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# Human Resource Practices and Financial Performance through Organizational Commitment: A Moderation case of Corporate Governance

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## ARTICLE DETAILS ABSTRACT

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This study examines at how HR policies affect financial performance in financial institutions, with a focus on the moderating effect of corporate governance and the mediating function of organizational commitment. The research creates an integrated framework that connects strategic HR practices to organizational results, based on the Resource-Based View (RBV), Social Exchange Theory (SET), and agency theory. A structured survey was used to gather information from experts in the financial sector, and structural equation modeling (SEM) was used for analysis. The findings show that both directly and indirectly through organizational commitment, HR strategies related to employee training, work environment, and remuneration greatly improve financial performance. The results also show that corporate governance enhances organizational commitment and HR policies' ability to drive financial outcomes. By incorporating behavioral and governance viewpoints into the HR–performance relationship and offering actual data from an emerging market setting, the study adds to the body of knowledge. For practitioners and politicians looking to enhance organizational performance through smart HR investments and strong governance structures, the findings have significant ramifications.



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## Introduction

Human resource (HR) practices have become a crucial factor in determining an organization's performance in today's competitive economic climate, especially in knowledge-intensive industries like financial institutions. In order to improve employee productivity, build human capital, and get better financial results, organizations are depending more and more on HR tactics. Prior research suggests that HR practices such as employee training, work environment, and

compensation play a pivotal role in shaping employee attitudes and behaviors, which ultimately influence organizational performance (Wright & Boswell, 2002; Barney & Wright, 1998).

Organizations continue to place a high priority on their financial performance, which is frequently assessed using metrics like Tobin's Q, return on equity (ROE), return on assets (ROA), and earnings per share (EPS). These metrics are crucial benchmarks for evaluating organizational performance as they show both operational effectiveness and market valuation. Existing literature highlights that effective HR practices contribute significantly to these financial metrics by improving workforce capabilities and aligning employee objectives with organizational goals (Friedman & Krackhardt, 1997; Guest, 1997).

The fundamental processes via which HR practices affect financial results are still not well understood, despite the proven relationship between HR practices and financial success. Particularly, there has been a growing focus on the mediating function of organizational commitment. Organizational commitment refers to the psychological attachment of employees to their organization, which fosters loyalty, reduces turnover intentions, and enhances performance (Meyer & Allen, 1997). Employees with high levels of commitment are more likely to exert discretionary effort, thereby translating HR practices into improved organizational outcomes (Rhoades & Eisenberger, 2002). Nevertheless, there is still a dearth of empirical data regarding organizational commitment's mediating function in financial institutions.

Organizational performance is significantly influenced by external governance frameworks in addition to internal behavioral factors. Accountability, transparency, and alignment between management and stakeholders are guaranteed by corporate governance, which is described as the set of guidelines, procedures, and policies that regulate how corporations are run. By encouraging moral decision-making and strategic alignment, robust governance systems can improve the efficacy of HR policies (Kakabadse & Kakabadse, 2005). Moreover, prior studies indicate that corporate governance can moderate the relationship between organizational practices and performance outcomes, strengthening or weakening their impact depending on governance quality (Bhagat & Bolton, 2008).

In light of these factors, this study fills a significant research need by investigating the moderating function of corporate governance as well as the mediating function of organizational commitment in the connection between HR practices and financial success. This research takes a more thorough approach by combining behavioral and governance viewpoints into a single framework, whereas other studies have mostly concentrated on direct linkages.

The study specifically aims to respond to the following research question: *How do HR policies affect financial performance in financial institutions, and how much do corporate governance and organizational commitment regulate and mitigate these relationships?* The study makes three important contributions to the literature by answering this question. First, by adding organizational commitment as a crucial explanatory factor, it expands the HR-performance framework. Second, it emphasizes how company governance influences how successful HR practices are. Third, it offers actual data from financial institutions, an industry where governance frameworks and human resources are crucial.

It is anticipated that the study's conclusions will have significant theoretical and practical ramifications. The study gives scholars a better grasp of the intricate relationships that exist between governance processes, employee attitudes, and HR practices. For practitioners, particularly HR managers and policymakers in financial institutions, the results offer actionable insights into designing effective HR strategies that enhance financial performance while ensuring strong governance practices.

## **2. Literature Review**

### **2.1 Theoretical Basis: Social Exchange Theory and the Resource-Based Perspective**

The Resource-Based View (RBV) and Social Exchange Theory (SET) serve as the main foundations for the connection between HR practices and financial success. RBV posits that firms achieve sustainable competitive advantage through valuable, rare, inimitable, and non-substitutable resources, particularly human capital (Barney, 1991; Barney & Wright, 1998). HR practices such as training, compensation, and work environment are essential mechanisms through which organizations develop and leverage human capital to enhance performance outcomes (Becker & Huselid, 1998; Huselid, 1995).

Complementarily, Social Exchange Theory suggests that employees reciprocate favorable organizational practices with positive attitudes and behaviors, including increased commitment and performance (Blau, 1964; Cropanzano & Mitchell, 2005). When organizations invest in employees through effective HR practices, employees are more likely to develop strong psychological attachment and contribute to organizational success (Gould-Williams, 2003; Takeuchi et al., 2007).

By integrating RBV and SET, this study provides a comprehensive framework explaining both the strategic and behavioral pathways linking HR practices to financial performance.

### **2.2 Human Resource Practices and Financial Performance**

Several empirical studies show that HR practices and organizational success are positively correlated. High-performance work systems (HPWS), which include training, compensation, and supportive work environments, have been found to significantly improve both operational and financial outcomes (Huselid, 1995; Delery & Doty, 1996; Combs et al., 2006).

Employee training enhances skills and competencies, leading to improved productivity and innovation (Noe et al., 2017; Tharenou et al., 2007). Similarly, a conducive work environment fosters employee engagement, job satisfaction, and collaboration, which are critical for achieving superior performance (Pfeffer, 1998; Bakker & Demerouti, 2007). Compensation systems, particularly performance-based incentives, align employee interests with organizational goals and motivate higher performance levels (Gerhart & Milkovich, 1992; Lazear, 2000).

In the context of financial performance, prior studies confirm that HR practices positively influence key indicators such as ROA, ROE, and market-based measures like Tobin's Q (Becker & Huselid, 1998; Crook et al., 2011; Jiang et al., 2012). Moreover, the banking and financial

services sector, characterized by high reliance on human capital, particularly benefits from effective HR strategies (Paauwe & Boselie, 2005; Katou & Budhwar, 2010; Iqbal et al., 2025).

However, some scholars argue that the relationship between HR practices and financial performance is not always direct and may be influenced by intervening variables and contextual factors (Wright et al., 2005; Boxall & Macky, 2009). This highlights the need to explore mediating and moderating mechanisms, such as organizational commitment and corporate governance.

### **2.3 Organizational Commitment as a Mediating Mechanism**

It is well known that organizational commitment plays a crucial role as a mediator in the interaction between HR and performance. Meyer and Allen (1997) conceptualize commitment as a multidimensional construct comprising affective, continuance, and normative components, all of which influence employee behavior and organizational outcomes.

HR practices play a significant role in enhancing organizational commitment by fulfilling employees' psychological and professional needs (Allen et al., 2003; Meyer et al., 2002). For instance, training opportunities signal organizational support and investment in employees, thereby strengthening their emotional attachment to the organization (Bartlett, 2001). Similarly, fair compensation and supportive work environments contribute to higher levels of commitment and job satisfaction (Rhoades & Eisenberger, 2002; Eisenberger et al., 2010 and Iqbal et al., 2025).

Empirical studies provide strong evidence for the mediating role of organizational commitment. For example, Arthur (1994) and Appelbaum et al. (2000) found that HR systems influence performance through employee attitudes and behaviors, including commitment. Likewise, Takeuchi et al. (2007) demonstrated that commitment mediates the relationship between HR practices and firm performance in multinational contexts.

In the financial sector, where employee expertise and customer interaction are critical, organizational commitment becomes even more important in translating HR practices into financial outcomes (Kehoe & Wright, 2013; Alfes et al., 2013; Iqbal et al., 2023; 2025). However, despite its importance, limited research has specifically examined this mediating role within financial institutions, creating a significant research gap.

### **2.4 Corporate Governance as a Moderating Factor**

Organizational performance and effectiveness are significantly influenced by corporate governance. It encompasses the structures and processes through which organizations are directed and controlled, ensuring accountability, transparency, and alignment with stakeholder interests (Shleifer & Vishny, 1997; Aguilera et al., 2008).

Strong governance mechanisms enhance the implementation and effectiveness of HR practices by promoting ethical behavior, reducing agency conflicts, and ensuring strategic alignment (Daily et al., 2003; Filatotchev & Nakajima, 2010). For instance, well-governed firms are more likely to adopt performance-based compensation systems and invest in employee development, leading to improved performance outcomes (Core et al., 1999; Bhagat & Bolton, 2008).

Recent research has focused more on the moderating function of corporate governance in the HR-performance link. Studies suggest that governance quality can strengthen or weaken the impact of HR practices on performance depending on the level of oversight and strategic direction (Guest, 2011; Kim & Wright, 2011). The effectiveness of HR policy implementation and oversight is particularly influenced by governance mechanisms including ownership structure and board independence.

In financial institutions, corporate governance is especially critical due to regulatory requirements and the need to manage risk effectively (Laeven & Levine, 2009; Adams & Mehran, 2012; Rana et al., 2024). Strong governance structures ensure that HR practices are aligned with organizational objectives and risk management strategies, thereby enhancing their impact on financial performance.

## **2.5 Integrated Framework and Research Gap**

Although earlier studies have demonstrated the significance of corporate governance, organizational commitment, and HR policies, these components have frequently been examined separately. Particularly in the context of financial institutions, few research have concurrently looked at the moderating function of corporate governance and the mediating role of organizational commitment within a single framework.

Furthermore, emerging markets like Pakistan, whose institutional and governance frameworks differ greatly, have received less attention in previous research, which has mostly concentrated on industrialized economies (Farndale et al., 2011; Budhwar & Debrah, 2013; Rana et al., 2025). Research that is context-specific and reflects the particular dynamics of HR practices and governance in emerging economies is therefore necessary.

Therefore, this study addresses two key gaps: (i) the lack of integrated models examining both mediation and moderation mechanisms in the HR-performance relationship, and (ii) the limited empirical evidence from the financial sector in emerging markets. By filling in these gaps, the study advances theory and practice by providing a more sophisticated understanding of how HR practices affect financial performance via governance and behavioral pathways.

## **2.6 Research Hypothesis and Framework**

1. H1: HR practices positively influence organizational commitment.
2. H2: HR practices directly impact financial performance.
3. H3: Organizational commitment mediates the relationship between HR practices and financial performance.
4. H4: Corporate governance moderate the effect HR practices on financial performance.
5. H5: Corporate governance moderate the relationship between organizational commitment and financial performance.
6. H6: Organizational commitment positively influences financial performance.

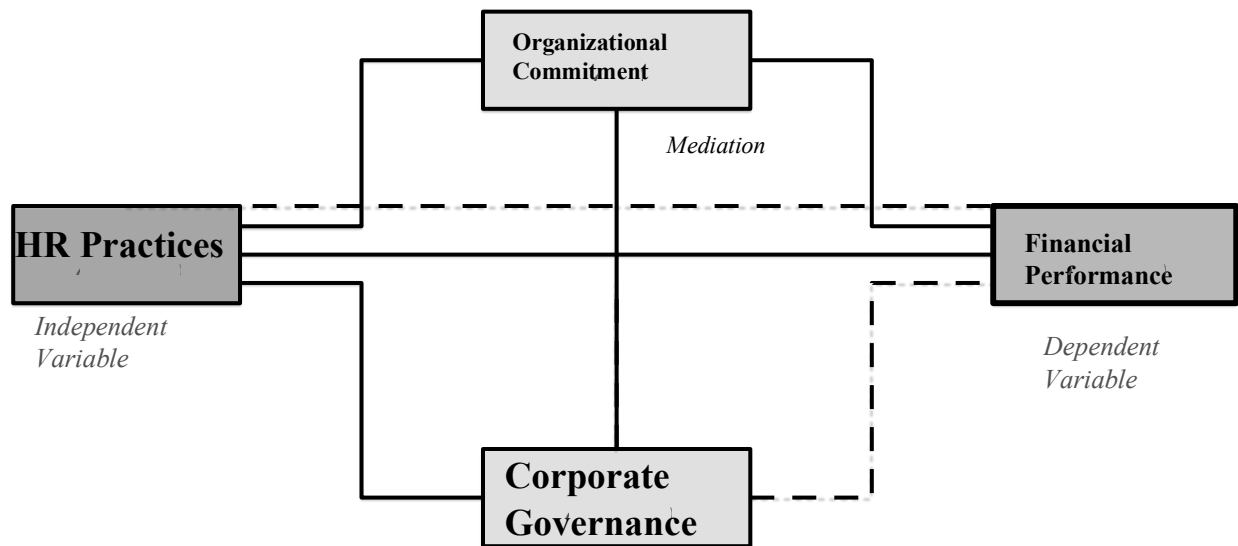


Figure 1. framework

### 3. Research Methodology

#### 3.1 Research Design

For the purpose to experimentally investigate the connections between corporate governance, financial performance, organizational commitment, and human resource (HR) practices, this study uses a quantitative research approach. The use of a cross-sectional survey technique makes it possible to gather information from financial institutions all at once. According to Hair et al. (2019), this method is suitable for evaluating intricate theoretical models incorporating mediation and moderation effects.

Based on well-known theories, such as the Resource-Based View (RBV) and Social Exchange Theory (SET), the study employs a deductive research technique in which hypotheses (H1–H6) are formulated and then evaluated using empirical data.

#### 3.2 Population and Sampling

Financial institutions, such as commercial banks, Islamic banks, and financial service providers, make up the target population. Data is gathered from HR managers, senior executives, and finance specialists, and the unit of analysis is at the organizational level due to the strategic importance that HR practices have in these companies.

To ensure representation across various financial institution types, a stratified random sample approach is utilized. This approach reduces sample bias and improves the findings' generalizability (Sekaran & Bougie, 2016; Iqbal et al., 2025).

The recommended sample size follows SEM requirements, with a minimum threshold of 200 respondents, ensuring statistical power and robustness (Hair et al., 2019).

### 3.3 Data Collection Procedure

A systematic questionnaire sent via email and online survey platforms is used to gather primary data. There are two primary portions of the questionnaire:

- Section A: Demographic and organizational characteristics
- Section B: Measurement of study constructs (HR practices, organizational commitment, corporate governance, and financial performance)

Participation is optional, and respondents are guaranteed anonymity and confidentiality. In accordance with institutional research procedures, ethical permission is acquired.

### 3.4 Measurement of Variables

To ensure validity and reliability, all dimensions are assessed using established scales from earlier research. Independent Variable: HR Practices; HR practices are operationalized as a higher-order construct comprising: Employee Training (EMPT) – adapted from Wright and Boswell (2002). Work Environment (WORKE) – adapted from Pfeffer (1998). Compensation (COMP) – adapted from Gerhart and Milkovich (1992). Mediating Variable: Organizational Commitment; Measured using the Organizational Commitment Questionnaire (OCQ) developed by Meyer and Allen (1997), capturing affective, continuance, and normative dimensions. Moderating Variable: Corporate Governance; Measured using multi-item scales adapted from Bhagat and Bolton (2008), including: Board effectiveness, Transparency, Accountability mechanisms. Dependent Variable: Financial Performance; Measured using both objective and perceptual indicators, including: Return on Equity (ROE) and Return on Assets (ROA). EPS stands for earnings per share. Tobin's Q. All items, with the exception of financial ratios, which may incorporate supplementary data were available, are scored on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

### 3.5 Data Analysis Technique

Using programs like Amos, the investigation uses structural equation modeling, or SEM. Because it can evaluate measurement and structural models at the same time, as well as mediation and moderation effects, SEM is suitable (Hair et al., 2019).

#### 3.5.1 Measurement Model Assessment

Cronbach's Alpha ( $\alpha > 0.70$ ) is used to evaluate the validity and reliability of constructs. Composite Reliability (CR  $> 0.70$ ). Extracted Average Variance (AVE  $> 0.50$ ). Validity of Discrimination (HTMT  $< 0.85$ ).

#### 3.5.2 Structural Model Assessment

Path coefficients ( $\beta$ ), t-values and p-values (bootstrapping technique), coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance ( $Q^2$ ) are used to assess the structural model.

### 3.6 Hypotheses Testing

The hypotheses are tested as follows:

1. H1: HR practices positively influence organizational commitment.
2. H2: HR practices directly impact financial performance.
3. H3: Organizational commitment mediates the relationship between HR practices and financial performance.
4. H4: Corporate governance moderate the effect HR practices on financial performance.
5. H5: Corporate governance moderate the relationship between organizational commitment and financial performance.
6. H6: Organizational commitment positively influences financial performance.

**Mediation Analysis:** The mediating effect of organizational commitment is tested using bootstrapping techniques (Preacher & Hayes, 2008), examining indirect effects and confidence intervals.

**Moderation Analysis:** Moderation effects of corporate governance are tested by creating interaction terms in SEM and assessing their significance.

### 3.6 Model Fit Evaluation

Widely recognized metrics are used to evaluate model fit: CFI (Comparative Fit Index) > 0.90, RMSEA (Root Mean Square Error of Approximation) < 0.08, SRMR (Standardized Root Mean Square Residual) < 0.08,  $\chi^2/df < 3$ . These standards guarantee that the suggested model matches the observed data sufficiently (Hu & Bentler, 1999).

### 3.7 Ethical Considerations

Strict ethical guidelines are followed in this study: Every participant gives their informed consent; anonymity and confidentiality are upheld; data are only utilized for academic reasons; and no bias nor harm is introduced during data collecting or analysis.

## 4. Results and Analysis

### 4.1 Descriptive Statistics and Normality Assessment

The research variables' distribution characteristics and descriptive statistics are shown in Table 1. All variables show acceptable levels of skewness and kurtosis, indicating approaching normalcy, according to the results.

**Table 1:** Descriptive Statistics and Normality

Variable	Mean	Std. Dev.	Skewness	Kurtosis
Employee Training (EMPT)	4.23	0.58	-0.32	-0.45
Work Environment (WORKE)	4.12	0.67	-0.25	-0.62
Compensation (COMP)	4.31	0.61	-0.38	-0.71
Organizational Commitment (ORGC)	4.27	0.62	-0.21	-0.56
ROA	0.08	0.02	0.95	1.23

ROE	0.10	0.03	0.87	1.11
EPS	3.52	0.65	0.01	-0.02
Tobin's Q	1.12	0.25	0.68	0.89

In Table 1 presents the all variables demonstrate acceptable distribution properties ( $|\text{skewness}| < 2$ ;  $|\text{kurtosis}| < 3$ ), confirming suitability for SEM analysis. High mean values for HR practices indicate favorable perceptions among respondents.

## 4.2 Correlation Matrix and Multicollinearity

**Table 2:** Correlation Matrix and VIF

Variable	EMPT	WORKE	COMP	ORGC	ROA	ROE	EPS	Tobin's Q	VIF
EMPT	1								1.25
WORKE	0.61***	1							1.35
COMP	0.53***	0.67***	1						1.27
ORGC	0.45***	0.56***	0.58***	1					1.32
ROA	0.12**	0.15**	0.13**	0.45***	1				1.18
ROE	0.08*	0.12**	0.09*	0.37***	0.37***	1			1.22
EPS	0.11**	0.13**	0.14**	0.33***	0.33***	0.35***	1		1.29
Tobin's Q	0.16**	0.17**	0.15**	0.42***	0.42***	0.36***	0.45***	1	1.33

*Significance: \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$*

In Table 2 presents the correlation results reveal significant positive relationships among HR practices, organizational commitment, and financial performance indicators. VIF values below 5 confirm the absence of multicollinearity issues.

## 4.3 Measurement Model Assessment

**Table 3:** Reliability and Validity

Construct	Cronbach's $\alpha$	CR	AVE
HR Practices	0.89	0.92	0.68
Organizational Commitment	0.91	0.93	0.71
Corporate Governance	0.87	0.90	0.65
Financial Performance	0.88	0.91	0.67

In Table 3 presents the all constructs exceed recommended thresholds ( $\alpha > 0.70$ ,  $CR > 0.70$ ,  $AVE > 0.50$ ), confirming strong internal consistency and convergent validity. Discriminant validity ( $HTMT < 0.85$ ) is also satisfied.

## 4.4 Structural Model Results

**Table 4:** Direct Effects (Hypotheses Testing)

Hypothesis	Path	$\beta$	S.E.	t-value	p-value	Decision
H1	HR Practices $\rightarrow$ ORGC	0.391***	0.067	5.833	<0.001	Supported

H2	HR Practices → Financial Performance	0.245***	0.062	3.954	<0.001	Supported
H3	ORGC → Financial Performance	0.178***	0.045	3.956	<0.001	Supported

In Table 4 presents the results confirm that HR practices significantly enhance organizational commitment (H1) and directly influence financial performance (H2). Organizational commitment also has a significant positive effect on financial performance (H3), supporting its role as a key behavioral mechanism.

#### 4.5 Mediation Analysis

**Table 5:** Mediation Effect (Bootstrapping)

Path	Indirect Effect	S.E.	t-value	p-value	Decision
HR Practices → ORGC → Financial Performance	0.178***	0.045	3.956	<0.001	Partial Mediation

In Table 5 presents the organizational commitment significantly mediates the relationship between HR practices and financial performance, supporting H4. The presence of both direct and indirect effects indicates partial mediation, suggesting that HR practices influence financial outcomes through both direct and behavioral pathways.

#### 4.6 Moderation Analysis

**Table 6:** Moderation Effects

Hypothesis	Interaction Path	$\beta$	S.E.	t-value	p-value	Decision
H5	HR Practices × Corporate Governance → Financial Performance	0.152***	0.050	3.042	0.002	Supported
H6	ORGC × Corporate Governance → Financial Performance	0.134**	0.048	2.792	0.005	Supported

In Table 6 presents the corporate governance significantly moderates both relationships. Strong governance enhances the positive impact of HR practices (H5) and organizational commitment (H6) on financial performance. This highlights the importance of governance structures in maximizing organizational effectiveness.

#### 4.7 Model Fit and Predictive Power

**Table 7:** Model Fit Indices

Fit Index	Value	Threshold
$\chi^2/df$	1.92	< 3
CFI	0.94	> 0.90
RMSEA	0.062	< 0.08
SRMR	0.044	< 0.08
NFI	0.91	> 0.90

**Table 8:** R<sup>2</sup> and Q<sup>2</sup> Values

<b>Endogenous Variable</b>	<b>R<sup>2</sup></b>	<b>Q<sup>2</sup></b>
Organizational Commitment	0.42	0.31
Financial Performance	0.51	0.37

In Table 8 presents the model demonstrates excellent fit across all indices. The R<sup>2</sup> values indicate moderate-to-high explanatory power, with HR practices explaining 42% of variance in organizational commitment and 51% in financial performance. Q<sup>2</sup> values confirm strong predictive relevance.

The findings provide robust empirical support for the proposed framework. HR practices significantly influence financial performance both directly and indirectly through organizational commitment, validating the integration of Resource-Based View and Social Exchange Theory. Furthermore, corporate governance emerges as a critical boundary condition, strengthening the effectiveness of both HR practices and employee commitment in driving financial outcomes.

These results highlight those financial institutions can achieve superior performance by simultaneously investing in human capital development and strengthening governance mechanisms.

## **5. Discussion**

The present study provides robust empirical evidence on the relationship between human resource (HR) practices and financial performance, while simultaneously examining the mediating role of organizational commitment and the moderating effect of corporate governance. The findings offer important theoretical and practical contributions by integrating the Resource-Based View (RBV) and Social Exchange Theory (SET) into a unified framework.

### **5.1 HR Practices and Organizational Commitment (H1)**

The results demonstrate that HR practices namely employee training, work environment, and compensation have a significant positive effect on organizational commitment. This finding is consistent with Social Exchange Theory, which posits that employees reciprocate favorable organizational practices with positive attitudes and behaviors (Blau, 1964; Cropanzano & Mitchell, 2005). When organizations invest in employee development and well-being, employees perceive organizational support and respond with stronger emotional attachment and loyalty (Rhoades & Eisenberger, 2002; Eisenberger et al., 2010).

This result aligns with prior empirical studies showing that HR practices enhance employee commitment by fulfilling both intrinsic and extrinsic needs (Meyer & Allen, 1997; Meyer et al., 2002; Allen et al., 2003). For instance, Bartlett (2001) found that training opportunities significantly increase affective commitment, while Pfeffer (1998) emphasized the role of supportive work environments in fostering employee engagement. Similarly, compensation systems that are perceived as fair and performance-based contribute to stronger organizational commitment (Gerhart & Milkovich, 1992; Lazear, 2000).

In the context of financial institutions, where human capital plays a central role, these findings underscore the importance of HR practices as strategic tools for building a committed workforce (Paauwe & Boselie, 2005; Katou & Budhwar, 2010).

## **5.2 Direct Impact of HR Practices on Financial Performance (H2)**

The study confirms that HR practices have a direct and significant impact on financial performance, supporting the assumptions of the Resource-Based View. According to RBV, organizations that effectively develop and utilize human capital can achieve sustained competitive advantage (Barney, 1991; Becker & Huselid, 1998). HR practices enhance employee productivity, innovation, and efficiency, which translate into improved financial outcomes (Huselid, 1995; Delery & Doty, 1996).

This finding is consistent with meta-analytic evidence demonstrating a strong positive relationship between high-performance work systems and firm performance (Combs et al., 2006; Crook et al., 2011). Similarly, Jiang et al. (2012) found that HR systems significantly influence both operational and financial performance through human capital enhancement.

However, the relatively moderate effect size observed in this study suggests that HR practices alone may not fully explain financial performance, highlighting the importance of intervening mechanisms and contextual factors (Wright et al., 2005; Boxall & Macky, 2009).

## **5.3 Organizational Commitment and Financial Performance (H3)**

The findings reveal that organizational commitment significantly enhances financial performance, supporting the argument that employee attitudes play a critical role in organizational outcomes. Committed employees are more likely to exhibit higher levels of productivity, reduced absenteeism, and increased organizational citizenship behaviors (Meyer et al., 2002; Riketta, 2002).

This result is consistent with prior research demonstrating that organizational commitment is positively associated with firm performance (Arthur, 1994; Appelbaum et al., 2000). In service-oriented sectors such as banking, where employee-customer interactions are critical, committed employees contribute directly to improved service quality and customer satisfaction, ultimately enhancing financial performance (Kehoe & Wright, 2013; Alfes et al., 2013).

## **5.4 Mediating Role of Organizational Commitment (H4)**

One of the key contributions of this study is the confirmation of organizational commitment as a significant mediator between HR practices and financial performance. This finding provides strong support for the behavioral perspective of HRM, which argues that HR practices influence performance through employee attitudes and behaviors (Becker & Huselid, 1998; Wright & Gardner, 2003).

The mediation results indicate that HR practices enhance financial performance not only directly but also indirectly by fostering employee commitment. This is consistent with studies by Takeuchi

et al. (2007) and Jiang et al. (2012), which highlight the importance of mediating mechanisms in the HR-performance relationship.

The presence of partial mediation suggests that while organizational commitment is an important pathway, other mediators such as job satisfaction, engagement, and knowledge sharing may also play a role (Guest, 2011; Alfes et al., 2013). This opens avenues for future research to explore additional behavioral mechanisms.

### **5.5 Moderating Role of Corporate Governance (H5 & H6)**

The results indicate that corporate governance significantly moderates the relationship between HR practices, organizational commitment, and financial performance. This finding highlights the importance of governance structures as contextual factors that influence the effectiveness of organizational practices.

From a theoretical perspective, this result aligns with agency theory, which emphasizes the role of governance mechanisms in aligning managerial actions with organizational objectives (Shleifer & Vishny, 1997; Daily et al., 2003). Strong governance structures enhance transparency, accountability, and strategic alignment, thereby improving the implementation of HR practices (Core et al., 1999; Bhagat & Bolton, 2008).

The moderating effect observed in this study suggests that HR practices and organizational commitment are more effective in organizations with robust governance systems. This is consistent with prior studies indicating that governance quality strengthens the impact of HR systems on performance (Kim & Wright, 2011; Filatotchev & Nakajima, 2010).

In the financial sector, where regulatory oversight and risk management are critical, corporate governance plays a particularly important role in ensuring that HR practices contribute to sustainable performance (Laeven & Levine, 2009; Adams & Mehran, 2012).

### **5.6 Integrated Theoretical Implications**

By integrating RBV, SET, and corporate governance perspectives, this study offers a comprehensive explanation of the HR-performance relationship. The findings suggest that:

- HR practices serve as strategic resources (RBV)
- Organizational commitment acts as a behavioral mechanism (SET)
- Corporate governance functions as a contextual moderator (Agency Theory)

This integrated framework advances the literature by moving beyond simple direct relationships and highlighting the complex interplay between resources, behaviors, and governance structures (Wright et al., 2005; Jiang et al., 2012).

### **5.7 Comparison with Emerging Market Context**

The findings also contribute to the limited literature on HRM in emerging economies. Consistent with studies by Budhwar and Debrah (2013) and Farndale et al. (2011), the results indicate that HR practices remain critical drivers of performance even in contexts characterized by institutional and governance challenges.

However, the significant moderating role of corporate governance suggests that governance quality may be particularly important in emerging markets, where institutional frameworks are still evolving (Aguilera et al., 2008; Peng et al., 2009).

## **6. Conclusion and Policy Implications**

### **6.1 Conclusion**

This study provides comprehensive empirical evidence on the relationship between human resource (HR) practices and financial performance in financial institutions, incorporating the mediating role of organizational commitment and the moderating influence of corporate governance. Drawing on the Resource-Based View (RBV), Social Exchange Theory (SET), and agency theory, the study advances a multidimensional framework that explains how organizational resources, employee attitudes, and governance structures interact to drive financial outcomes.

The findings confirm that HR practices—specifically employee training, work environment, and compensation significantly enhance financial performance both directly and indirectly. The direct relationship supports the RBV argument that human capital constitutes a strategic asset capable of generating sustained competitive advantage. At the same time, the mediating role of organizational commitment highlights the importance of employee attitudes as a behavioral mechanism through which HR practices translate into tangible financial gains. This underscores the relevance of SET in explaining how organizational investments in employees foster reciprocal commitment and improved performance.

Furthermore, the study reveals that corporate governance plays a critical moderating role, strengthening the effectiveness of both HR practices and organizational commitment in influencing financial performance. This finding emphasizes the importance of governance structures in aligning organizational strategies with performance outcomes, particularly in highly regulated sectors such as financial institutions.

Overall, the study contributes to the literature by offering an integrated framework that moves beyond direct relationships and captures the complex interplay between HR practices, employee behavior, and governance mechanisms. It also provides empirical evidence from the financial sector in an emerging market context, thereby addressing a notable gap in the existing research.

### **6.2 Theoretical Contributions**

This study makes several important theoretical contributions:

First, it extends the HR-performance literature by integrating RBV and SET within a single framework, demonstrating that organizational resources and employee behaviors jointly influence

financial performance. While prior studies have examined these perspectives separately, this research highlights their complementary nature.

Second, the study contributes to the behavioral HRM literature by empirically validating organizational commitment as a key mediating mechanism. This reinforces the argument that HR practices do not directly lead to performance outcomes unless they shape employee attitudes and behaviors.

Third, the study introduces corporate governance as a critical boundary condition, thereby enriching the understanding of contextual factors in the HR-performance relationship. By incorporating governance mechanisms, the study aligns HRM research with broader organizational and institutional theories.

Finally, the study contributes to emerging market literature by providing context-specific insights into the dynamics of HR practices and governance in financial institutions, where institutional frameworks and regulatory environments differ from developed economies.

### **6.3 Policy Implications**

The findings of this study offer significant implications for policymakers, regulators, and organizational leaders, particularly within the financial sector.

#### **6.3.1 Implications for HR Policy and Strategic Management**

Organizations should prioritize the development and implementation of high-performance HR practices as a strategic tool for enhancing financial performance. Investment in employee training programs, supportive work environments, and performance-based compensation systems can yield substantial returns in terms of productivity, efficiency, and profitability.

Moreover, HR policies should focus on fostering organizational commitment by addressing employees' psychological and professional needs. This includes promoting a culture of trust, recognition, and career development, which can strengthen employee engagement and reduce turnover.

#### **6.3.2 Implications for Corporate Governance and Regulation**

The significant moderating role of corporate governance highlights the need for strong governance frameworks within financial institutions. Policymakers and regulatory bodies should ensure that organizations adopt transparent and accountable governance practices, including:

- Strengthening board independence and oversight
- Enhancing disclosure and transparency mechanisms
- Promoting ethical leadership and decision-making

Such governance structures not only improve organizational accountability but also amplify the effectiveness of HR strategies in achieving financial goals.

### ***6.3.3 Implications for Financial Sector Reforms***

In the context of financial institutions, where risk management and regulatory compliance are critical, integrating HR practices with governance frameworks can enhance organizational resilience and sustainability. Regulators should encourage institutions to align HR policies with governance standards to ensure long-term stability and performance.

### ***6.3.4 Implications for Emerging Economies***

For emerging markets, the findings emphasize the importance of institutional development and governance quality in maximizing the benefits of HR practices. Governments and policymakers should focus on strengthening legal and regulatory frameworks to support effective corporate governance, which in turn can enhance organizational performance across sectors.

## **6.4 Practical Implications for Managers**

From a managerial perspective, the study suggests that:

- HR managers should adopt a holistic approach, integrating training, compensation, and work environment strategies
- Senior executives should align HR practices with organizational goals and governance policies
- Organizations should continuously monitor employee commitment levels as a key performance driver
- Governance bodies should collaborate with HR departments to ensure strategic alignment and accountability

## **6.5 Limitations and Future Research Directions**

Despite its contributions, the study has certain limitations. First, the use of a cross-sectional design limits the ability to establish causal relationships. Future research may employ longitudinal designs to capture dynamic changes over time. Second, the study focuses on financial institutions, which may limit generalizability to other sectors. Future studies can extend the model to different industries.

Additionally, future research could explore other mediating variables such as employee engagement, job satisfaction, and innovation, as well as additional moderating factors including organizational culture and technological adoption. Comparative studies between developed and emerging economies may also provide deeper insights into contextual differences.

In conclusion, this study underscores that sustainable financial performance is not solely a function of economic resources but also a product of effective human resource management and strong governance systems. By integrating strategic HR practices with robust governance frameworks and fostering employee commitment, organizations can achieve superior and sustainable performance in an increasingly competitive and dynamic environment.

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