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## Does Workplace Bullying Influence Employee Performance Through Psychological Well-Being in Sarawak's Banking Sector?

15 Pages · Posted: 11 Sep 2025

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Date Written: August 26, 2025

### Abstract

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**Keywords:** Affective Events Theory, Banking Industry, Employee Performance, Psychological Well-Being, Workplace Bullying

### Funder Statement

The authors would like to thank the Faculty of Economics and Business, UNIMAS, for the Grant ID: NAT(F01)YKAB/05941/2023

### Suggested Citation:

Lee, Siong Huei and Lee, Siong Huei and Wah, Nur Constance, Does Workplace Bullying Influence Employee Performance Through Psychological Well-Being in Sarawak's Banking Sector? (August 26, 2025). Available at SSRN: <https://ssrn.com/abstract=5406527> or <https://doi.org/10.2139/ssrn.5406527>

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# **Does Workplace Bullying Influence Employee Performance Through Psychological Well-Being in Sarawak's Banking Sector?**

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## **Abstract**

Employee performance is a core driver for organizational success, especially in service focused sectors like banking. This study draws on Affective Events Theory (AET) to examine how workplace bullying influences employee performance in the Malaysian banking sector (based in Sarawak) with psychological well-being as the mediating variable. A quantitative approach was used by means of a structured questionnaire, which was filled in by 266 employees in the top five commercial banks (selected by means of stratified random sampling). Data analysis SPSS and SmartPLS-SEM were used for descriptive, correlation and mediation analyses. The results indicate that with the mediation of psychological well-being, workplace bullying is negatively related to employee performance. In this light, it is noted that the extent of bullying found in Sarawak banks is limited yet detrimental in terms of psychological well-being with associated employee performance. The study results underscored the pragmatic immediacy with which mental health should be addressed in an industry such as finance where performance is crucial for economic stability. This study highlights the need to tackle workplace bullying in the Malaysian banking sector as a part of the overall sustainable and decent work agenda of SDG 8. Subsequent studies should extend the model to longitudinal, cross-industry, and cyber-bullying contexts to capture changing work dynamics.

**Keyword(s):** Affective Events Theory, Banking Industry, Employee Performance, Psychological Well-Being, Workplace Bullying.

## **Introduction**

The role of the banking system are important in maintaining economic equilibrium as their function is to provide financial intermediation which contributed toward economic growth. Commercial banks are pervasive across the financial system in Malaysia, holding almost 70 percent of its total assets (Bank Negara Malaysia, 2024). Given this high profile, the performance of bank employees is important for both organisational competitiveness and national development. However, employee well-being at work may be endangered through negative workplace experiences, and bullying has becoming a headline in all industries globally (Einarsen et al., 2020; Haq & Huo, 2024).

The banking industry bullying is at the same risk as of being targeted with the healthcare services problem due to high workload, role ambiguity and competitive workplace cultures, respectively (Tong & Ariff, 2024). NIOSH cross sectional studies of work place bullying have shown an increase in complaints, but no systematic data is available (The Star, 2024). When compared to the developed world, per capita prevalence rates in developed economies are at around 15 percent whereas in Malaysia, rates are up to 35 to 40 percent estimates in certain

service industries (Tong & Ariff, 2024). This gap indicates a dire need for empirical focus, especially in the under-studied banking industry.

Employee performance includes both task performance and contextual performance which help the organization to achieve the goals (Bahadır et al., 2024). Decline in performance caused by workplace bullying is particularly egregious in banking, since the banking nowadays demand for a high-quality, speed, exactness and the service of consumers. It has been documented, for instance, that victimized workers will typically have low motivation, engage in risk-taking behavior in their decisions, experience absence at work and quit their jobs (Wu et. al., 2020; Olaleye & Lekunze, 2024). Bullying can also get in the way of teamwork, introduce errors into finance and could affect business' reputation and reputation for customers. In Malaysia, studies support that banking employees who are bullied suffer stress, disengagement and an inability to reach their performance targets (Abd Majid et al., 2023; Dharma & Hady, 2023).

Bullying can harm performance because it undermines psychological well-being. Employee psychological well-being are measured by employee's mental health, life satisfaction and ability to cope with work stressors (Johari et al., 2018). Being exposed to chronic bullying experiences is reported to lead depression, anxiety, and burnout (Yildirim & Solmaz 2022). Conversely, employee psychological well-being shows a positive relationship with workplace involvement and continuous commitment (David et al.,2024). Recent studies stated that the detrimental impact of mental health towards productivity in the office has costed RM14.46 billion annually which corresponds to almost 1 percent of Malaysian GDP (Awani International, 2023). These numbers indicate that well-being is crucial and serves as the economic catalyst.

The theoretical framework for this study is Affective Events Theory (AET) (Weiss & Cropanzano, 1996). The AET underscores that events in the workplace (either positive or negative) generate affective responses that affect attitudes, well-being, and performance. In workplace bullying scenarios, numerous adverse events may decrease employees' emotional stability, lower psychological health, and lead to performance consequences. Researchers have begun to utilize AET to explain how behaviors such as cyberbullying, and organizational politics shape workplace emotions and behaviors (Mehmood et al., 2024; Junça-Silva & Lopes, 2023). The current study contributes to the extension of AET in the Malaysian banking context by placing psychological well-being as a mediator.

Workplace bullying continues to be inadequately managed in Malaysian policies and procedures despite increased knowledge. In contrast to Sweden and certain European countries which already had anti-bullying laws since the 1990s (Razali et al.,2020), Malaysia does not have comprehensive laws to address bullying. Most current interventions take a reactive approach in which organizations traditionally tackle complaints on a case-by-case basis, instead of a systematic prevention approach. In addition, the stigma associated with mental health may discourage the bullied individual from reporting and requesting for help (New Straits Times, 2023). Addressing work life balance is pivotal in creating a more transparent work environment, given that Malaysia's commitment to SDG 8 of decent work and economic growth.

Most of the research done has been in the fields of healthcare and hospitality (Ahmad et al., 2022; Abu Bakar et al., 2021), which means that a lot of work has been missed in the area of financial services. This is important as bank employees are under specific types of pressure including tight time constraints, complicated compliance rules and performance-based

bonuses, which could worsen the risk of bullying. In the absence of evidence, banks underestimate the scale and impact of bullying, leaving employees' health and employee performance at risk.

## **2.0 Literature Review**

### *2.1 Theoretical Background*

Affective Events Theory (AET), proposed by Weiss & Cropanzano (1996), represents a useful model for analyzing how events in the workplace drive employee attitudes, emotions, and behaviors. Organizational environments are thought to consist of events that can produce affective reactions, positive or negative, as AET posits. These reactions affect how psychologists and other school staff feel (example: stressed, well), which predicts how well they fare in terms of job satisfaction, performance, and turnover intentions. In the present study, AET is especially useful as it explains how chronic exposure to workplace bullying as a negative workplace event affects psychological well-being of employees and their subsequent performance.

Mehmood et al. (2024) discovered that workplace hostility and bullying can harm employee emotions and relate to low productivity in the workplace and increased withdrawal behaviour. Jeunça-Silva and Lopes (2023) also used AET to investigate the role of emotional reactions on which stressful working conditions have on performance. These findings are consistent with the premise that affect mediates the relationship between work events and the effects produced on employees. Therefore, by incorporating AET in this research it could be theoretically argued that psychological well-being is a mediator between workplace bullying and employee performance taking place in the banking sector in Malaysia.

### *2.2 Employee Performance*

An employee's performance, has been defined as the quality of work produced by an employee and the extent to which employees fulfil their job responsibilities in a competent and satisfactory manner to meet the organizational goals (Bahadır et al., 2024). Performance can be distinguished as task performance (example: performing core job duties) and contextual performance (example: discretionary behavior such as cooperation and organizational citizenship) (Borman & Motowidlo, 1993). The banking industry demands high performance from its employees, because, mistakes, ineffective or indifferent work, can quickly damage employee's credibility.

Bullying has routinely been found to be the one of major causes of low employee performance. A study from Wu et al. (2020) proved that employees who are victimized have less productivity and high rates of error. Olaley and Lekunze (2024) have also observed that continual bullying engenders hostile environments that retard overall performance of teams. In Malaysia, Abd Majid et al. (2023) and Dharma and Hady (2023) viewed that bullying and uncertain task assignments are reducing the bank employees' efficiency and satisfaction. Recent studies highlight the fact that harassment not only decreases workforce performance but also increases turnover and the expense of hiring a new employee (Chang, 2024; Arif, 2023). It follows that employee performance is an important lens through which to consider the organizational costs of bullying.

### *2.3 Workplace Bullying*

Repeated negative actions (example: being subjected to verbal abuse, exclusion from social activities, intimidation, and overloading with work tasks) are often described as workplace bullying (Einarsen et al., 2020). It is distinct from isolated conflict by its chronic and intended nature, by its power differential, where the perpetrator deliberately intimidates, threatens, or psychologically manipulates the victim (Choudhary et al., 2023). Bullying can either in a direct way (public criticism, verbal attack) or in an indirect way (gossip, social exclusion, career blocking) (Rodríguez-Cifuentes et al., 2020). In finance, forms of bullying may be manifested through unequal allocation of tasks, impossible deadlines, as well as excessive surveillance.

There are different rates of bullying, but still significant, such as 15 percent in developed countries (Nielsen & Einarsen, 2018), up to 40 percent in Malaysian service sectors (Tong & Ariff, 2024). Bullying undermines the well-being of employees and comes at a high organisational cost in terms of absentees followed by low morale and retardation of innovation (Saka et al., 2023). Finstad et al. (2019) conclude that workplace mobbing entails higher health costs and productivity loss in European sectors. Similar results were shared by Shahid and Sajid (2020) in Pakistan's service sector and they highlighted the negative role of bullying on the psychological well-being and organizational outcomes. In Malaysia, Al Bir and Hassan (2014) were amongst the researchers who carried out exploratory study to show that bullying occurs in organization, however they highlighted the insufficiency of sector-based empirical evidence. Banking, consequently, calls for immediate investigation to ease the competitive and stressful environment.

### *2.4 Psychological Well-Being*

Psychological well-being is an umbrella term that includes resilience, life satisfaction and stress manageability (Johari et al., 2018). It is a key determinant of positive organisational outcomes such as engagement, creativity and performance (David et al., 2024). Consistent with these studies, the literature demonstrates that workplace bullying contributes to a decline in mental health, with anxiety, depression and burnout as common similarities (Yildirim & Solmaz, 2022; Dhanabhakyaam & Sarath, 2023). Research in other literature suggests that targets of bullying possess lower self-esteem and satisfaction, both of which are negatively related to performance (Crede et al., 2007).

In Malaysia, the economic cost of poor workplace mental health is expected to hit the national economy with the amounting of RM14.46 billion yearly (Awani International, 2023), a testament to the substantial socio-economic cost of reduced health-related quality-of-life. Positive psychological well-being, on the other hand, has positive associations with resilience and work-related outcomes. Jimad and Mardiana (2024) indicated that well-being employees get high performance in the worst conditions. Chang (2024) also found that productivity and employee performance are positively affected by health and well-being. Therefore, psychological well-being is an important mediator for the consequences of bullying at work.

### *2.5 Relationships between variables and the development of hypotheses*

This section illustrates the connections or the relationships among the workplace bullying, psychological well-being and the employee performance in the Sarawak banking sectors.

### *2.5.1 Workplace Bullying and Work Performance*

The literature is replete with evidence that workplace bullying has a detrimental impact on employee performance. Bullying was also discovered to negatively affect innovation behavior and task performance in knowledge-based industries (Agarwal and Gupta, 2017). Baillien et al. (2017) separated bullying and interpersonal conflict and further demonstrated it had a special effect on productivity. More recently, Haq and Huo (2024) demonstrated that bullying-induced psychological distress diminishes healthcare workers' work performance in Thailand, indicating the generalization of the effects of bullying in different areas of work. Therefore, the following hypothesis is proposed:

H1: Workplace bullying is negatively associated with employee performance in the Sarawak banking industry.

### *2.5.2 Workplace Bullying and Psychological Health*

Psychological well-being is constantly threatened due to bullying which leads to stress, anxiety and emotional exhaustion (Samsudin et al., 2021). Long-term exposure to bullying: its impact on depression and burnout Yildirim and Solmaz (2022) discovered that long-term exposure to bullying intensifies depression and burnout. In Malaysia, work-related bullying in the service sector has been associated with increasing cases of stress-induced absenteeism (New Strait Times, 2023). Considering AET's claim that negative events at work evoke negative attitudes (Arnold et al., 2007; Miller & Ozcelik, 2015), bullying is supposed to be related negatively to well-being. Hence, the following hypothesis is proposed:

H2: There is negative association between workplace bullying and psychological well-being among employees of banking sector in Sarawak.

### *2.5.3 Health Psychology and Work Performance*

A positive mental health status contributes to employee motivation, creativity, and efficiency. David et al. (2024) and Jimad and Mardiana (2024) also supported well-being as a predictor of better job performance. Chang (2024) revealed that health and well-being interventions have a positive effect on employee performance and employment commitment. According to the AET model, positive affective states trigger positive attitudes and behaviors that surely will lead to better performance (Junça-Silva & Lopes, 2023). Therefore, this study hypothesised the following:

H3: Psychological well-being is positively related to employee performance in the banking industry of Sarawak.

### *2.5.4 The Mediation Role of Psychological Well-Being*

Psychological well-being is considered as a mediator in the relation between bullying and performance. Reknes et al. (2014) demonstrated that the relationship between bullying and job performance is mediated by psychological well-being. Likewise, Nielsen and Einarsen (2018) claimed that bullying and job performance are mediated by diminished well-being. In line with the statement, Mehmood et al., (2024) suggested that the performance outcome of bullied employees are often link with stress and well-being. Hence, the following hypothesis is proposed:

H4: Psychological well-being mediates the relationship between workplace bullying and performance among employees in the Sarawak banking industry.

## 2.6 Conceptual Framework

This study posits a conceptual framework based on Affective Events Theory. It is argued that workplace bullying has a detrimental effect on both psychological well-being and employee performance. In its turn, psychological well-being is supposed to affect positively on employee performance, in mediating role of the workplace bullying. The conceptual framework of the study is illustrated in Figure 1. H1, H2 and H3 is direct relationship between the variables and H4 represent the indirect relationship through mediating effect of psychological well-being in relationship of workplace bullying and employee performance.

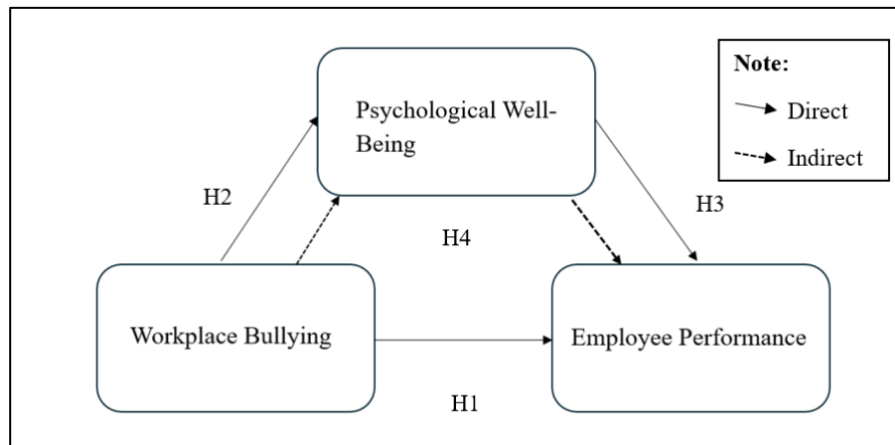


Figure 1: Conceptual Framework of the Study

## 3.0 Research Methodology

### 3.1 Research Design

A quantitative cross-sectional survey design research aimed to examine the impact of workplace bullying on employee performance with the psychological well-being as a mediating factor of the banking employees in Sarawak, Malaysia. Therefore, quantitative design is adopted to test the hypotheses statistically and generalised the conclusion (Creswell & Creswell, 2017). The cross sectional design was also suitable for the study as it sought to gather data on perceptions of bullying, well-being and performance at one point in time (Bell, 2021). The research model was based upon Affective Events Theory (Weiss & Cropanzano, 1996) which also guided the way how workplace bullying develops and the effects as for psychological well-being and performance were conceptualized. This method is consistent with existing bullying and organizational behavior findings, which also employ cross-sectional surveys to examine the effects of mediation (Mehmood et al., 2024; Junça-Silva & Lopes, 2023).

### 3.2 Population and Sampling

The population in this study includes all employees of Sarawak Banks under the authority of Sarawak Bank Employees Union (SBEU). By early 2024, the SBEU had nearly 3000 members across 15 commercial banks in Sarawak, covering about 99 percent of eligible employees in commercial banks (InvestAsian, 2025).

The sample size calculated using the sampling formula of Krejcie and Morgan (1970) was 266 participants. This number resulted in adequate statistical power for the mediation analysis. Stratified random sampling was used to represent employees from the top five banks in Sarawak. Each stratum was equivalent to a commercial bank, and the respondents were randomly chosen within the strata. This further minimized the likelihood of sampling bias and increased representativeness (Rahman et al., 2022). In order to make the process fair, within each bank also simple random sampling was conducted, so that each SBEU member had the same chance of selection.

### 3.3 Data Collection Procedures

Data was collected in month of January until April 2025 using the online questionnaire provided by Google Forms. The SBEU Secretary provided the survey and links were sent to bank representative who sent them out to the members. Confidentiality and anonymity was guaranteed to the respondents to minimize social desirability bias and to obtain honest responses. Participation was not compulsory, and informed consent via electronic consent was secured. To reduce the risk of non-response bias, weekly calls were to be made available via SBEU. A final sample of 266 returned surveys was achieved, which constituted a 100 percent useable return rate against the target.

### 3.4 Research Instrument

The questionnaire had four parts: demographic data, workplace bullying, psychological well-being among employees and job performance. Respondents rated the items on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) to improve reliability and interpretability of the findings, which is consistent with previous research. Demographics include sex, age, race, religion, educational level, length of service, rank, and the bank in which each is employed. The details are as follows:

Table 1: Measurement and Reliability

Criteria	Details	Items	Cronbach's Alpha	Author (s)
Workplace Bullying	Negative Acts Questionnaire-Revised (NAQ-R)	23	0.983	Einarsen et al., 2003.
Psychological Well-Being	General Health Questionnaire (GHQ-12)	12	0.702	Goldberg and Blackwell (1970) ; Dhanabhakym & Sarath (2023).
Employee Performance	A scale adapted from covering task and contextual performance	9	0.815	Borman and Motowidlo (1993) ; Williams and Anderson (1991).
Total		44		

### 3.5 Pilot Testing

A pilot study was carried out with 30 employees of five banks to test clarity, reliability, and time of completion. Slight changes were made which was the wording for clarity. Cronbach's Alpha scores (refer Table 1) substantiated the acceptable reliability (Yockey, 2016) which is greater than the usual threshold value 0.70 and hence are acceptable.

### 3.6 Data Analysis

Demographic information and response distribution were summarized using descriptive statistics (MEAN  $\pm$  SD/Frequency [percent]). Two sets of analyses were conducted. First, the correlation analysis. Bivariate relationships between variables were tested with Pearson correlations. Second, mediation analysis: Performed with Smart Partial Least Squares Structural Equation Modelling (Smart PLS-SEM) to examine the expected relationships as well as the mediating effect of psychological well-being. The PLS-SEM was selected because it is adapted to complex models and low sample size (Hair et al., 2021). Model validation comprised of reliability (Cronbach's Alpha, Composite Reliability), validity (Average Variance Extracted, discriminant validity) and structural relationships (path coefficients, R<sup>2</sup> values, effect sizes). Direct and indirect effects were tested for significance using Bootstrapping with 5,000 resamples.

### 3.7 Ethical Considerations

Ethical consideration was approved by the institutional review of Sarawak Bank Employees Union (SBEU) procedure. Anonymity of participants was guaranteed and no personal information was collected. Information was stored anonymously, and participation was voluntary. The research focused on the wording of the questions to make the mention of bullying as neutral as possible in light of the sensitivity of the topic, and participants were told about counselling facilities in case they felt uncomfortable.

## 4.0 Findings

This section is discussed the empirical results of the study. Descriptive and correlation analyses were performed using SPSS, and SmartPLS was applied to examination of measurement validity, structural relationships, and mediation effects

### 4.1 Demographic Profile of Respondents

A sample of 266 employees of the five major commercial banks in Sarawak forms the study population. Demographic data were collected, and Table 2 outlines the demographics.

Table 2 Demographic Profile of the Participants (n = 266)

<b>Demographic</b>	<b>Category</b>	<b>Frequency</b>	<b>percent</b>
<b>Gender</b>	Male	111	41.7
	Female	155	58.3
<b>Age</b>	Below 30 years	78	29.3
	31–40 years	109	41.0
	41–50 years	52	19.5
	Above 50 years	27	10.2
<b>Education Level</b>	Diploma	92	34.6
	Bachelor's Degree	143	53.8
	Postgraduate Degree	31	11.6
<b>Tenure</b>	<5 years	74	27.8
	6–10 years	88	33.1
	>10 years	104	39.1
<b>Bank Affiliation</b>	Bank M	62	23.3

Bank C	43	16.2
Bank R	53	19.9
Bank P	68	25.6
Bank H	40	15.0

Source: Field Study, 2025

Most of the responders were females (58.3 percent), between 31 and 40 (41 percent) and at least with a bachelor degree (53.8 percent). A significantly high percentage (39.1 percent) of them had more than 10 years of banking experience, implying an experienced workforce.

#### 4.2 Reliability and Validity Analysis

The reliabilities were tested through Cronbach's Alpha ( $\alpha$ ) and Composite Reliability (CR). All the constructs surpassed the minimal threshold of 0.70, which indicates acceptable internal reliability (Hair et al., 2021). Average Variance Extracted (AVE) exceeded 0.50, which supports convergent validity. Discriminant validity was further verified with the Fornell–Larcker criterion (Table 3). These findings validate the reliability and validity of the measurement model.

Table 3 Reliability and Validity Results

Construct	Items	Cronbach's $\alpha$	CR	AVE
Workplace Bullying	23	0.983	0.987	0.791
Psychological Well-Being	12	0.702	0.815	0.543
Employee Performance	9	0.815	0.874	0.589

#### 4.3 Descriptive Statistics

Means were calculated for the main constructs in descriptive statistics. Regarding workplace bullying, mean = 2.31 (SD = 0.64), which indicates on an average a low level of bullying was found. This was then followed by psychological well-being, the mean = 3.12 (SD = 0.71) which indicated that the level of psychological well-being was moderate. Besides, there was an observed the performance employees, the mean = 3.78 (SD = 0.56), as medium high performance. These descriptive findings indicate that while bullying is not pervasive in the Sarawak banking sector, its impact on well-being and performance warrants further investigation.

#### 4.4 Correlation Analysis

Pearson correlation analysis was performed to examine bivariate relations among constructs (Table 4).

Table 4: Correlation Analysis

Variables	1	2	3
1. Workplace Bullying	1		
2. Psychological Well-Being	0.340**	1	
3. Employee Performance	-0.037	0.083	1

Note:  $p < 0.01$

Mental health was positively associated with employee performance ( $r = 0.083$ ,  $p > 0.01$ ), however, not significantly. Although these results were useful as an initial analyzation, they needed to be verified through PLS-SEM.

#### 4.5 Structural Model Results

The structural model was tested through path coefficients, t-values, and p-values following 5,000 bootstrapping sub samples (Table 5).

Table 5 Hypotheses Testing Results

Hypothesis	Path	$\beta$	t-value	p-value	Decision
H1	Workplace Bullying → Employee Performance	-0.091	0.818	0.412	Not Supported
H2	Workplace Bullying → Psychological Well-Being	0.631	7.984	0.000	Supported
H3	Psychological Well-Being → Employee Performance	0.435	3.217	0.001	Supported
H4	Workplace Bullying → Psychological Well-Being → Employee Performance	0.275	4.263	0.000	Supported (Full Mediation)

From Table 5, hypothesis 1 (H1) indicates that Workplace bullying had negative impact on employee performance, but the effect was not statistically significant. H2: Workplace bullying is significantly related to psychological well-being and it is clear that bullying can change the mental health and stress levels of employees. H3 psychological well-being was positively and significantly associated with the employee performance. Higher well-being led to better results from employees. Finally, hypothesis 4 (H4), the mediating effect, was supported; psychological well-being fully mediated associations between workplace bullying and performance.

#### 4.4 Measurement Model Analysis

The PLS-SEM algorithm was used to measure the collected data to obtain results for average variance extracted (AVE), composite reliability (CR), external loading, cross loading, R-square, and path coefficients. Figure 2 to show the result after used PLS-SEM algorithm tools.

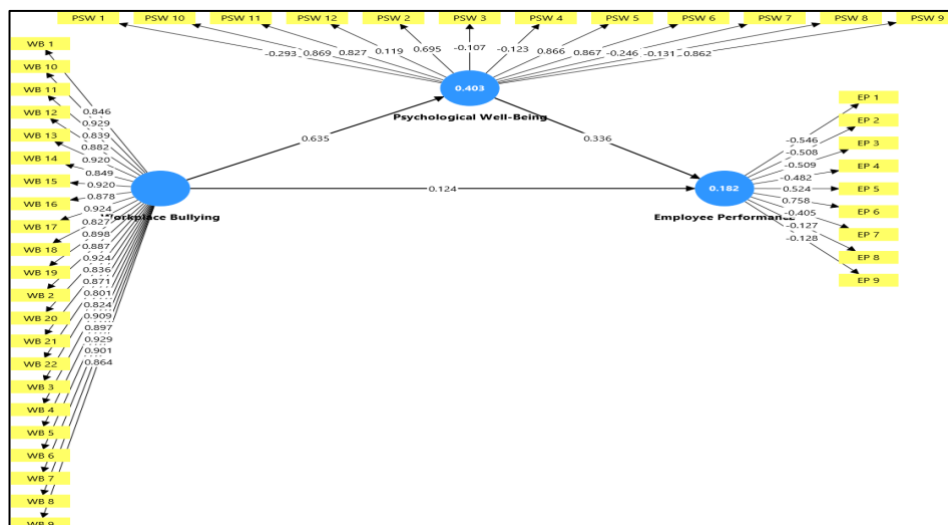


Figure 2: Measurement Model Analysis

## 5.0 Discussion

This research scrutinized the impact of workplace bullying on employee performance in Sarawak banking sector, whereby psychological well-being acted as a mediator, and guided by Affective Events Theory (AET). The study offers critical observations of the relationships between bullying, well-being and performance in the financial services sector in Sarawak.

The first hypothesis stated that workplace bullying has a negative impact on employees' performance. Although negative, the association was not statistically significant. This is at variance with many of the existing studies in the literature which are practically unanimous in showing a strong negative relationship (Wu et al., 2020; Olaleye & Lekunze, 2024). One possible reason could be related to the low levels of bullying reported in the Sarawak branches' banks ( $M = 2.31$ ). The perceiver may not view bullying to be extreme enough to have a direct negative effect on task performance. On the other hand, employees might be used to high-stress situations and can then start perceiving some form of negative behavior as a part of banking culture (Abd Majid et al., 2023). This is also in line with the findings of other recent Malaysian studies which have revealed that the impact of the majority of work stressors, including heavy workload and strict supervision, may not necessarily be automatically translated into a reduction in job performance among career and financial reward driven employees (Swain et al., 2024). Therefore, despite bullying is presence in a workplace, its effect on performance may be counteracted by situational factors such as organisational rules, compensation schemes, and personal resistance.

The second hypothesis stated that being bullied has an adverse impact on morale. The results provided strong evidence of this relationship, suggesting that bullying at work has a significant influence on the emotional well-being of employees. This is in line with the world evidence that an ongoing bullying is a stressor on stress, anxiety, and burnout (Yildirim & Solmaz, 2022; Haq & Huo, 2024). In Malaysia, bank employees perceive greater stress with workload, customer and internal politics (Dharma & Hady, 2023). The present results support these worries, indicating that bullying diminishes the psychological resources of workers, which in turn decreases their well-being. According to the AET, bullying is a workplace stressor that causes unfavourable emotional reactions. As argued by Mehmood et al. (2024), which in turn significantly affect employees' attitudes towards their job and their well-being. We saw these reactions manifest in decreased well-being among those working in the banking center in this trial.

The third hypothesis was that psychological well-being and employee performance would be positively correlated. The findings supported this link, in line with the previous works (David et al., 2024; Jimad & Mardiana, 2024). High psychological well-being staff showed better job performance, which indicates that psychological capabilities and well-being are beneficial to productivity, thereby engagement and service provision. These results reinforce relevance of well-being in the banking sector. In jobs with high goals, employees may spend psychological resources to achieve job performance. AET accounts for this in terms of affective responses. For example, job satisfaction and optimism generate positive affect, but this is capable of eliciting positive work-oriented behaviour and increased productivity (Junça-Silva & Lopes, 2023). This result is also consistent with the organizational policies in Malaysia where the banks are adopting more wellness programs such as stress management, consultative or e-counselling programs, and flexible working arrangements to keep employee's morale and performance high (New Straits Times, 2023).

The fourth hypothesis is that psychological well-being will mediate the bullying performance relationship. Full mediation was found, which means that being bullied in workplace does not directly predict employee performance, although it operates through psychological well-being. This result is in line with previous research emphasizing well-being as a central mechanism which connects adverse workplace experiences to employee outcomes (Reknes et al., 2014; Nielsen & Einarsen, 2018). By supporting complete mediation, this study has extended AET, which posits that it is not the bullying act but the emotional or psychological reactions elicited that lead to performance problems. Addressing bullying incidents alone may not be adequate if mental health support is not offered.

The findings differ to some extent from those in other countries in the world. In Europe and North America studies the direct effects of bullying on performance tend to be substantial (Einarsen et al., 2020). In the present study, however, it was only indirectly, through well-being, that bullying influenced performance. This disparity could be due to differences in settings. In collectivist Asian culture, employees may be bullied, without prompt withdrawal behaviors but rather, they may place on the group's harmoniousness (Ahmad et al., 2022). But the psychological costs build up over time, and eventually well-being and performance are compromised. This indicates that work place bullying is culturally mediated.

## **6.0 Conclusion**

In sum, this study suggests that workplace bullying weakens employee performance not directly but via the depletion of their psychological well-being. The study contributes to theoretical, practical, and policy implications in the field of organizational behavior through expanding the understanding of AET and the mediating function of well-being. The results emphasize the need to cultivate respectful and supportive workplace climates in the banking sector in Malaysia in order to protect employees' health and ensure organizational comparative advantage.

### **6.1 Implications of the Study**

This study has various theoretical implications for organizational behavior. First, the current research adds to the AET perspective of a mediating effect of psychological well-being by providing evidence for psychological well-being as a full mediator of the relationship between workplace events and organizational outcomes; namely, consistent with AET (Weiss & Cropanzano, 1996), workplace events should predict outcomes indirectly through their effect on affective states. It provides evidence of the suitability of AET in the Malaysian bank industry, which has not been represented well in previous studies. Second, in contrast to studies within Western countries, no direct impact of bullying on performance was evident in the present study. This implies cultural and situational variations in the perception and reaction of employees to being bullied. In collectivist societies, such as in Malaysia, employees may accept or adapt certain behaviors and thus shield themselves from the immediate consequences of the performance demands. Finally, the study highlights psychological well-being as a vital process to ensure employee performance. Rather than breaking new ground on the effects of individual well-being on performance, it adds to a developing body of literature that has shown mental health to predict organizational performance (Chang, 2014; David et al., 2014).

The study have the following practical implications for banks, HR managers and policy-makers. Given the full mediation of bullying performance in terms of psychological well-being, organizations must invest in the health care of their employees, including wellness programs,

counselling services, and resilience training. Banks could implement Employee Assistance Programs (EAP), focussed specifically on financial sector pressures. Despite the relatively low bullying rates, its impact on well-being is substantial, emphasizing the importance of preventive strategies. Anti-bullying policies should be transparent, clear and confidential reporting mechanisms, and each manager should receive training to recognize bullying at an early stage. It was found that the psychological well-being was mediate and there was a scope for improvements. Well-being would be increased, leading to better performance through methods such as flexible work practices, non-monetary awards (extra leave) and stress awareness workshops. Addressing bullying and promoting well-being fall in line with Malaysia's endeavours toward SDG 8 (Decent Work and Economic Growth). Hence, healthy banking system can support inclusive and sustainable economic growth through promoting healthy working environments.

## 6.2 Limitations and Future Research

Several limitations must be acknowledged. The design limits causal inference. Longitudinal approaches would provide a closer examination of how the influence of bullying on well-being and performance changes over time. Information was obtained by questionnaires that may be affected by recall or social desirability bias. Future work might triangulate data by supervisor ratings or objective performance data. This study only considered the banking sector in Sarawak, which may not be generalisable to other sectors or areas in Malaysia. Comparisons between states or different industries would improve the external validity. The relationship between bullying and employee performance could be moderated by organizational culture, leadership styles, and individual resilience. Further study should be conducted including the stated factors for more profound knowledge. Digital workplace bullying (cyberbullying) should however be considered, and it is currently more relevant in the context of remote and hybrid banking operation.

**Acknowledgement:** The authors would like to thank Faculty of Economic and Business UNIMAS for Grant ID: NAT/F01/YKAB/85941/2023

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