at team-level which means there is a positive significant correlation between both variables.

Table 5: Path Coefficients for Direct Relationship of H1, H2 and H3

Hypotheses	“Original Sample (O)”	“Sample Mean (M)”	“Standard Deviation (STDEV)”	“T Statistics (O/STDEV)”	“P Values”
EC -> CS	0.295	0.31	0.113	2.619	0.009
EC -> EP	0.3	0.306	0.107	2.816	0.005

EP -> CS	0.522	0.517	0.114	4.603	0.00
FE -> CS	0.265	0.272	0.131	2.017	0.044
FE -> EP	0.19	0.192	0.088	2.164	0.031
PC -> CS	0.127	0.11	0.156	0.816	0.015
PC -> EP	0.407	0.4	0.097	4.209	0.00

As shown in Table 5, direct relation of the variables shows positive and significant relationships of hypothesis by the model assessment. Hypotheses of each variable are supported as shown in the figure 5. Direct hypothesis of **H1**, **H2** and **H3** (EC->CS, FE->CS and PC->CS) have significant value ($p < 0.01$). The relations between the variables are positive and significant.

Table 6: Results of Mediating Effect for H4, H5 and H6

"PATH"	"Path Coefficient"	"SE"	"T-Value"	"P-Value"	"Bootstrap"	
					95% LL	95% UL
EC ->EP ->CS						
Direct Effect	0.140	0.109	1.268	0.005	0.058	0.347
Indirect Effect	0.157	0.063	2.491	0.013	0.047	0.287
Total effect	0.297	0.113	2.619	0.009	0.102	0.528
PC ->EP ->CS						
Direct Effect	0.123	0.151	0.566	0.022	0.137	0.155
Indirect Effect	0.166	0.069	3.081	0.002	0.093	0.348
Total effect	0.289	0.156	0.816	0.415	0.181	0.436
FE ->EP ->CS						
Direct Effect	0.110	0.129	1.278	0.002	0.079	0.446
Indirect Effect	0.138	0.053	1.87	0.042	0.013	0.209
Total effect	0.248	0.131	2.017	0.044	0.019	0.531

Key: CS= Customer Satisfaction; PC=Psychological Capital; CS= Customer Satisfaction; EP=Employee Performance; EC=Employee Competency

Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

The results for testing **H4** show a direct influence of EP on the relationship between EC and CS is significant and positive ($p < 0.005$, $\beta = 0.140$) while an indirect impact is ($p < 0.013$, $\beta = 0.157$) which means EP mediates the relationship between EC and CS. The confidence interval for indirect bootstrap effects is greater than 95% (LL = 0.102, UL = 0.528). Similarly, the results for testing **H5** show a direct influence of EP on the relationship between PC and CS is significant and positive ($p < 0.022$, $\beta = 0.123$) while an indirect impact is ($p < 0.002$, $\beta = 0.166$) which means EP mediates the relationship between PC and CS. The confidence interval for indirect bootstrap effects is greater than 95% (LL = 0.181, UL = 0.436). The results for testing **H6** show a direct influence of EP on the relationship between FE and CS is also significant and positive ($p < 0.002$, $\beta = 0.110$) while an indirect impact is ($p < 0.042$, $\beta = 0.138$) which means EP mediates the relationship between FE and CS. The confidence interval for indirect bootstrap effects is greater than 95% (LL = 0.019, UL = 0.531). Thus, the **H4**, **H5** and **H6** are supporting the mediation impact of EP based on the above results.

Discussion

This study intended to find out the impacts of Flourishing Environment, Psychological Capital and Employee Competency on Customer Satisfaction and to find out how Employee Performance mediates these relationships. For this purpose, 228 respondents from banking sector of Pakistan participated in this study. Data was analyzed through Smart PLS. In order to test **H1**, **H2**, **H3**, **H4**, **H5**, **H6** of this study, Correlation and Coefficient tests have been performed through SEM Model in which the total, direct and indirect effects of independent and mediating variables have been computed on dependent variable of the study. The results of Table.4, Table.5 and Table.6 show the following outcomes:-

1. A Positive relationship is found between the employee competency on Customer Satisfaction which clearly indicates that all aspect of Employee competency (self-competency, communication competency, change competency, team competency and ethical competency) have a significant and positive impact on Customer satisfaction. Therefore, if the organization focused on the skills and abilities that employee possess it will leads to achieve the high level Customer Satisfaction.
2. Psychological capital has positive impacts on Customer satisfaction which shows that if the employee knew their self-efficacy they will clearly able to recognize their abilities which will helps to achieve Customer Satisfaction.
3. Results have also shows that Flourishing environment have a positive and significant relationship on Customer Satisfaction which means that if the aspect of (social well-being, emotional well-being and psychological well-being) have a significant and positive impact on Customer satisfaction. The more employees have ability to portray these aspects the more it will help them to achieve Customer satisfaction.
4. Employee performance mediates the relationship between employee competency, and customer satisfaction which means that employee should know how to perform in an organization and what level of competencies is required to perform for achieving Customer satisfaction.

5. Employee performance mediates the relationship between Psychological capital and Customer satisfaction. Hence it means that employee should be recognized about their (self-efficacy, Hope, Optimism and Resiliency) then his performance will also encouraged achieve customer satisfaction.
6. Employee Performance mediates the relationship between flourishing environment and Customer Satisfaction. To achieve customer satisfaction, the performance of employee (planning of work, making efforts, efficiency of work and creativity and innovation) must be needed which can be achieved if the employee well-being in the organization is supportive and encouraged.

Conclusion

This research was an attempt for exploring the impacts of flourishing environment, psychological capital and employee competency on customer satisfaction with the mediation of employee performance. To explain this the researcher examined the impact of independent variables on dependent variables the mediating effect of employee performance influence the relationship of employee competency, psychological capital and flourishing environment on Customer satisfaction in Pakistan. The study involves the cross sectional surveys and quantitative approach which includes 226 opinions of employees working in Banking industry of Pakistan but small and medium enterprises are least focused specifically in Lahore, Multan and KotAddu. UBL, Bank AL- HABIB limited, Faisal Bank, Meezan Bank, Islamic Bank is taken from Multan. UBL and Allied Bank from KotAddu and from Lahore the respondents are taken from different backgrounds e.g.; education, call center, offices etc. (different sources are taken to fulfill the research demands). The data was gathered by the survey questionnaire and samples. The data is analyzed then through the SPSS V.20 and PLS V.3. The results further shows that the factor of employee competency named self-competency, team competency, change competency, communication competency and ethical competency, Psychological capital named self-efficacy. Hope, optimism and resiliency, flourishing environment named emotional wellbeing, social wellbeing and psychological wellbeing have a significant and positive impact on Customer satisfaction named acceptance value, acceptance quality and customer expectation while employee performance named efficiency of work, planning of work, innovation and creativity and making efforts positively mediates the relationship between employee competency, psychological capital and flourishing environment to enhance the customer satisfaction. After the analysis as per the proposed hypotheses it can be clearly seen that employee performance correlates positively and significantly with the increase in employee competency, psychological capital and flourishing environment to satisfy the customers. It further revealed that employee competency, psychological capital and flourishing environment improves the expertise of employees which actually boost their performance which is required to satisfy the customer satisfaction.

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Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

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Impact of Employee Competency, Psychological Capital and Flourishing Environment on Customer Satisfaction: With the Mediation of Employee Performance

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