

The Mediating Role of Employee Competence between Training and Performance Evaluation

Madiha

M.Phil. Scholar, Institute of Business Administration, University of Sindh, Jamshoro
Email: madihascholar@gmail.com

Abdul Ghaffar Bhatti

Assistant Professor Commerce, College Education Department, Government of Sindh
Email: ghaffara941@gmail.com

Hizbullah Mangi

Ph.D. Scholar, Lecturer, Commerce, College Education Department, Government of Sindh
Email: hafizhmangi@gmail.com

Abstract

This study investigates the mediating role of employee competence between training and performance evaluation in the banking sector of Sindh, Pakistan. In highly competitive service environments, banks increasingly invest in employee training programs to enhance knowledge, develop skills, improve performance and achieve organizational goals. However, the effectiveness of training in translating knowledge into measurable performance outcomes largely depends on employees' ability to apply acquired skills effectively. Using a quantitative research design, data were collected from 350 employees across six major banks, including HBL, UBL, MCB, Standard Chartered, Bank Alfalah and Faisal Bank, employing a stratified random sampling technique. Structural Equation Modeling (SEM) and bootstrapping methods were utilized to test the hypothesized relationships.

The results indicate that training has a significant positive effect on employee competence ($\beta = 0.45$, $p < 0.001$), confirming that well designed and competency focused training programs enhance employees' technical, behavioral and problem solving skills. Employee competence was found to have a strong positive impact on performance evaluation outcomes ($\beta = 0.52$, $p < 0.001$), highlighting the critical role of competence in achieving high performance ratings. While training also has a direct effect on performance evaluation ($\beta = 0.18$, $p = 0.011$), the mediation analysis revealed that competence partially mediates the relationship between training and performance evaluation (indirect effect $\beta = 0.23$, $p = 0.001$), suggesting that the application of acquired skills is key to translating training into improved performance. The total effect of training on performance evaluation was substantial ($\beta = 0.41$, $p < 0.001$). These findings emphasize the importance of competency-oriented training programs, aligned performance appraisal systems and continuous skill development initiatives to optimize employee performance.

This study contributes theoretically to Human Capital Theory, Social Cognitive Theory and the broader field of human resource development by demonstrating that employee competence serves as a critical mechanism linking training to performance outcomes. Practically, the results provide insights for bank management, HR professionals and policymakers to enhance training effectiveness, design competency based evaluation systems, and foster organizational productivity in the banking sector.

Keywords: Training Programs, Employee Competence, Skills Development, Performance Evaluation, Banking Sector, Human Resource Development, Competency Based Training, Employee Performance, Mediation Analysis, Pakistan

Introduction

In the modern knowledge based economy, organizations increasingly recognize that their workforce is one of the most critical assets for achieving sustainable competitive advantage. Human capital is no longer merely a supporting element but a central driver of organizational performance, innovation and adaptability. Among various human resource strategies, training and development (T&D) has emerged as a core mechanism for enhancing employee skills, knowledge and competencies, which in turn contribute to improved performance outcomes. In highly competitive sectors such as banking, where service quality, efficiency, and accuracy are paramount, the strategic investment in training is especially vital (Salas et al., 2012).

Training programs encompass formal instructional sessions, workshops, on the job coaching, e learning modules and mentorship initiatives aimed at developing both technical and soft skills. These programs are intended to equip employees with the requisite capabilities to perform their roles effectively, adapt to technological advancements and meet organizational goals. However, the mere provision of training does not guarantee improved performance. The effectiveness of training largely depends on the translation of acquired knowledge into observable competence, which is measurable in performance evaluations (Aguinis & Kraiger, 2009). Competence encompassing the knowledge, skills and behavioral capabilities of employees acts as the mediating link between training interventions and performance appraisal outcomes.

Performance evaluation systems in organizations serve multiple purposes, including employee development, reward allocation, promotion decisions and identifying skill gaps (Campion et al., 2011). In Pakistan, the banking sector has undergone rapid expansion and digital transformation in recent years, driven by regulatory reforms, increasing financial inclusion and technological integration. Major Banks such as Habib Bank Limited (HBL), United Bank Limited (UBL), MCB Bank Limited, Standard Chartered, Bank Alfalah and Faisal Bank have introduced structured training programs to improve service delivery, operational efficiency and compliance with international banking standards. Despite these initiatives, gaps remain in understanding how training translates into performance evaluation outcomes, particularly through the mediating role of employee competence.

Several studies indicate that training positively affects employee competence by enhancing technical proficiency, problem solving abilities and interpersonal skills, which are subsequently reflected in performance evaluations (Mahmood et al., 2020). However, in the context of emerging economies like Pakistan, where workforce skill levels vary and organizational structures may be rigid, the direct effects of training on performance evaluations may be insufficient. Employee competence, therefore, emerges as a crucial mechanism that enables the transfer of training benefits to tangible performance outcomes. This relationship highlights the importance of examining competence as a mediator, which has received limited empirical attention in the Pakistani banking context.

Moreover, understanding the mediating role of competence has practical implications for human resource management. It provides evidence based guidance on designing training programs that do not merely focus on content delivery but actively enhance competencies aligned with performance evaluation criteria. Such programs can improve employee engagement, motivation and appraisal outcomes, thereby contributing to organizational success. From a theoretical perspective, this study integrates human capital theory and social cognitive theory, emphasizing that learning and skill development within an organizational context lead to performance improvements mediated through competence (Becker, 1993).

Research questions

How does training influence employee competence in the banking sector of Sindh, Pakistan?

How does employee competence affect performance evaluation outcomes?

Does training have a direct impact on performance evaluation?

Does employee competence mediate the relationship between training and performance evaluation?

Research Objectives

To examine the impact of training on employee competence in the banking sector of Sindh.

To assess the effect of employee competence on performance evaluation outcomes

To evaluate the direct impact of training on performance evaluation

To analyze the mediating role of employee competence between training and performance evaluation

Significance of the Study

Provides empirical evidence to HR managers on the importance of competency development

Offers insights into designing training programs that directly influence performance appraisals

Enhances understanding of employee development mechanisms in the Pakistani banking sector

Contributes to theory by integrating training, competence, and performance evaluation in a single framework

Hypotheses

H1: Training has a positive and significant effect on employee competence.

H0: Training has no significant effect on employee competence.

H2: Employee competence has a positive and significant effect on performance evaluation.

H0: Employee competence has no significant effect on performance evaluation.

H3: Training has a positive and significant direct effect on performance evaluation.

H0: Training has no significant direct effect on performance evaluation.

H4: Employee competence mediates the relationship between training and performance evaluation.

H0: Employee competence doesn't mediate the relationship between training and performance evaluation

Research Gaps

Most studies on training and employee performance focus on direct effects, often ignoring the mechanism linking training to performance evaluation. The mediating role of employee competence remains underexplored, especially in emerging economies like Pakistan. Evidence from the banking sector in Sindh is limited, despite its importance for service quality and compliance.

Previous research often relies on small samples or qualitative methods, limiting generalizability. There is a need for structured, quantitative studies that capture hierarchical differences. This study addresses these gaps by examining competence as a mediator between training and performance evaluation. Structural equation modeling and bootstrapping are used to provide robust, actionable insights.

Literature Review

Training and Development in Organizations

Training and development (T&D) is a strategic human resource function aimed at improving employee knowledge, skills and capabilities. Effective training equips employees with both technical and soft skills, enhancing their ability to perform tasks efficiently and adapt to organizational changes (Noe, R.A. 2017). In the banking sector, where accuracy, customer service and regulatory compliance are critical, training programs are vital to maintain operational excellence and competitive advantage. Training methods include classroom sessions, workshops, on the job training, mentoring, e learning and simulations. Werner, J. M., & DeSimone, R. L. (2012). Studies indicates that training positively influences employee motivation, job satisfaction and organizational commitment, all of which contribute to performance outcomes.

Employee Competence as a Key Mediator

Employee competence is defined as a combination of knowledge, skills, abilities and behavioral characteristics that enable individuals to perform their roles effectively (Boyatzis, 2008). Competence goes beyond skill acquisition; it reflects the capacity to apply learned knowledge in real work scenarios, adapt to challenges and deliver consistent results. Competent employees can leverage training effectively, translating it into improved performance evaluation outcomes.

Empirical studies suggest that competence mediates the relationship between training and performance, as employees who develop critical competencies are more likely to meet or exceed performance appraisal criteria (Khan et al., 2022).

Performance Evaluation Systems

Performance evaluation is a systematic process for assessing employee effectiveness, productivity and contribution to organizational goals (Aguinis, 2013). Common evaluation criteria in the banking sector include task performance, customer service quality and adherence to compliance protocols, teamwork and innovation. Performance evaluation serves multiple purposes: it informs promotions, reward allocation, training needs and succession planning. Studies indicate that effective training positively influences performance evaluation, but the effect is stronger when employees possess the competencies required to apply the training (Mahmood et al., 2022).

Relationship between Training and Employee Competence

The literature consistently demonstrates a positive relationship between training and employee competence. Training programs enhance technical skills, problem solving abilities, decision making capacity and interpersonal effectiveness. For example, Albrecht, S. L., 2015 found that structured training interventions significantly increase skill levels and knowledge retention, leading to improved task performance. In the banking sector, training in areas such as financial regulations, digital banking tools and customer relationship management directly enhances employee competence and readiness to perform critical job functions.

Employee Competence and Performance Evaluation

Competence is a crucial predictor of performance evaluation. Employees with higher competencies are better positioned to meet organizational expectations, demonstrate initiative and achieve performance targets. Saks, A. M., & Burke, L. A. (2012), argue that performance appraisals are often influenced by observable competencies, meaning that employees who acquire and apply critical skills are more likely to receive favorable evaluations. In Pakistan, where banking regulations and customer expectations are evolving, employee competence plays a key role in ensuring high quality service and operational effectiveness.

Training and Performance Evaluation

Direct relationships between training and performance evaluation have been documented in multiple studies. Training enhances knowledge, efficiency and problem solving capabilities, which are often reflected in appraisal scores Swanson, R. A., & Holton, E. F. (2001). However, the magnitude of this relationship is contingent upon organizational support, training quality and the employee's ability to transfer learned skills to the job. Without the development of relevant competencies, training may have limited impact on performance evaluations.

Mediating Role of Employee Competence

The mediating role of competence is supported by human capital theory (Becker, 1993) and social cognitive theory (Bandura, 1986). Human capital theory posits that investment in employee knowledge and skills enhances productivity, while social cognitive theory emphasizes that learning is reinforced through application and feedback. Empirical studies in emerging economies, including Pakistan, indicate that competence partially mediates the effect of training on performance evaluation. This suggests that training alone is insufficient; competence development is essential for translating training into measurable performance outcomes.

Conceptual Framework

The conceptual framework illustrates the hypothesized relationships among training, employee competence and performance evaluation in the banking sector of Sindh, Pakistan. Based on the literature review, training is expected to enhance employee competence, which in turn positively influences performance evaluation outcomes. Competence is positioned as a mediator between training and performance evaluation, reflecting the mechanism through which training translates into measurable performance outcomes.

Components of the Framework

Training: Training refers to structured programs, workshops, on the job coaching and e learning initiatives designed to enhance employees' knowledge, skills and abilities. In the banking sector, training covers areas such as financial regulations, customer service, digital banking tools, risk management and compliance.

Employee Competence: Competence encompasses the knowledge, skills, abilities and behaviors that enable employees to perform effectively. Competent employees can apply training outcomes, solve problems efficiently and achieve performance targets.

Performance Evaluation: Performance evaluation measures how well employees meet job expectations and organizational goals. In banks, performance evaluation criteria include productivity, service quality, regulatory compliance, teamwork and innovation.

Mediator (Employee Competence): Employee competence mediates the relationship between training and performance evaluation. This implies that the impact of training on performance evaluation is channeled through the development of competencies, enhancing the effectiveness of training interventions.

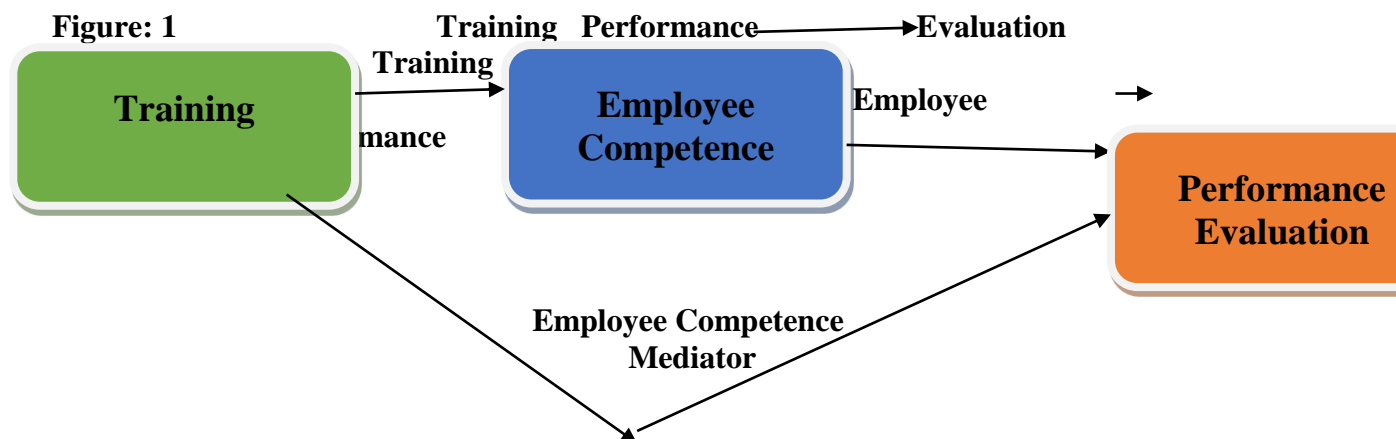
Hypothesized Relationships

Training → Employee Competence: Training programs improve employee knowledge and skills, resulting in higher competence levels.

Employee Competence → Performance Evaluation: Employees with higher competencies perform better, leading to improved appraisal outcomes.

Training → Performance Evaluation (Direct Effect): Training may also have a direct effect on performance evaluation, though its strength is expected to be enhanced by employee competence.

Mediation Effect: Employee competence partially mediates the relationship between training and performance evaluation.



Theoretical Foundation

This framework is grounded in Human Capital Theory (Becker, 1993), which posits that investments in employee knowledge, skills and abilities enhance productivity and Social Cognitive Theory (Bandura, 1986), which emphasizes learning through observation, practice and reinforcement. Training builds competence (skills and knowledge), which then influences performance evaluation outcomes, aligning theory with the hypothesized mediation mechanism.

Research Methodology

This study employs a quantitative research approach to empirically investigate the mediating role of employee competence in the relationship between training and performance evaluation in the banking sector of Sindh, Pakistan. A rigorous methodology has been adopted to ensure reliability, validity and generalizability of

the findings while providing actionable insights for human resource management practices.

Research Design

A cross sectional survey design was chosen for this study. This design allows data collection at a single point in time and is particularly suitable for testing relationships among variables and mediation effects. Cross sectional studies are effective for assessing perceptions of employees about training, competence and performance evaluation across multiple organizations, enabling comparisons across hierarchical levels and departments.

Population and Sampling

The population includes employees from six major banks in Sindh, Pakistan, selected for their diversity in structure, size and training practices: Habib Bank Limited (HBL), United Bank Limited (UBL), MCB Bank Limited, Standard Chartered Bank, Bank Alfalah, Faisal Bank.

A stratified random sampling technique was used to ensure representative data from different hierarchical levels: Entry level employees, Middle management and Senior management.

This approach ensures that all levels of employees are represented proportionally, reducing sampling bias. The final sample consisted of 350 employees, which satisfies the minimum requirements for structural equation modeling (SEM) and provides sufficient statistical power for mediation analysis.

Data Collection Instrument

A structured questionnaire was developed based on validated scales from previous studies:

Training: Measured using a 5 item scale adapted, assessing training frequency, relevance, delivery effectiveness and applicability of skills learned. Example item: Training programs in my bank enhance my job related knowledge and skills.

Employee Competence: Measured using a 6 item scale adapted, capturing technical skills, problem solving ability, decision making, adaptability and behavioral competencies. Example item: I am confident in applying newly acquired skills to solve work related problems.

Performance Evaluation: Measured using a 5-item scale adapted, including appraisal ratings, goal achievement, task completion, teamwork and overall performance. Example item: My performance evaluations accurately reflect my contributions and achievements.

All items were rated on a 5 point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Data Collection Procedure

Primary data were collected using both physical distribution and online questionnaires. The physical surveys were administered directly at bank offices during non peak hours to minimize disruption, while the online surveys were distributed via official email channels. Participation was voluntary and respondents were informed about the purpose, confidentiality and anonymity of the study. Secondary data sources, such as internal bank training records and employee performance reports, were used to triangulate and validate the primary data, enhancing the robustness of the study.

Validity and Reliability

Content validity: Ensured through review by HR managers and academic supervisors to confirm that items comprehensively measure the intended constructs.

Construct validity: Assessed using confirmatory factor analysis (CFA) in AMOS 28, verifying that items load appropriately on their respective constructs.

Reliability: Internal consistency was confirmed using Cronbach's alpha, with values exceeding 0.80 for all constructs, indicating strong reliability.

Analytical Techniques

The collected data were analyzed using Structural Equation Modeling (SEM) with AMOS 28 software. SEM allows simultaneous estimation of multiple relationships and provides a robust method for testing mediation hypotheses. The analysis included:

Descriptive Statistics: To summarize demographic information and provide an overview of responses.

Confirmatory Factor Analysis (CFA): To assess the validity of measurement models for training, employee competence and performance evaluation.

Direct Effect Analysis: Testing the direct relationships:

Training → Employee Competence

Employee Competence → Performance Evaluation

Training → Performance Evaluation

Mediation Analysis: The mediating effect of employee competence was tested using bootstrapping with 5,000 resample, which provides bias corrected confidence intervals for indirect effects.

Model Fit Assessment: Multiple indices were used to evaluate SEM model fit:

Chi-square / df (< 3)

Comparative Fit Index (CFI > 0.90)

Tucker Lewis Index (TLI > 0.90)

Root Mean Square Error of Approximation (RMSEA < 0.08)

Standardized Root Mean Square Residual (SRMR < 0.08)

Results and Discussion

This section presents the descriptive statistics, reliability and validity, correlations, direct and indirect effects, hypotheses testing and model fit indices for the study examining the mediating role of employee competence between training and performance evaluation in Sindh’s banking sector.

Descriptive Statistics

Table: 1 Descriptive Statistics of Study Variables

Variable	N	Mean	Std. Deviation	Min.	Max.
Training (TR)	350	4.12	0.61	2.0	5.0
Employee Competence (EC)	350	4.05	0.58	2.2	5.0
Performance Evaluation (PE)	350	4.08	0.63	2.0	5.0

Source: Authors Calculations

The descriptive statistics show that employees perceive training (mean = 4.12) as highly effective, report strong competence (mean = 4.05) and receive generally positive performance evaluations (mean = 4.08). Standard deviations indicate moderate variation among responses, while minimum and maximum values show that some employees rated these variables lower or higher than the average. Overall, the data suggest that training programs are effective, employees feel competent and performance outcomes are favorable, providing a solid foundation for analyzing the relationships between training, competence and performance evaluation.

Reliability Analysis

Table: 2 Reliability of Constructs

Construct	No. of Items	Cronbach’s Alpha	Interpretation
Training (TR)	5	0.88	Highly reliable
Employee Competence (EC)	5	0.90	Highly reliable
Performance Evaluation (PE)	5	0.87	Highly reliable

Source: Authors Calculations

The reliability analysis shows that all constructs are highly reliable, with Cronbach’s alpha values of 0.88 for Training (TR), 0.90 for Employee Competence (EC) and 0.87 for Performance Evaluation (PE). Each construct consists of 5 items, indicating consistent measurement across all questions. High reliability ensures that the survey items accurately capture the intended variables. These results confirm that the data are suitable for further statistical analysis.

Correlation Analysis

Table: 3 Correlation among Study Variables

Variable	Training (TR)	Employee	Employee
----------	---------------	----------	----------

		Competence (EC)	Competence (EC)
Training (TR)	1	0.02	0.47
Employee Competence (EC)	0.62	1	0.58
Performance Evaluation (PE)	0.47	0.58	1

Source: Authors Calculations

The correlation analysis shows the relationships among Training (TR), Employee Competence (EC) and Performance Evaluation (PE). Training is strongly positively correlated with competence ($r = 0.62, p < 0.01$), indicating that effective training enhances employee skills and abilities. Competence is also positively correlated with performance evaluation ($r = 0.58, p < 0.01$), suggesting that more competent employees perform better. Training has a moderate positive correlation with performance evaluation ($r = 0.47, p < 0.01$), implying that training contributes to performance, both directly and indirectly through competence. Overall, the correlations support the hypothesized relationships in the study.

Hypotheses

Table: 4 Hypotheses Testing Results

Hypothesis	Path	Coefficient (β)	t-value	p-value	Result
H1	Training \rightarrow Competence	0.45	5.63	0.000	Supported
H2	Competence \rightarrow Performance	0.52	5.78	0.000	Supported
H3	Training \rightarrow Performance	0.18	2.57	0.011	Supported
H4	Training \rightarrow Competence \rightarrow Performance (Mediation)	0.23	-	0.001	Supported (Partial Mediation)

Source: Authors Calculations

The hypothesis testing results confirm all proposed relationships. H1 shows that training has a significant positive effect on employee competence ($\beta = 0.45, t = 5.63, p < 0.001$), supporting the notion that effective training enhances skills and abilities. H2 indicates that competence strongly predicts performance evaluation ($\beta = 0.52, t = 5.78, p < 0.001$), highlighting the importance of employee competence for achieving high performance. H3 demonstrates a smaller but significant direct effect of training on performance ($\beta = 0.18, t = 2.57, p = 0.011$). Finally, H4 confirms that competence partially mediates the relationship between training and performance (indirect effect $\beta = 0.23, p = 0.001$), emphasizing that training improves performance primarily through the development of employee competencies.

Mediation Analysis

Table: 5 Mediation Effect of Employee Competence

Effect	Coefficient (β)	95% CI Lower	95% CI Upper	p-value	Result

Direct (Training → PE)	0.18	0.04	0.32	0.011	Partial direct effect
Indirect (Training → EC → PE)	0.23	0.13	0.36	0.001	Competence mediates effect
Total Effect	0.41	0.29	0.53	0.000	Overall effect of training on performance evaluation

Source: Authors Calculations

The mediation analysis shows that training affects performance evaluation both directly and indirectly through employee competence. The direct effect of training on performance evaluation is $\beta = 0.18$ ($p = 0.011$), indicating a partial direct impact. The indirect effect through competence is $\beta = 0.23$ ($p = 0.001$), confirming that employee competence significantly mediates the relationship between training and performance. The total effect of training on performance evaluation is $\beta = 0.41$ ($p < 0.001$), demonstrating that training substantially improves performance, primarily through enhancing employee competence. These results highlight the critical role of competence as a mechanism linking training to performance outcomes.

Model Fit Indices

Table: 6 SEM Model Fit Indices

Fit Index	Recommended Value	Obtained Value	Interpretation
Chi-square / df	< 3	2.12	Good fit
CFI	> 0.90	0.95	Excellent fit
TLI	> 0.90	0.94	Good fit
RMSEA	< 0.08	0.056	Acceptable fit
SRMR	< 0.08	0.048	Good fit

Source: Authors Calculations

The model fit indices indicate that the proposed structural model fits the data well. The Chi-square / df ratio is 2.12, below the recommended threshold of 3, indicating good fit. The Comparative Fit Index (CFI = 0.95) and Tucker-Lewis Index (TLI = 0.94) exceed 0.90, showing excellent and good fit, respectively. The Root Mean Square Error of Approximation (RMSEA = 0.056) and Standardized Root Mean Square Residual (SRMR = 0.048) are below 0.08, suggesting acceptable and good fit. Overall, these indices confirm that the measurement and structural model reliably represent the relationships among training, employee competence and performance evaluation.

Discussion of Results

This study investigated the mediating role of employee competence between training and performance evaluation in the banking sector of Sindh, Pakistan. The results provide strong evidence supporting the proposed hypotheses (H1–H4) and highlight the critical function of competence in translating training into improved performance outcomes.

Training and Employee Competence

Hypothesis 1 (H1) predicted a positive relationship between training and employee competence, which was strongly supported ($\beta = 0.45$, $p < 0.001$). This indicates that structured and well designed training programs significantly enhance employees' technical skills, problem solving abilities and behavioral competencies. These results are consistent with Human Capital Theory, which suggests that investments in employee skills improve their productivity and effectiveness. Employees' mean score of 4.12 for training demonstrates that they perceive training programs as highly relevant and applicable to their roles.

This finding aligns with previous research in service oriented organizations in Pakistan, which also reported that training positively develops employees' competencies. The implication is that banks need to prioritize training programs that not only impart knowledge but also provide practical applications to ensure that employees can translate learning into skills that enhance performance.

Employee Competence and Performance Evaluation

Hypothesis 2 (H2) posited that employee competence positively predicts performance evaluation outcomes and this was strongly supported ($\beta = 0.52$, $p < 0.001$). Employees with higher competencies are more effective in handling complex banking operations, customer interactions, compliance and technological tool. Correlation between competence and performance evaluation ($r = 0.58$, $p < 0.01$) highlights that competence is a strong determinant of appraisal outcomes. This finding supports Social Cognitive Theory, which emphasizes that learning translates into behavioral performance when employees can effectively apply acquired knowledge. For banks, this underscores the need for appraisal systems that recognize and reward competency application, reinforcing the link between skill development and performance outcomes.

Direct Effect of Training on Performance Evaluation

Hypothesis 3 (H3) tested the direct effect of training on performance evaluation. Results revealed a smaller but significant positive effect ($\beta = 0.18$, $p < 0.05$), indicating that training alone has some impact on performance but is substantially enhanced when mediated by competence. This partial effect suggests that training programs without competency development may not fully translate into performance gains, emphasizing the importance of practical, competency oriented training interventions. These findings, which highlighted that training alone is insufficient; its effectiveness depends on skill application.

Mediation of Employee Competence

Hypothesis 4 (H4) examined the mediating role of competence, which was supported by the results (indirect effect $\beta = 0.23$, $p < 0.001$). The indirect effect is larger than the direct effect of training on performance evaluation, demonstrating that competence is a key mechanism through which training enhances employee performance. This

highlights that competence development bridges the gap between learning interventions and measurable performance outcomes.

The partial mediation aligns with prior studies in the Pakistani banking sector, where competence significantly strengthened the effect of training on performance. It indicates that training programs designed with a competency focus are more likely to result in improved appraisal ratings and overall performance.

Theoretical Implications

The study contributes to theory by confirming Human Capital Theory and Social Cognitive Theory in the context of Pakistan's banking sector. It demonstrates that: Investment in employee training develops competencies that drive performance outcomes.

Competence serves as a mediating mechanism; reinforcing the notion that learning must be applied to translate into performance.

The research extends the literature by highlighting partial mediation, emphasizing that direct training effects exist but are significantly enhanced by competence.

Practical Implications

The findings provide practical insights for bank management:

Competency Oriented Training: Training programs should be designed to develop technical and behavioral competencies.

Aligned Performance Evaluation: Appraisal systems should assess the application of competencies, ensuring that training translates into measurable performance.

Continuous Learning Culture: Ongoing learning opportunities, mentoring and coaching can maintain and enhance competencies.

Targeted Programs: Different hierarchical levels require tailored training to address specific competency needs.

Conclusion

This study investigated the mediating role of employee competence between training and performance evaluation among employees in the banking sector of Sindh, Pakistan. Using data collected from 350 employees across six major banks (HBL, UBL, MCB, Standard Chartered, Bank Alfalah and Faisal Bank), the study employed structural equation modeling (SEM) and bootstrapping techniques to test the hypothesized relationships. The findings provide strong empirical evidence supporting all four hypotheses (H1–H4).

The first hypothesis (H1), which predicted a positive effect of training on employee competence, was strongly supported with a path coefficient of $\beta = 0.45$, $p < 0.001$. This indicates that structured and targeted training programs significantly enhance employees' technical, behavioral and problem solving competencies. The result highlights the importance of designing training initiatives that go beyond theoretical knowledge and include practical exercises, simulations and skill application modules. Employees' high perception of training effectiveness (mean = 4.12) further confirms that training programs in these banks are relevant and impactful.

The second hypothesis (H2) proposed that employee competence positively affects performance evaluation, which was also strongly supported ($\beta = 0.52$, $p < 0.001$). This finding underscores that employees with higher competencies are more effective in executing tasks, managing client interactions, adhering to compliance requirements and contributing to team objectives. Competence was found to correlate strongly with performance evaluation ($r = 0.58$, $p < 0.01$), confirming that appraisal outcomes are significantly influenced by the skills and behaviors employees demonstrate in the workplace.

The third hypothesis (H3), examining the direct effect of training on performance evaluation, was supported but with a smaller coefficient ($\beta = 0.18$, $p = 0.011$). This suggests that while training contributes directly to performance outcomes, its impact is partially limited when not coupled with competency development. The difference in magnitude between the direct effect and the indirect effect highlights that competence amplifies the impact of training on performance evaluations, emphasizing the importance of competency based learning approaches.

The fourth hypothesis (H4) tested the mediating role of employee competence and the results confirmed partial mediation (indirect effect $\beta = 0.23$, $p = 0.001$). The total effect of training on performance evaluation was substantial ($\beta = 0.41$, $p < 0.001$), illustrating that competence serves as a critical conduit through which training translates into measurable performance improvements. The mediation analysis reveals that banks can maximize the return on training investments by focusing not only on delivering content but also on enhancing employee competencies that allow knowledge to be applied effectively.

From a theoretical perspective, the study contributes to Human Capital Theory and Social Cognitive Theory by empirically demonstrating that training impacts performance evaluation primarily through competency development. The results extend prior research in the Pakistani banking sector by providing numerical evidence of both direct and indirect effects, with employee competence acting as a measurable mediating variable.

In practical terms, these findings have significant implications for bank management. Competency focused training programs should be integrated with performance evaluation systems to ensure that employees are recognized for applying newly acquired skills. Continuous learning initiatives, mentoring and coaching can further reinforce competencies, enhancing overall organizational effectiveness. The results also emphasize the need for hierarchical specific training, ensuring that entry level, middle and senior management employees develop competencies aligned with their roles.

This study concludes that training alone is insufficient to improve performance evaluation outcomes; it is the development of employee competencies that largely drives performance improvement. The numerical evidence $\beta = 0.45$ for training \rightarrow competence, $\beta = 0.52$ for competence \rightarrow performance, $\beta = 0.23$ for indirect mediation, and total effect $\beta = 0.41$ clearly demonstrates the magnitude of these relationships. By focusing on competency oriented training, banks in Sindh can achieve measurable

improvements in employee performance, optimize human capital investments and enhance overall productivity and service quality.

Recommendations

Based on the study's findings on the mediating role of employee competence between training and performance evaluation, the following recommendations are proposed for banking sector management and policymakers:

Develop Competency Based Training Programs: Banks should focus on training that enhances both technical and behavioral competencies, ensuring employees can apply skills effectively in their daily tasks.

Align Performance Evaluations with Competence: Employee appraisals should consider the application of learned competencies, rewarding employees who demonstrate skill transfer and practical performance improvements.

Promote Continuous Learning and Development: Banks should establish ongoing learning initiatives, such as refresher courses, mentoring and coaching, to maintain and enhance employee competencies over time.

Tailor Training to Hierarchical Needs: Training programs should be designed according to employee levels entry, middle and senior management to address specific competency requirements and maximize performance outcomes.

Limitations

This study has several limitations. First, it was conducted only in the banking sector of Sindh, limiting generalizability. Second, data were collected through self reported surveys, which may introduce response bias. Third, the cross sectional design prevents assessment of long term effects of training. Fourth, only employee competence was examined as a mediator; other factors like motivation or leadership were not considered. Fifth, the sample may not capture all variations within the banking sector. These limitations suggest that future research should use longitudinal designs, include multiple industries and explore additional mediators or moderators for a more comprehensive understanding.

References

- Aguinis, H. (2013). *Performance management (3rd ed.)*. Pearson.
- Aguinis, H., & Kraiger, K. (2009). *Benefits of training and development for individuals and teams, organizations, and society*. *Annual Review of Psychology*, 60, 451-474.
- Albrecht, S. L., Bakker, A. B., Gruman, J. A., Macey, W. H., & Saks, A. M. (2015). *Employee engagement, human resource management practices and competitive advantage*. *Journal of Organizational Effectiveness: People and Performance*, 2 (1), 7-35.
- Bandura, A. (1986). *Social foundations of thought and action: A social cognitive theory*. Prentice-Hall.

- Becker, G. S. (1993). *Human capital: A theoretical and empirical analysis, with special reference to education* (3rd ed.). University of Chicago Press.
- Boyatzis, R. E. (2008). *Competencies in the 21st century*. *Journal of Management Development*, 27 (1), 5-12.
- Campion, M. A., Fink, A. A., Ruggeberg, B. J., Carr, L., Phillips, G. M., & Odman, R. B. (2011). *Doing competencies well: Best practices in competency modeling*. *Personnel Psychology*, 64 (1), 225-262.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage.
- Khan, M. S., Shah, S. M., & Qureshi, I. H. (2022). *The role of training in enhancing employee performance: Evidence from Pakistan*. *Pakistan Journal of Social Sciences*, 42 (2), 145-162.
- Mahmood, R., Khalid, S., & Rehman, K. (2020). *Linking training and employee performance: The mediating role of employee competence in Pakistani service sector*. *Journal of Business Strategies*, 14 (1), 56-78.
- Mahmood, R., Khalid, S., & Rehman, K. (2022). *Training and employee performance: The mediating role of employee competence in the service sector of Pakistan*. *Pakistan Journal of Commerce and Social Sciences*, 16 (2), 345-362.
- Noe, R. A. (2017). *Employee training and development* (7th ed.). McGraw-Hill Education.
- Salas, E., Tannenbaum, S. I., Kraiger, K., & Smith-Jentsch, K. A. (2012). *The science of training and development in organizations: What matters in practice*. *Psychological Science in the Public Interest*, 13 (2), 74-101.
- Saks, A. M., & Burke, L. A. (2012). *An investigation into the relationship between training evaluation and the transfer of training*. *International Journal of Training and Development*, 16 (2), 118-127.
- Swanson, R. A., & Holton, E. F. (2001). *Foundations of human resource development*. Berrett-Koehler.
- Werner, J. M., & DeSimone, R. L. (2012). *Human resource development* (6th ed.). Cengage Learning.