



RESEARCH ARTICLE

The Effect of Human Resource Practices on Employee Performance: The Mediating Role of Job Satisfaction in Nepalese Commercial Banks

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Abstract

Purpose: This study examines the effects of human resource (HR) practices on employee performance and investigates the mediating role of job satisfaction among employees in Nepalese commercial banks.

Design/methodology/approach: A quantitative cross-sectional design was employed. Data were collected through a structured questionnaire from 340 employees of Nepalese commercial banks and analysed using Structural Equation Modelling (SEM) in AMOS 26.

Findings: The results indicate that performance appraisal and compensation have significant positive effects on employee performance, while recruitment and selection and training and development show no significant impact. Job satisfaction partially mediates the relationship between performance appraisal, compensation, and employee performance.

Implications: The findings suggest that organisations should prioritise fair appraisal systems and competitive compensation while aligning recruitment and training practices with organisational goals.

Originality/value: This study contributes to HRM literature by providing context-specific empirical evidence from Nepal's banking sector and highlighting the mediating role of job satisfaction.

JEL Classification: J24, J28, M12, M54

Introduction

Organisations are relying more on their ability to manage their personnel in order to ensure performance and accomplish their goals. The Human Resource Management (HRM) framework is an approach that helps organisations manage their employees through activities such as recruitment and selection, training and development, performance appraisals, and compensation (Hassan, 2022). This has an effect on the way in which organisations can attract qualified employees, help them develop, assess their performance, and appreciate their efforts. HRM can thus not be regarded as an administrative approach anymore since it has become an integral aspect of organisational management due to the close relationship between the ability and behaviour of employees and organisational outcomes. According to Dessler (2020), HRM involves

policies and practices utilised in managing the human elements of the organisation. Current literature reveals that effective HR systems may influence the employees' attitudes and behaviour, and may also positively contribute to organisational performance. (Becker & Huselid, 1998). Similarly, Huselid (1995) argues that well-structured HR practices contribute to the development of employees' skills and improve organisational effectiveness. Organisations that emphasise employee commitment through strategic HR practices tend to achieve better performance outcomes and long-term sustainability (Arthur, 1992). In this regard, HR practices play a vital role in shaping organisational success by ensuring that employees remain motivated and capable of meeting organisational objectives.

Organisational growth and sustainability largely depend on skilled, competent, and satisfied human resources

(Shrestha & Bhandari, 2024). Developing such human capital requires structured HR development practices that aim to enhance employee efficiency and effectiveness (Aprilia, 2023). Skilled employees and capable management teams are essential for achieving strategic goals, and their level of performance is closely associated with their satisfaction at work. Therefore, organisations must adopt HR strategies that not only focus on employee development but also promote a supportive work environment that enhances overall job satisfaction and performance.

Employee performance is a key indicator used to evaluate the effectiveness of HR practices within an organisation. It reflects an individual's ability to apply knowledge, skills, and competencies to accomplish organisational tasks and achieve goals. According to Pradhan and Jena (2017), employee performance is a multidimensional concept that includes task, adaptability, and contextual performance depending on the organisational context. Various studies have demonstrated that HR practices such as training and development, performance evaluation, and compensation significantly influence employee job performance (Al-Mzary et al., 2015; Bowra et al., 2012; Mathis & Jackson, 2010). Recruitment and selection processes also play a critical role in attracting talented individuals who possess the potential to perform effectively within organisations (Ployhart & Schneider, 2012). Moreover, training initiatives help employees improve their competencies and adapt to changing organisational demands (Noe et al., 2017). Reward systems and incentives further act as motivational tools that enhance employee satisfaction and productivity (Deci et al., 1999).

In addition to direct impacts, HR practices also influence employee performance through psychological and attitudinal factors (Basnet, 2025), among which job satisfaction is particularly significant. Job satisfaction is considered a multidimensional concept that reflects how employees feel about their job roles, work environment, and organisational support (Locke, 1976). It is influenced by several factors such as compensation, recognition, working conditions, and opportunities for career advancement. Research has consistently demonstrated that effective HR practices contribute to higher levels of job satisfaction among employees (Armstrong, 2006; Harter et al., 2002; Judge et al., 2001). Furthermore, Bhandari et al. (2024) found that compensation and training are among the most important predictors of job satisfaction in the workplace.

Employees who experience higher job satisfaction are more likely to demonstrate greater motivation, commitment, and productivity, ultimately contributing to improved organisational performance. HR practices that align employee expectations with organisational objectives help create a positive work environment that reduces employee turnover and enhances engagement. Consequently, job satisfaction often functions as a mediating variable

in the relationship between HR practices and employee performance. Supporting this perspective, Jaiswal (2023) states that compensation, training, promotion practices, performance evaluation, and employee relations collectively enhance employee performance. Similarly, Karki et al. (2023) identified a strong positive relationship between financial compensation and employee performance, although non-financial factors such as leadership and empowerment showed no significant association.

Within the context of Nepal, particularly in the banking industry, HR practices play an increasingly important role in shaping employee outcomes and organisational performance. The banking sector in Nepal has been experiencing rapid growth, intense market competition, and evolving regulatory standards, which require organisations to adopt effective HR strategies to remain competitive. According to Pradhan (2019), HRM practices including recruitment, training, compensation, and performance management positively influence employee productivity as well as organisational performance. Likewise, Shrestha (2024) found that HR practices, especially training, incentives, and recruitment, significantly improve employee performance.

However, some studies indicate that despite moderate efforts in HR planning and training, organisational outcomes in certain Nepalese firms remain less effective, highlighting the need for improvement in HR implementation strategies (Gautam et al., 2018). Additionally, Gautam and Davis (2007) emphasise that although HR integration is gradually improving in Nepalese organisations, its effectiveness largely depends on the maturity of the organisation and the strength of its HR function. In this context, understanding how HR practices influence employee outcomes becomes particularly important.

Although extensive research has examined the direct relationship between HRM practices and employee performance, relatively limited attention has been given to the psychological mechanisms underlying this relationship, particularly the mediating role of job satisfaction. Moreover, empirical evidence from the Nepalese banking sector remains scarce, and existing findings are inconclusive regarding the effects of individual HRM practices on employee performance. Consequently, there is a need for a comprehensive investigation that simultaneously examines the direct effects of HRM practices and their indirect effects through job satisfaction within the context of Nepalese commercial banks. Accordingly, this study examines the effects of recruitment and selection, training and development, performance appraisal, and compensation on employee job performance, with job satisfaction serving as a mediating variable. The findings are expected to provide valuable insights for bank executives, human resource managers, and policymakers in developing evidence-based HRM strategies that enhance employee satisfaction and improve organisational performance.

Literature Review

Theoretical Underpinning

These proposed relationships can be considered in light of two related theories that have been used extensively in the literature in recent years: the Resource-Based View (RBV) and Social Exchange Theory (SET). According to RBV, employees represent organisational resources who have knowledge and skills which could potentially add to organisational performance if properly developed and managed (Lubis, 2022). Thus, HRM practices like recruitment and selection and training and development become relevant in this context as these determine the competencies of the organisation. In light of SET, another possible rationale for these proposed relationships lies in the fact that SET explains the employee's reactions to the organisational treatment (Ali et al., 2022). The above four HRM practices can also be evaluated based on how they influence employee performance through their mechanisms.

The first two practices – recruitment and selection and training and development – are concerned mainly with employee competence as they select competent individuals and develop competencies of existing employees. However, the two remaining practices, namely performance appraisal and compensation, are linked to motivation in that they convey information about performance standards and rewards. It is worth considering this difference while analysing whether these practices show similar relationships with employee performance. Empirical evidence presents mixed findings regarding the effectiveness of HR practices. Some studies indicate that recruitment and training significantly improve employee performance by enhancing competencies and job fit, while others suggest that their impact may be limited when these practices are not effectively aligned with organisational needs (Chalutz-Ben Gal, 2023). In contrast, performance appraisal and compensation have consistently been found to exert a strong positive influence on employee performance, primarily through their impact on motivation, fairness perception, and reward systems (Taneja et al., 2024).

Furthermore, prior research suggests that the effects of HR practices are often indirect, operating through psychological mechanisms such as job satisfaction. Job satisfaction reflects employees' overall evaluation of their work environment and plays a critical role in translating HR practices into performance outcomes. Studies consistently demonstrate that HR practices, particularly performance appraisal and compensation, enhance job satisfaction, which in turn leads to improved employee performance (Quader, 2024; Wadud, 2022). Though there is strong evidence about the connection between job satisfaction as an intermediary to associations between human resource practices and employee performance, there has been very little research conducted examining this area in Nepal's

commercial banking sector.

Recent empirical studies further support the significant role of HR practices in improving employee attitudes and performance outcomes. Alhassan et al. (2025) reported a positive and statistically significant relationship between recruitment and selection practices and employee performance. Similarly, Hadiati et al. (2025) found that effective recruitment and selection practices significantly enhance employee performance and contribute to overall organisational success. Similarly, Dalimunthe et al. (2024) indicated that training methods influenced employee performance and recommended that organisations strengthen their support for training programmes and give greater attention to the selection and improvement of training design. Parawansah et al. (2025) also revealed that providing proper training to employees enhanced their performance, while a supportive and comfortable workplace contributed to better job outcomes.

In terms of performance appraisal, Lyu et al. (2023) found that when employees perceive appraisal systems as fair, they become more engaged and develop stronger organisational identification, ultimately helping to enhance job performance. Likewise, Dangol (2021) indicated that regular performance assessments motivate employees and influence both employees' motivation and work performance. Regarding compensation practices, Katabalo et al. (2024) identified that compensation positively affects employee performance and contributes to improving organisational outcomes. Similarly, Manurung et al. (2024) found that both financial and non-financial compensation enhanced employee performance and helped to increase employee commitment and work effectiveness. Furthermore, Kurniawan and Desiana (2024) found that HRM practices significantly influenced employees' job performance when job satisfaction was included as a mediating factor, indicating that employees performed better if HR enhanced satisfaction and perceived value within the organisation. Similarly, Suhail et al. (2025) showed that HR practices improved job satisfaction and higher employee performance.

Although the correlation between HR practices and employee performance is well examined, results differ between countries and organisations. Generally speaking, worldwide research shows a positive correlation between several elements of HR practices, which include recruitment and selection, training and development, performance appraisal, and compensation, and employees' performance. However, in the case of developing countries, like Nepal, research outcomes differ greatly. Nepalese research in the HR field shows limited results regarding mediating role of job satisfaction in the context of commercial banks of Nepal. Moreover, most of the research work done in Nepal is focused on the direct correlation between the HR practices and employee performance.

Conceptual Framework

Based on the contextual and empirically identified research gap, this study develops a conceptual framework to examine the relationships among HR practices, job satisfaction, and employee performance.

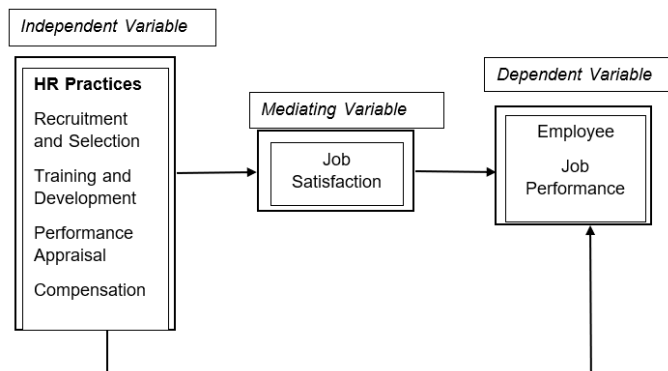


Figure 1: Conceptual Framework

Recruitment and Selection and Employee Job Performance: Recruitment and selection are fundamental HR practices that determine the quality of human capital within an organisation. Effective recruitment processes enable organisations to attract a pool of qualified candidates, while rigorous selection procedures ensure that the most suitable individuals are chosen for specific roles. These practices are essential for aligning employee competencies with organisational requirements, thereby enhancing performance outcomes. Empirical evidence supports the positive relationship between recruitment and selection and employee performance. Studies have shown that organisations with structured recruitment and selection systems tend to achieve higher employee productivity and efficiency (Anastasiou & Garametsi, 2021). Similarly, Kepha et al. (2014) and Solihah et al. (2023) found a significant positive association between recruitment practices and employee performance. Based on the above discussion, the following hypothesis is proposed:

H1: Effective recruitment and selection are positively related to employee job performance.

Training and Development and Employee Job Performance: Training and development are critical HR practices aimed at enhancing employees' knowledge, skills, and abilities. These practices help employees adapt to changing organisational requirements and improve their efficiency in performing tasks. By investing in training programmes, organisations can enhance employee competencies and foster continuous learning, which ultimately leads to improved performance. Several studies have demonstrated the positive impact of training and development on employee performance. For instance, Hafeez and Akbar (2015) found that training significantly improves employee productivity and performance. Similarly, Abdulrahman and Mshelia (2022) and Tipis and Njoroge (2019) reported a strong positive relationship

between training initiatives and employee performance. Therefore, the following hypothesis is formulated:

H2: Effective training and development are positively related to employee job performance.

Performance Appraisal and Employee Job Performance: Performance appraisal is an essential HR practice that involves evaluating employee performance against predefined standards and providing feedback for improvement. It serves as a tool for identifying strengths and weaknesses, setting performance goals, and aligning individual efforts with organisational objectives. Effective performance appraisal systems enhance employee motivation and performance by recognising achievements and addressing performance gaps. Research by Wanjala and Kimutai (2015) indicates a significant relationship between performance appraisal and employee performance. Additionally, performance evaluation processes help employees understand organisational expectations, thereby improving their overall performance (Nguyen et al., 2020). Based on these findings, the following hypothesis is proposed:

H3: Effective Performance appraisal is positively related to employee job performance.

Compensation and Employee Job Performance: Compensation is a fundamental human resource practice encompassing both financial and non-financial rewards provided in recognition of employees' contributions. An effective compensation system enhances employee motivation, job satisfaction, and organisational commitment, ultimately leading to improved job performance. Empirical evidence supports this relationship, with Arif et al. (2019) and Ramli (2019) reporting that compensation has a significant positive effect on employee performance. Accordingly, the following hypothesis is proposed:

H4: Adequate compensation is positively related to employee job performance.

Mediating Role of Job Satisfaction: Job satisfaction represents an employee's overall emotional response to their job and work environment. It is influenced by various HR practices, including compensation, training, and performance appraisal. Satisfied employees are more likely to be motivated, engaged, and committed, leading to improved performance outcomes. Studies document that job satisfaction functions as the underlying mechanism through which human resource practices translate into improved employee job performance (Ramli, 2019; Alromaihi et al., 2017). The mediating role of job satisfaction has been widely supported in the literature. Studies such as Boon et al. (2019) and Karatepe and Olugbade (2020) indicate that HR practices enhance job satisfaction, which in turn improves employee performance. This suggests that job satisfaction acts as an important mechanism through which HR practices influence performance. However, some studies have reported mixed findings, indicating

that the mediating effect may vary depending on context (Mira et al., 2019). Despite this, the majority of empirical evidence supports the mediating role of job satisfaction. Accordingly, the following hypothesis is proposed:

H5: Job satisfaction mediates the relationship between effective HR practices (recruitment and selection, training and development, performance appraisal, and compensation) and employee job performance.

Research Methods

Participants and Procedures

A cross-sectional research design with an explanatory approach was adopted to examine the relationships among the study variables. Primary data were collected through a structured questionnaire comprising five-point Likert-scale items administered to employees of commercial banks in Nepal. Commercial banks were selected as the study setting because they employ a large and diverse workforce and operate within relatively formalized organizational structures characterized by established HR policies, practices, and procedures. These characteristics provide an appropriate context for examining how HR practices relate to employees' job satisfaction and job performance. The participating banks were selected based on their accessibility and willingness to participate in the study, and formal permission was obtained from the respective banks before data collection

A total of 397 questionnaires were administered through both face-to-face distribution and the online Kobo Toolbox platform. Of these, 357 completed questionnaires were returned, yielding a high response rate of 90%. The convenience sampling technique was adopted at both organisational and personal levels. The organisations

sampled were chosen based on accessibility and consent. Within each of the chosen organisations, the Human Resource department provided access to personnel, who also helped in the distribution of the questionnaire. To achieve representation, personnel from departments like customer service, operations, credit, and administration were chosen. Following data screening, incomplete responses and disengaged patterns, such as uniform, binary, or repetitive answers, identified using the Statistical Package, were removed. Consequently, the final sample consisted of 340 valid responses.

The demographic profile of respondents indicated an average age of 37.18 years (SD = 7.95) and an average organisational tenure of 5.61 years (SD = 3.27). Additionally, female participants accounted for 46.4% of the total sample.

Harman's single-factor test has been performed to see the presence of common method bias by principal component analysis. The results indicated that the first factor accounted for just 24.4% of the total variance, less than the standard criterion, which indicated that common method bias is not likely to be a problem in this study.

Measures

Measures for the major constructs were based upon existing scales. The constructs were measured by several items on a five-point Likert type scale (from 1 Strongly Disagree to 5 Strongly Agree). Cronbach's alpha method was used to check the reliability of each scale, and it was found that the internal consistency of all constructs was satisfactory.

Table 1 presents the constructs' sample items, sources, and reliability coefficients.

Table 1: Measures and Instruments

Construct	Number of Items	Sample Item	Source	Cronbach's Alpha
Recruitment and Selection	7	Recruitment system is well defined	Quresh et al. (2010)	.84
Training and Development	7	Organisation conducts training programmes	Quresh et al. (2010)	.86
Performance Appraisal	5	Evaluation depends on productivity	Quresh et al. (2010_	.85
Compensation	7	My pay motivates me	Quresh et al.(2010)	.85
Employee Performance	6	I complete tasks efficiently	Williams and Anderson (1991)	.88
Job Satisfaction	5	I am satisfied with my job overall	Smith et al.(1969)	.87

Note: Calculations based on data from authors' survey 2025

Analytical Procedures

This study examined both direct and mediating relationships using covariance-based SEM in AMOS 26. SEM allows simultaneous examination of multiple relationships, improving the ability to detect true effects while reducing the risk of false positives. The model parameters were estimated by the maximum likelihood estimation method, which made them fit the observed

data. The six-factor measurement model was evaluated using the confirmatory factor analysis (CFA) method and the model fit was assessed by multiple methods such as chi-square statistics, GFI, RMSEA, and CFI.

To assess the direct effect of HR practices (RS, TD, PA, and COMP) on job satisfaction (JS), the direct effect of JS on employee performance (EP), and the mediation

effect of JS, the structural model was tested using SEM (n = 340).

Results

The six-factor measurement model showed a satisfactory fit: χ^2 (98) = 388.77, $p < .001$; GFI = .90; RMSEA = .082; CFI = .88, indicating the model adequately represented the data. All constructs achieved composite reliability (CR) values greater than the recommended .70, confirming strong internal consistency (see Table 1). Convergent

validity was supported, as all average variance extracted (AVE) values were above .50, while discriminant validity was confirmed because the inter-construct square roots of AVE were lower than the square roots of AVE for each construct (see Table 1). These results indicate that the scales for HR practices (RS, TD, PA, COMP), job satisfaction (JS), and employee performance (EP) were reliable and valid for testing the structural model. Table 2 also provides descriptive statistics (means, standard deviations) and correlations among all study variables.

Table 2: Measurement model

Construct	Mean	SD	Construct Reliability	AverageVariance Extracted	Correlation Matrix					
					1	2	3	4	5	6
1. RS	3.40	.79	.74	.45	.67					
2. TD	3.59	.89	.83	.56	.61***	.74				
3. COMP	3.78	.74	.87	.63	.52***	.41***	.79			
4. EP	3.55	.98	.87	.62	.50***	.35***	.62***	.79		
5. PA	3.87	.89	.77	.47	.48***	.58***	.44***	.43***	.68	
6. JS	3.59	.99	.80	.52	.50***	.50***	.64***	.66***	.55***	.72

Note: Calculations based on data from authors' survey 2025

Hypothesis Tests

Building on prior research, this study hypothesised that HR practices (i.e., RS, TD, PA, and COMP) are positively related to JS, which in turn mediates their effect on EP. The

structural model (see Figure 2) treats each HR practice as a separate construct measured by multiple items, while JS functions as an intermediary between HR practices and EP. This framework allows examining both direct effects of HR practices on JS and EP, as well as indirect effects through JS, providing insights into the mechanisms linking HR practices to EP.

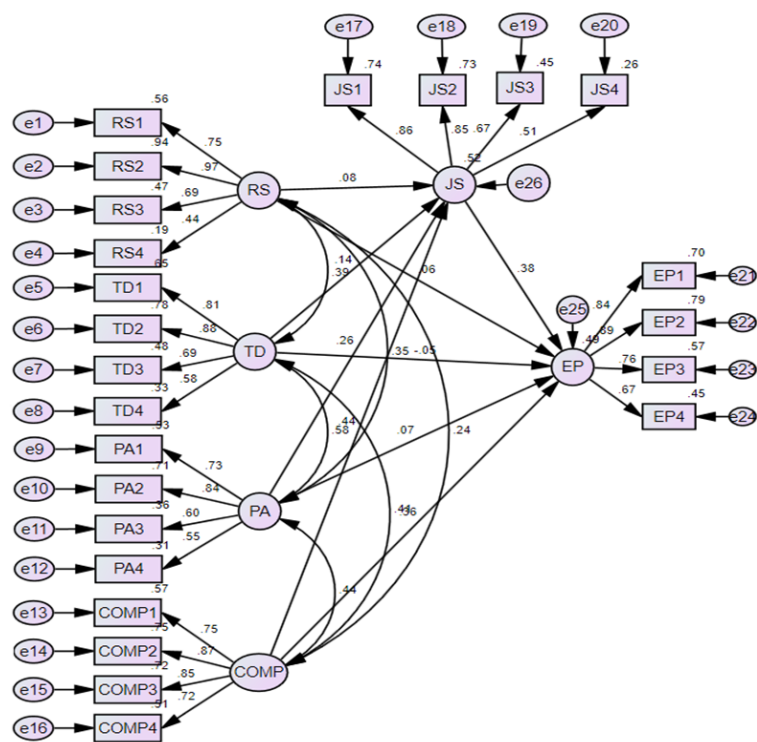


Figure 2: Path Diagram

The structural model's estimation, utilising the same sample (n = 340), produced fit indices comparable to those of the measurement model: χ^2 (98) = 338.766, $p < .001$;

GFI = .902; RMSEA = .082; CFI = .889, suggesting that the structural model exhibited an overall satisfactory and acceptable fit to the data.

To assess the relationships between HR practices (RS, TD, PA, and COMP), JS and EP into six distinct hypotheses, first proposed that RS, TD, PA and, COMP is positively and significantly associated with JS (Hypotheses 1, 2, 3, and 4), and JS would mediate the positive and significant associations between RS, TD, PA, and COMP, and JS. Subsequently, the proposed theoretical relationships were empirically tested using the structural path model. The validity of the hypothesised structural relationships presented in Figure 2 was assessed by examining the extent to which the proposed hypotheses were supported.

Hypothesis 1 proposed that RS positively influences JS. The results indicate that the relationship between RS and JS is positive but statistically insignificant ($\beta = .04, p > .05$); therefore, Hypothesis 1 is not supported. Similarly, Hypothesis 2 proposed that TD positively influences JS. The result indicates a significant positive relationship between TD and JS ($\beta = .14, p < .05$), providing support for Hypothesis 2.

Likewise, Hypothesis 3 proposed that PA positively influences JS. The outcome demonstrates a significant positive relationship between PA and JS ($\beta = .27, p < .001$), supporting Hypothesis 3. Furthermore, Hypothesis 4 proposed that COMP positively influences JS. The findings show a significant positive relationship between COMP and JS ($\beta = .43, p < .001$), thereby supporting Hypothesis 4.

Hypothesis 5 proposed that JS mediates the relationship between HR practices (RS, TD, PA, and COMP) and EP. The results indicate that JS significantly mediates the relationships between PA and EP ($\beta = .10, p < .01$) and between COMP and EP ($\beta = .16, p < .01$). In contrast, the indirect effects of RS and TD on EP through JS were not statistically significant ($p > .05$). Therefore, Hypothesis 5 is partially supported, suggesting that JS serves as a significant mediating mechanism only for the relationships between PA and EP, and COMP and EP.

Table 3: Path Analysis Result (Direct and Indirect Effect)

Path	Standardised Path Coefficient	
	Direct Effect	Indirect Effect
RS → JS	.04	
TD → JS	.14	
PA → JS	.27**	
COMP → JS	.43**	
JS → EP	.37**	
RS → EP	.20	.01
TD → EP	-.12	.05
PA → EP	.05**	.10**
COMP → EP	.30**	.16**

Note. ** $p < .01$. RS= Recruitment and Selection. TD= Training and Development. PA= Performance Appraisal. COMP= Compensation. JS = Job Satisfaction. EP =Employees Performance. RS → JS: Path from RS to JS,

TD → JS: Path from TD to JS, PA → JS Path from PA to JS; COMP → JS: Path from COMP to JS. JS → EP = Path from JS to EP. RS → EP = Path from RS to EP, TD → EP, PA → EP, and finally COMP → EP. To assess the statistical significance of the indirect effect, the z-score is computed as $Z_{ab} = ab/seab$.

Discussion

The present study investigated how specific HR practices, RS, TD, PA, and COMP influence EP directly and indirectly through JS in Nepalese commercial banks. Drawing on theoretical perspectives such as the RBV, SET, and the Job Characteristics Model, the study provides clear insights into which HR practices are most effective in this context. Contrary to expectations and inconsistent with several previous studies (Hafeez & Akbar, 2015; Kepha et al., 2014; Solihah et al., 2023), RS and TD were found to have no significant impact on EP in Nepalese commercial banks. Earlier studies generally reported that effective recruitment systems and training initiatives improve employee competencies, organisational commitment, and performance outcomes. However, the present findings suggest that recruitment and training practices in Nepalese commercial banks may not be sufficiently aligned with organisational requirements or employee development needs. Recruitment decisions may rely more heavily on formal qualifications or external factors rather than competency-based assessments, while training programmes may lack practical relevance and effective implementation. These contextual differences may explain the divergence from prior international findings and highlight the importance of context-specific HRM research in developing economies such as Nepal.

In contrast, PA and COMP emerged as strong predictors of employee performance, consistent with previous studies (Arif et al., 2019; Armstrong & Taylor, 2020; Khan et al., 2019). The findings indicate that fair and transparent appraisal systems positively influence employee motivation, trust, and work commitment by providing constructive feedback and recognising employee contributions. Similarly, competitive compensation systems enhance employee satisfaction and productivity by rewarding performance and encouraging greater organisational commitment. These findings support SET, which suggests that employees reciprocate fair organisational treatment with positive attitudes and improved performance. The results also align with the RBV, emphasising that effective HR systems function as strategic organisational resources capable of generating sustainable competitive advantage.

The study further demonstrates that JS partially mediates the relationship between PA, COMP, and EP. This result aligns with previous studies conducted by Boon et al. (2019) and Karatepe and Olugbade (2020), which reported that HR practices indirectly influence EP through enhanced JS. The findings suggest that employees who perceive PA systems and COMP policies as fair and supportive

are more likely to develop positive attitudes toward their work, leading to improved motivation, commitment, and EP. Therefore, JS serves as an important psychological mechanism linking HR practices with employee outcomes in Nepalese commercial banks.

Thus, these findings indicate that while RS and TD are important, their effectiveness depends heavily on alignment, quality, and contextual implementation. In contrast, PA and COMP consistently serve as reliable levers to enhance EP, particularly when they contribute to JS. For managers, this highlights the need to improve the strategic design and execution of RS and TD initiatives, while ensuring PA and COMP systems are fair, transparent, and motivating. Investing in practices that enhance JS provides a sustainable path to better performance, making employee satisfaction not a peripheral outcome but a key driver of organisational success. Therefore, the study emphasises context-specific HR strategies, confirming that effective performance management and reward systems are central to achieving superior EP in Nepalese commercial banks.

Conclusion and Implications

HR practices exert varying effects on EP depending on their design and implementation. PA and COMP are the most significant predictors, influencing performance both directly and through JS, while RT shows no significant impact, indicating gaps in alignment and execution. EP. Thus, the findings emphasise that strategically aligned HR systems are critical for enhancing organisational effectiveness and employee outcomes. The study concludes that the effectiveness of HR practices in enhancing employee performance depends not merely on their presence but on their quality, fairness, strategic alignment, and contextual implementation. While recruitment and selection and training and development did not demonstrate significant direct effects on employee performance, performance appraisal and compensation emerged as important drivers of performance, with job satisfaction partially mediating these relationships. This indicates that employees are more likely to perform effectively when they perceive organisational systems as fair, supportive, and rewarding, and when such practices foster positive attitudes toward their work.

The study reinforces job satisfaction as an important mediating factor in the HR–performance relationship, supporting the RBV and SET. Practically, it highlights the significance of fair performance appraisal, competitive compensation, and strategically aligned recruitment and training to enhance organisational effectiveness. HR managers should move beyond routine HR administration and strengthen competency-based recruitment, practically relevant training, transparent performance appraisal, and equitable, performance-linked compensation systems. Particular attention should be given to enhancing job

satisfaction as a psychological pathway through which HR practices translate into improved employee performance. Thus, the study highlights the need for context-sensitive and strategically integrated HRM practices in Nepalese commercial banks, where employee satisfaction and performance should be treated as interconnected outcomes of effective people.

Some possible directions for future research would include exploring other mediating or moderating factors that influence HRM practices, such as organisational commitment, leadership style, or organisational culture. Research can be conducted longitudinally or comparatively within various sectors to gain more knowledge about the long-term effectiveness of HRM practices in Nepal.

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Conflict of Interest

The authors declare that there is no conflict of interest.

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Authors Contributions

Dipesh Karki: Conceptualisation, Methodology, Data Collection, Data Analysis, Writing- original draft, Review & Editing, Visualisation, Resources, and Investigation.

Shanti Rai: Data Analysis, Resources, Software, Writing- Original Draft, Review and Editing, Supervision, Visualisation, and Validation.

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Disclosure of Ai Use

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