INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND ANALYSIS

ISSN(print): 2643-9840, ISSN(online): 2643-9875

Volume 09 Issue 10 October 2026

DOI: 10.47191/ijmra/v9-i10-31, Impact Factor: 8.685

Page No. 6787-6798

The Influence of Human Resource Management Practices on Employee Performance: The Mediating Role of Work Environment in the Banking Sector of Bangladesh

Lima Rozario[1], Syed Ahmed Salman[2]

[1,2]School of Business and Management, Lincoln University College, Malaysia

ABSTRACT: This study analyzes the effect of Human Resource Management (HRM) practices on employee performance and the mediation role of work environment in the banking sector of Bangladesh. The study is based on Social Exchange Theory and the Ability–Motivation–Opportunity framework, and consists of four HRM practices: training and development, compensation and rewards, performance appraisal, and employee participation and empowerment. A quantitative, cross-sectional research design was followed and the data was collected from 288 employees of commercial banks in Bangladesh. Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to analyze the proposed relationships. The results showed that training and development, performance appraisal, employee participation and empowerment have positive significance with the employee's performance, while the effect of compensation and rewards is not significant. The four HRM practices are all positively correlated to work environment, and work environment has significant positive effects on employee performance. The mediation analysis also shows that the work environment plays a significant role in the relationships between the four HRM practices and employee performance. Notably, in addition to the significant indirect effect on employee performance, compensation and rewards have a lesser direct effect on work environment. The study supports HRM literature because it shows that HR practices' effectiveness is partly related to the conditions of the workplace, through which the employees are exposed to these HR practices. The results emphasize the need for the inclusion of employee development, assessment, remuneration, involvement, empowerment, and provision of a conducive working environment for the activities of the Bangladeshi banks.

KEYWORDS: human resource management practices, work environment, employee performance, training and development, compensation and rewards, performance appraisal, employee empowerment, banking sector, Bangladesh, PLS-SEM

1.0 INTRODUCTION

In today's organizations, Human Resource Management (HRM) has gained a strategic role as the organizations' knowledge, skills, abilities, and overall motivation and adaptability rely heavily on their employees. This importance is particularly noticeable in-service industries where the employees are a part of the process of adding value to the customers. Banks are a unique service environment. The need to satisfy customer expectations, meet regulatory requirements, achieve performance goals, and adjust to ongoing technology and operational shifts all make a bank employee's job a bit different. The effectiveness of Human Resource (HR) practices can have a significant impact on the performance of employees under these circumstances. These processes, namely, recruitment and selection, training and development, performance appraisal, compensation, and managerial support, are therefore not mere administrative tasks but are instead combined to determine and influence employees' capacity and willingness to contribute to the organization's performance.

This research has been conducted within Bangladesh and thus has proved that HR practices are relevant to the performance of the employees in banking sector. Sarker (2017) has used a sample of 328 banking employees to study the factor of employee relations, compensation, physical working environment, training and development, promotion, employee satisfaction, commitment and motivation in relation to employee performance. Several factors had shown significant effects, except for compensation and training and development, for this particular study. These variations suggest that the impact of the individual HR practices cannot be taken for granted in all organizational contexts. Later, Khan et al., (2023) has studied High Performance Work Systems (HPWSs) in two private commercial banks of Bangladesh. They have identified appropriate combination of HR

practices, based on their mixed-method research design, including selective recruitment, extensive training, performance management, supportive leadership, self-managed teams and pay equity. From the survey results of 436 employees, the authors have further illustrated that psychological empowerment and employee trust acts as mediators between perceived HPWSs and employee performance.

The results of such studies highlight a significant research question in HRM. HR practices could affect performance directly as well as indirectly via the organizational conditions and employee experiences that they create. Employees' daily workplace experiences are not separate from HR policies. Instead, they do their work in a setting that includes chances to engage in interpersonal relationships, management support, communication, resources, physical conditions and opportunities to engage in organizational activities. A good workplace can allow staff to work up to their best ability with the support and resources needed, while the lack of support and resources, poor communication, poor relationships and stressful work conditions can limit staff capacity to perform with their full potential. Zhenjing et al. (2022) has empirically proven that workplace environment has a significant impact on employee performance and that this relationship can be explained by employee commitment and achievement-striving capacity of the employee.

The importance of studying intermediate mechanisms is also in line with the ongoing research on understanding the "black box" between HRM and performance. Recent empirical evidence from the Bangladeshi banking sector supports this argument. The study conducted by Khan et al., (2025) investigated the relationship between HR strength and employee performance with the mediation of social identification in the context of two private commercial banks with 436 employees. The study also uncovered sequential mechanisms through employees' interactions with their immediate managers, relationships between work-group members, and social identification. The results indicate that HR systems not only have a direct impact on the performance of the employee, but also on the employee's experience with the organizational and social environment in which HR systems are implemented.

However, comparatively less research has been conducted on work environment as a specific intervening variable between HR practices and employee performance in the banking sector of Bangladesh. Previous studies have focused on psychological empowerment, employee trust, affective commitment, and social identification (Khan et al., 2023; Khan et al., 2025), and much earlier studies have included physical work environment, along with HR-related predictors (Sarker, 2017). Work environment, on the other hand, provides a wider picture as it is the setting in which workers transform their capabilities, willingness, and organizational assistance into real actions at work. The above logic is consistent with the Ability–Motivation–Opportunity (AMO) model, which argues that success is not just a function of employee ability and motivation but also a function of the opportunities available for them to perform effectively.

Hence, in the context of the present study, the relationship between HR practices and employee performance in the banking sector in Bangladesh is explored, focusing on the mediating role of the work environment. The study aims to give a more process-oriented understanding of the way HR practices are translated into the employee's performance by situating work environment as an explanatory mechanism, in addition to being another independent workplace factor. It thus builds on the previous studies on HRM and performance in Bangladeshi banks and provides valuable practical understanding of the significance of fostering an environment that facilitates HR investments to yield better employee results.

2.0 LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 Human Resource Management Practices

HRM practices are the activities in an organization where employees are recruited, developed, evaluated, rewarded, supported, and offered opportunities to contribute to the goals of the organization. Recent HRM literature has increasingly treated these as a system of practices rather than administrative actions. This is especially important when referring to employee performance, because there are different HR practices that can help to develop the capabilities of employees, to influence their motivation and to provide opportunities for them to apply their knowledge and skills. Using a meta-analysis technique, Jiang et al. (2012) revealed that HR systems that enhance skills, motivation, and opportunity act on organizational outcomes in different ways, mediated by the employees themselves. This lays the groundwork for the study of the effect of specific HR practices on performance.

The relationship can be theorized using the AMO framework. The framework suggests that performance is determined by the ability of the employees, their willingness to do their work and the opportunities for them to perform. It was concluded that the AMO variables, both their concepts and measurement, varied significantly across the 104 quantitative HRM studies published between 1997 and 2022, analyzed in the systematic review by Bos-Nehles et al. (2023). Importantly, they highlighted the importance of paying more attention to the mechanisms through which AMO-enhancing HR practices result in performance.

Evidence in the context of banking in the Bangladeshi environment also indicates that HR practices cannot be analyzed merely in terms of direct connection with performance. Khan et al. (2023) created a contextually appropriate HPWS by interviewing banking professionals and collecting data from 436 workers in two private commercial banks of Bangladesh. Key features were selective recruitment, comprehensive training, performance management, positive leadership, self-managed teams and pay equity. Perceived HPWSs were found to be related to employee outcomes through psychological empowerment and trust in immediate managers. Similarly, Rubel et al. (2018) found that in-role and extra-role behaviours were positively associated with high-commitment HRM practices, with trust in the management acting as the mediator, when examining 365 line-managers in Bangladesh's banking industry.

The present study focuses on four HR practices, namely, training and development, compensation and reward, performance appraisal, and employee participation and empowerment. Training and development is a crucial skill development practice and also allows individuals to develop skills that are necessary for their current and future roles. This is especially true in the finance industry, where employees need to keep up with the evolution of technology, regulatory compliance, financial risks, changing customer expectations and offering digital services. But training per se does not necessarily lead to improved performance. It is also important that employees have the organizational resources, managerial support, and potential to apply newly developed knowledge and skills.

The main function of compensation and rewards is motivation. Economic returns can be achieved through financial rewards like salaries, incentives, bonuses and benefits, while non-financial rewards like career opportunities and recognition can reinforce employees' sense of value added to their contribution. Importantly, the effectiveness of compensation does not only depend on the monetary value, but on the fairness and equality perceived by the employees. Pay equity, for instance, was found to be an aspect of the HPWS applicable to the private commercial banks of Bangladesh (Khan et al., 2023). Hence, compensation can affect performance, in part, through the experience in the organization based on the compensation or the reward system.

Performance appraisal is another important HR practice. It sets the standards for performance, measures the performance of employees, provides feedback and may also be used for developmental, promotional and reward decision-making processes. A good appraisal process can help a staff member understand what is expected of them and what they are required to achieve. But it only works if it is transparent, consistent, offers helpful feedback and is seen as fair. As a result, appraisal becomes a larger part of employees' working life, rather than just a short-term and a formal process for assessing performance.

The opportunity aspect of the AMO framework is addressed through employee participation and empowerment. Participation allows employees to voice their thoughts, share in decision making, and have a say in the actions that may impact their work, while empowerment gives them autonomy and discretion in the execution of their responsibilities. As stated by Bos-Nehles and colleagues in 2023, opportunity has a specific significance when it comes to explaining the relationship between employee ability and employee motivation with regard to their performance. Employee involvement and influence are also highlighted in the Bangladeshi banking context, through the inclusion of self-managed teams and supportive leadership as components of HPWS, by Khan et al., (2023).

2.2 Work Environment

The work environment is the physical, social and organizational/psychological setting in which employees carry out their duties. It goes beyond physical attributes like workspace, equipment, comfort and safety, to include communication, interpersonal relations, organizational support, relationships with supervisors, and other factors which help or hinder the employee's ability to do his or her job. This multidimensional view is especially relevant in today's banking world, where staff members work with customers, fellow employees, supervisors, computer systems, regulatory and performance monitoring systems.

Research data shows that workplace conditions have a connection to employees' work performance. Zhenjing et al. (2022) examined the relationship between workplace environment and employee task performance, and found that there was a significant relationship between the two constructs. Their study also showed that there was a mediating role of employee commitment and ability to strive for achievement between workplace environment and employee performance. The results are significant as they suggest that the work environment can be a factor to influence the attitudes and behaviour of employees that ultimately affect performance.

The work environment is particularly important when viewed in conjunction with HR practices. Training can build an employee's skills, but if the necessary resources and/or management aren't available, the employee's skills may not be used. Rewards can increase motivation but if ineffectively expressed, viewed as inequitable, or perceived as poor relationships, can reduce their motivation effects. Appraisals can also establish goals for performance, but they are more likely to be achieved when feedback

occurs in a nurturing context. Although formal means for employee participation and empowerment can be provided, employees must feel that they have the ability to seize on these opportunities.

Therefore, the work environment can be viewed not just as an independent factor affecting employee performance, but as a mediating link which connects between motivational factors and employee performance. HR practices can help contribute to the development of positive working conditions by providing resources, communicating, recognizing, supporting, providing autonomy and opportunities to participate. These conditions can then lead to the ability and motivation of the employees to produce effective performance. The argument put forward in this paper is in line with the AMO approach, especially the need to understand the mechanisms through which HR practices relate to the outcomes of work (Bos-Nehles et al., 2023).

2.3 Employee Performance and the Proposed Relationship

Employee performance measures the ability of employees in achieving their duties and giving work results that meet the expectations of the organization. Good performance in banking may include being accurate, performing tasks efficiently, providing good customer service, following organizational procedures, completing tasks in a timely fashion, and using knowledge and resources related to a job. Hence, there is a need to distinguish between employee and organizational performance. Employee performance relates to the behaviour and effectiveness of the individual employee while organizational performance is about the organization's outcomes such as profits, market share, productivity, organizational efficiency, etc.

The findings from the studies on the HR processes in the Bangladeshi banking sector further corroborate the significance of studying the processes between HR systems and employee outcomes. Rubel et al. (2018) showed that service behaviour was linked to high commitment HRM practices, and the trust in management helped to explain the link. Khan et al. (2023) similarly demonstrated the importance of psychological empowerment and trust in immediate managers in explaining relationships between HPWSs and employee outcomes. The results propose that employee performance is not a given from HR practices, but that there are intervening organizational and employee experiences which matter.

The present study, therefore, suggests that training and development, compensation and rewards, performance appraisal, and employee participation and empowerment can impact employee performance through both HR-related practices followed by the work environment they create. Training builds skills, compensation and rewards increases motivation, appraisal provides direction and feedback, and participation and empowerment provide opportunities for contribution. The extent to which these resources translate into employees' performance, however, may partly depend on the physical, social and organizational environment in which employees work. HR practices, therefore, are defined as a mediating process between the work environment and employee performance. The current framework goes beyond the largely psychological and relational mediators found in the existing Bangladeshi research on banking to focus on the wider context of the workplace that could be the ultimate context to which HR practices might lead in terms of effective employee performance.

2.4 Social Exchange Theory

An important theory to explain employee response to the treatment they receive in the organization is Social Exchange Theory (SET). The roots of SET can be found in the work of Homans (1958) and Blau (1964), and later, by Cropanzano and Mitchell (2005) where they highlight its relevance for organizational research. The basic rule of SET is reciprocity. If something is done for someone, he or she is obligated to do something in return or to feel good about it. In the employment relationship, the employees contribute their experience, work, and time and the organizations contribute not only through economic returns, but also through development opportunities, recognition, support, fair treatment, and opportunities to be involved.

HRM practices can thus serve as cues of the organizational investment on employees. Through training and development, organizations show commitment to enhancing employee competencies; through compensation and rewards, they show employees' contributions; through performance appraisal, they are communicating fairness and providing developmental feedback; and through participation and empowerment, they are demonstrating their trust in employee knowledge and judgement. Positive interpretation of such practices may be seen as evidence of appreciated and supported employment relationship by employees who are conscious of the positive perception.

This is also in line with perceived organizational support. Eisenberger et al. (1986) theorized that employees form general perceptions of whether their organization appreciates their contribution and cares for them. In a meta-analytic study of the antecedents of perceived organizational support, Rhoades and Eisenberger (2002) concluded that factors such as fairness, supervisor support and favourable organizational rewards and job conditions were important determinants of perceived organizational support, which in turn was linked to employee outcomes such as commitment, job satisfaction, job performance and decreased withdrawal.

The concept of SET is especially important in the context of Bangladeshi banking industry. A study by Rubel et al., (2018) with 365 line-managers of the banking sector in Bangladesh revealed positive relationships between the high commitment HRM practices and in-role and extra-role service behaviour of the employees. High-commitment HRM practices were found to be indirectly associated with in-role service behaviour through trust in management. Similarly, Khan et al. (2023) revealed the role of psychological empowerment and trust in immediate managers in explaining employee outcomes, which was done by analyzing the data of 436 employees from two Bangladeshi private commercial banks. The results corroborate the idea that HR practices affect the employees indirectly by their relational and psychological environment in the workplace.

SET supports the proposed mediation role of the work environment constantly. Good HR practices can help create an enabling, fair, communicative and supportive perception of the workplace for employees. Such treatment by the organization may cause an employee to respond with increased effort and performance. So, the proposed pathway HR Practices → Work Environment → Employee Performance is explained by SET.

2.5 Ability–Motivation–Opportunity Framework

In addition to SET, the AMO framework discusses the necessary factors for successful employee productivity. The main idea is that when employees have what they need to do their jobs well, they are more motivated, and when they are given opportunities to do a job they could do, they will do it well. Preceding work foundations include Blumberg and Pringle (1982) who focused on the capacity, willingness and opportunity to account for work performance.

HR practices in the context of strategic HRM were categorized by Jiang et al (2012) into three areas: skill-enhancing HR practices, motivation-enhancing HR practices, and opportunity-enhancing HR practices. Their overall results in their meta-analysis showed that they act through different employee-related mechanisms. A review of 104 quantitative AMO studies published from 1997 to 2022 by Bos-Nehles et al. (2023) also confirms the continued applicability of the framework, highlighting the need to differentiate between employees' actual AMO capabilities and the HR practices that can enhance it.

This framework can be used to place the four HR practices that are investigated in this study. Training and development is largely an ability-enhancing practice because it builds employees' knowledge, skills and competencies. The main motivation-enhancing functions of compensation and rewards and performance appraisal are motivating employee contributions, setting employee goals, providing feedback on performance, and connecting performance to the consequences of the organization. The primary practice of employee participation and empowerment is the opportunity enhancing component, in which employees have the opportunity to contribute their ideas, participate in decision making and have appropriate discretion.

It is important to note that the framework is not intended to suggest that each HR practice is linked to just one of the AMO dimensions. Motivation can also be stimulated through training which indicates organizational investment, and evaluated based on appraisal, which can also determine training needs. Indeed, the more important point is that an HR practice is not guaranteed to bring the desired employee level outcome. If employees are not given opportunities or resources to use their new competencies in their job, training will not have a significant impact on performance, and reward systems can have a weak motivational impact when employees feel that they are not receiving an equivalent reward.

Therefore, the work environment plays a significant part in this process. It sets the physical, social and organizational context in which employees play out their capacities, motivation and opportunities. In the present study, the AMO framework is used mainly for an explanatory purpose to explain the selection and the potential for performance-enhancement of the four HR practices, but not as a separately measured mediator of the three components of ability, motivation and opportunity.

2.6 Conceptual Framework

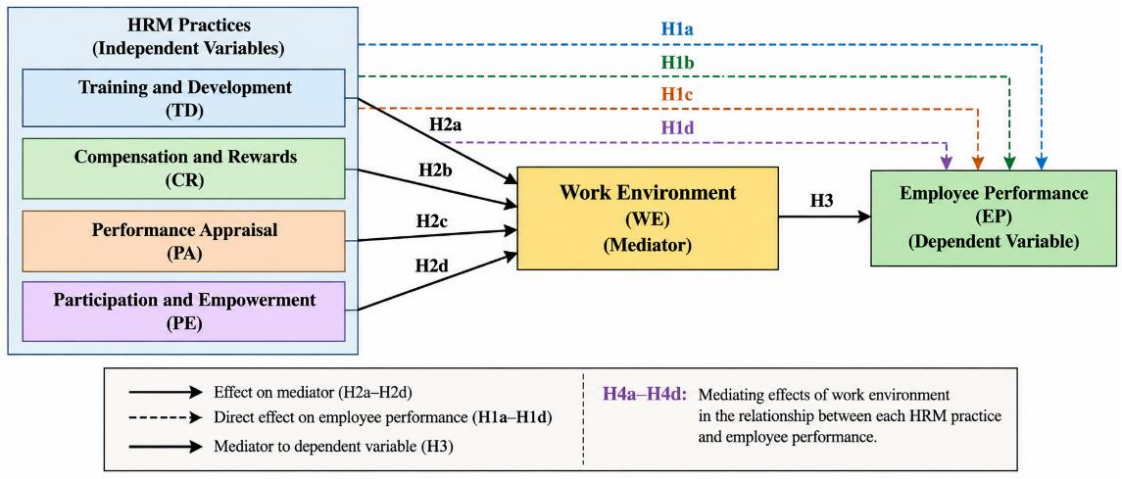
Based on the above background, the present study presents a conceptual framework between the HRM practices, working environment and performance of employees in banks of Bangladesh, using the SET and AMO. The independent variables are the four HRM practices which include training and development, compensation and rewards, performance appraisal, and employee participation and empowerment. Work environment is regarded as a mediator and employee performance as the dependent variable.

The AMO framework outlines why these HR practices have potential to enhance performance, while SET outlines employees' reciprocal reaction to good treatment of the organization. Work environment relates the two theoretical perspectives by providing the context through which employees encounter HR practices and receive the capabilities, motivation and opportunities provided by these practices.

The proposed framework will thus consider multiple direct and indirect relationships. HR practices should be expected to have a direct impact on the performance of employees and also be part of the creation of a positive working environment. Favourable

working conditions are in turn expected to increase employee performance. Thus, it is suggested that the impact of each HR practice can be passed on to employee performance through the medium of work environment.

CONCEPTUAL RELATIONSHIP:



The framework also stipulates the direct connection of each of the four HR practices with employee performance.

3. HYPOTHESES DEVELOPMENT

3.1 HRM Practices and Employee Performance

HR practices can help improve employee performance by building competencies, improving employee motivation, clarifying employee performance expectations, and offering opportunities to employee to contribute. Skill, motivation, and opportunity enhancing HR systems are found to have different employee-related mechanisms in increasing performance (Jiang et al., 2012). The studies in Bangladeshi banking also suggest relevance of HR systems to the output of the employees. Khan et al. (2023) has shown that there is a positive relationship between a HPWS and important employee outcomes, while Rubel et al. (2018) has confirmed that there are positive relationships between high commitment HRM practices and employee service behaviour.

Training provides job related knowledge and skills. Suitable rewards can motivate people to put in effort and to acknowledge contribution. Appraisal sets expectations and provides feedback. Participation and empowerment enable employees to apply their knowledge and judgement. Based on these observations, the following hypotheses are made:

H1a: Training and Development positively improves employee performance.
H1b: Compensation and rewards have a positive effect on employee performance.
H1c: Performance appraisal has a positive effect on employee performance.
H1d: Employee participation and empowerment positively impact employee performance.

3.2 HRM Practices and Work Environment

HR practices may also have a bearing on the employees' perceptions regarding the workplace. A social exchange view sees that positive practices within the organization as signals to employees about how they are being treated and supported (Cropanzano & Mitchell, 2005). Training conveys investment in employees, rewards give them recognition, open appraisal helps them see the fairness, and participation and empowerment provides them involvement and autonomy.

The Bangladeshi banking context suggests that HR practices can have an impact on workplace relational and psychological experiences. The importance of trust in management was established by Rubel et al. (2018), and psychological empowerment and trust in immediate managers were found to be important mechanisms related to HPWSs by Khan et al. (2023). The results indicate that positive HRM practices can have a positive impact on staff's perception of supportive work environment. Therefore:

H2a: Training and development positively affects work environment.
H2b: Compensation and rewards have a positive effect on work environment.
H2c: Performance appraisal has a positive effect on work environment.
H2d: Employee participation and empowerment positively influence work environment.

3.3 Work Environment and Employee Performance

A supportive work environment adopts effective employee performance by offering resources, positive communication, positive relationships, and support. A positive working environment allows staff to focus on their work and use their skills and knowledge to their best ability. Zhenjing et al. (2022) revealed a positive relationship between workplace environment and employee performance, and additionally showed that employee commitment and achievement striving ability explained this relationship. The results confirm the hypothesis that job environments have the ability to positively influence performance in a setting that is more than just an organizational attribute. Accordingly:

H3: The work environment is related to the employee's performance.

3.4 Mediating Role of Work Environment

The basic argument for the study is that HR practices can affect employee performance at least through their impact on the working environment of employees. This argument combines SET and AMO. The goodwill of organizational treatment in turn raises positive employee reactions to the organization (Cropanzano & Mitchell, 2005), while AMO is thought to build employee capability, reinforce motivation, and create avenues for participation (Jiang et al., 2012; Bos-Nehles et al., 2023).

These resources and the exchange relationships they bring about occur in the work environment. Training can build capacity, but at the same time, staff require adequate resources and support to implement their capabilities. Rewards and pay schemes can affect levels of motivation, but the impact could be dependent on the awareness of fairness, communication and organizational support. Opportunities to participate and to contribute lead to empowerment, and supportive workplace conditions enable employees to use their opportunities to contribute effectively.

Previous evidence on HR practices in the context of the Bangladeshi banking sector, has shown that HR practices have an influence over employee outcomes through intermediary constructs like trust and psychological empowerment (Rubel et al., 2018; Khan et al., 2023). Further support for the need to consider work environment as an additional mechanism comes from findings that the environment of the workplace itself has an effect on employee performance (Zhenjing et al., 2022). Therefore:

H4a: Work environment mediates the relationship between training and development and employee performance.
H4b: Work environment mediates the relationship between compensation and rewards and employee performance.
H4c: Work environment mediates the relationship between performance appraisal and employee performance.
H4d: Work environment mediates the relationship between employee participation and empowerment and employee performance.

4. RESEARCH METHODOLOGY

4.1 Research Philosophy and Design

This research study is based on positivist philosophy and a quantitative, deductive approach to examine the relationship between HRM practices, work environment and employee performance. The deductive approach is suitable as it examines theoretically supported relationships based on SET and AMO framework with the use of pre-designed hypotheses. The cross-sectional explanatory design is applied, collecting data from respondents using a structured questionnaire at a single point in time (Creswell & Creswell, 2018; Saunders et al., 2019).

4.2 Population, Sampling and Sample Size

To study HR practices and working condition of commercial banks in Bangladesh, the target population is employees of commercial banks who have enough organizational experience to review and assess the HR practices and working condition of their banks. Unit of analysis is represented by the individual employees. The sampling technique used is purposive sampling in order to select respondents who have relevant knowledge and experience. The principle of sample size adequacy is not just about the 10-times rule, but also takes into account the extent of the expected relationships, the intricacy of the model, and the statistical power (Hair et al., 2022; Kock & Hadaya, 2018).

4.3 Questionnaire and Data Collection

Structured questionnaire is used to collect the primary data. The first section collects demographic and employment data, while the second section gathers data on training and development, compensation and rewards, performance appraisal, employee participation and empowerment, work environment and employee performance. The items appear in measurement are derived from the existing measurement instruments and framed in the context of the banking sector of Bangladesh. The responses are written on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). The instrument was assessed and pre-tested

through a pilot test for clarity and related appropriateness before the main survey. Participation is voluntary and the informed consent was given and the respondent confidentiality and anonymity were preserved.

4.4 Common Method Bias

The predictor, mediator, and outcome variables are obtained from the same respondents, measures were taken to minimize potential common method bias. These included anonymous questions, neutral or impartial wording, clear instructions, and proper separation between construct measures (Podsakoff et al., 2003).

4.5 Data Analysis

PLS-SEM was used to analyse the hypothesized relationships. The indicator loadings, internal consistency reliability, Average Variance Extracted (AVE) and the Heterotrait–Monotrait ratio (HTMT) were performed during measurement-model assessment (Henseler et al., 2015). The result of this structural model was then assessed using collinearity assessment, path coefficients, coefficient of determination (R^2), effect size (f^2), predictive assessment and bootstrapping. Finally, the indirect effects of the four HRM practices on the employee performance via the work environment were examined to determine the proposed mediation effects (Hair et al., 2022).

5. RESULTS

5.1 Respondent Profile

Finally, a total of 288 valid responses were analyzed. Of the respondents, 200 (69.4%) were male and 88 (30.6%) were female. In terms of age, the largest group was 30–39 years (39.9%), followed by 20–29 years (27.1%), 40–49 years (21.9%), and 50 years and above (11.1%). The educational level of the respondents was dispersed with majority having master's degree (51.4%) and the second most being the bachelor's degree (43.8%). The respondents also differed in their banking experience where 35.8% had 5 to 10 years of experience.

Table 1. Demographic Profile of Respondents

Characteristic	Category	Frequency	%
Gender	Male	200	69.4
	Female	88	30.6
Age	20–29 years	78	27.1
	30–39 years	115	39.9
	40–49 years	63	21.9
	50 years and above	32	11.1
Education	Bachelor's	126	43.8
	Master's	148	51.4
	Others	14	4.8
Experience	Below 5 years	84	29.2
	5–10 years	103	35.8
	11–15 years	59	20.5
	Above 15 years	42	14.6

5.2 Descriptive Statistics and Measurement Model Assessment

The descriptive results suggest that the perceptions, in general were favourable in the study constructs. However, the highest mean score was for employee performance (M = 3.86, SD = 0.65) while the lowest was for compensation and rewards (M = 3.47, SD = 0.81).

Table 2. Descriptive Statistics, Reliability and Convergent Validity

Construct	Mean	SD	Cronbach's α	CR	AVE
Training & Development	3.71	0.72	0.842	0.887	0.611
Compensation & Rewards	3.47	0.81	0.816	0.870	0.573
Performance Appraisal	3.58	0.75	0.854	0.895	0.630
Participation & Empowerment	3.66	0.73	0.866	0.904	0.653
Work Environment	3.74	0.69	0.879	0.912	0.675
Employee Performance	3.86	0.65	0.891	0.919	0.694

The internal consistency of the scales ranged between acceptable to good with Cronbach's alpha between 0.816 and 0.891, and composite reliability values between 0.870 and 0.919. AVE values were between 0.573 and 0.694, indicating convergent validity. It is important to note that the HTMT criterion needs to be used to confirm the discriminant validity from the actual output of PLS-SEM.

5.3 Structural Model Assessment

The explanatory power of the structural model was shown to be meaningful. The four practices of HRM accounted for 52.6% of the variance in work environment ($R^2 = 0.526$). Moreover, employee performance was accounted for by the HRM practices in conjunction with the work environment ($R^2 = 0.594$) to the extent of 59.4%. Hence, the model explained a significant amount of variance in both constructs.

5.4 Hypothesis Testing

Bootstrapping was used to evaluate the significance of the structural relationships. The results are presented in Table 3.

Table 3. Direct Effects and Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	Decision
H1a	TD → EP	0.157	2.581	0.010	Supported
H1b	CR → EP	0.074	1.412	0.158	Not Supported
H1c	PA → EP	0.129	2.167	0.030	Supported
H1d	EPE → EP	0.171	2.946	0.003	Supported
H2a	TD → WE	0.218	3.781	<0.001	Supported
H2b	CR → WE	0.121	2.071	0.038	Supported
H2c	PA → WE	0.196	3.304	0.001	Supported
H2d	EPE → WE	0.263	4.623	<0.001	Supported
H3	WE → EP	0.361	6.147	<0.001	Supported

Training and development (β = 0.157, p = 0.010), performance appraisal (β = 0.129, p = 0.030) and participation and empowerment (β = 0.171, p = 0.003) showed significant positive direct relationship between employee performance. However, the direct relationship between compensation and rewards and employee performance was not statistically significant (β = 0.074, p = 0.158) which led to the rejection of H1b.

Results showed that all four HRM practices had significant positive relationships with work environment. Out of all, participation and empowerment had the strongest relationship with work environment (β = 0.263, p < 0.001), followed by training and development (β = 0.218, p < 0.001), performance appraisal (β = 0.196, p = 0.001), and compensation and rewards (β = 0.121, p = 0.038). Also, work environment showed a significant positive relationship with the employee performance (β = 0.361, p < 0.001), supporting the H3.

5.5 Mediation Analysis

Specific indirect effects were analyzed to examine the possible mediation of the relationships between the four HRM practices and employee performance in the work environment.

Table 4. Specific Indirect Effects

Hypothesis	Indirect Relationship	β	t-value	p-value	Decision
H4a	TD → WE → EP	0.079	3.128	0.002	Supported
H4b	CR → WE → EP	0.044	1.994	0.046	Supported
H4c	PA → WE → EP	0.071	2.876	0.004	Supported
H4d	EPE → WE → EP	0.095	3.724	<0.001	Supported

All four specific indirect effects were significant. Therefore, H4a, H4b, H4c and H4d were supported. Participation and empowerment (β = 0.095), training and development (β = 0.079), performance appraisal (β = 0.071), and compensation and rewards (β = 0.044) had the largest indirect effect.

An essential finding is on the compensation and rewards. Even though the indirect effect of work environment on employee performance was significant (β = 0.044, p = 0.046), there was no direct effect of it on employee performance (β = 0.074, p = 0.158). According to the significance pattern reported, this is consistent only with indirect-only mediation. In contrast, training and

development, performance appraisal, and participation and empowerment had strong positive direct and indirect effects, similar to what is typical in complementary mediation.

The overall results indicate that the HRM practices have direct and indirect relationship with employee performance. Furthermore, work environment is one of the important factors explaining the relationship between HRM practices and employee performance. The findings also reveal that the work environment was the factor that was most positively related to participation and empowerment, and that participation and empowerment were most positively related to employee performance.

6. DISCUSSION

The present study aimed to investigate how the four HRM practices influence the employee performance and the mediating role of work environment among the employees working in the banking sector of Bangladesh. The results show that the HRM practices directly and indirectly impact the performance of employees.

The results indicate that training and development positively correlated with employee performance ($\beta = 0.157$, $p = 0.010$), in which the results support H1a. This is in line with the AMO framework which defines training as a practice for enhancing abilities, that further develop the knowledge and competencies of the employees. There was also a significant relationship between performance appraisal ($\beta = 0.129$, $p = 0.030$) and employee participation and empowerment ($\beta = 0.171$, $p = 0.003$) which supported H1c and H1d. The results are in line with the findings from the Bangladeshi banks that put forward the significance of HPWSs and empowering employees (Khan et al., 2023). However, compensation and rewards did not have a significant direct influence on employee performance ($\beta = 0.074$, $p = 0.158$) and therefore H1b was rejected as a hypothesis. Sarker (2017) has also reported that there is a low-level insignificant relationship between compensation and employee performance.

The four HRM practices were significant in influencing work environment in support of H2a–H2d. The highest relationship ($\beta = 0.263$, $p < 0.001$) was between employee participation and employee empowerment, which indicates that opportunities to participate in decision-making, employee voice, employee involvement and employee autonomy are important factors in the development of positive perceptions of the workplace. SET suggests that HR practices that are supportive can convey a sense of concern within the organization and promote positive actions from employees (Rubel et al., 2018).

Work environment had a significant positive effect on the employee performance ($\beta = 0.361$, $p < 0.001$), which confirms the hypothesis H3, and supports the idea that a favourable work environment is beneficial to the employee performance (Zhenjing et al., 2022).

Importantly, all four HRM practice–performance relationships were supported by the work environment, supporting H4a–H4d. Although it did not have a significant direct effect, the indirect effect of compensation and rewards ($\beta = 0.044$, $p = 0.046$) is significant, suggesting mediation only in terms of indirect effects. All other three HR practices showed significant direct and indirect effects which is in line with complementary mediation. Overall, the findings justify a combined approach of AMO and SET, showing that HR practices contribute to employee performance not only through motivation, opportunity and employee ability, but by providing a supportive work atmosphere in which the HR practices can lead to improved employee performance.

7. IMPLICATIONS

7.1 Theoretical Implications

This study makes a significant contribution to the HRM–performance literature by showing that relationships between HRM practices and employee performance is not limited to direct relationships. The impact of work environment was found to be significant, indicating that the organizational conditions are an important mechanism by which HR practices can create an impact on employee performance. This mechanism approach is in line with the recent HRM research that has sought to consider a mechanism through which HR practices create HR outcomes instead of just considering a link between them (Bos-Nehles et al., 2023).

In addition, the study incorporates the AMO framework and SET. Through training and development employees' ability is strengthened, through compensation and appraisal they are supported in their motivation and through participation and empowerment they are given the opportunity to contribute. Current AMO studies acknowledge that the impact of these practices is partly dependent on the context in which they are experienced by employees (Bos-Nehles et al., 2023). SET adds to this explanation by suggesting that it is possible to evoke reciprocity from employees when they receive favourable treatment (Cropanzano & Mitchell, 2005).

The results also add to the literature of the banking sector in Bangladesh as it is a new factor that explains the findings. Trust, psychological empowerment, affective commitment, social identification, and workplace relationships are previous studies that have been identified as mechanisms between HR systems and employee outcomes (Rubel et al., 2018; Khan et al., 2023; Khan et al., 2025).

7.2 Managerial and Policy Implications

The findings indicate that HR practices should not be approached as standalone administrative activities for the banks in Bangladesh. Collectively, training, appraisal, compensation, participation and empowerment should make the workplace environment conducive to effective working. Empowerment and participation had the highest correlation with work environment. Thus, they should be given special attention. Managers should then allow employee voice, reasonable decision-making autonomy and involvement in decisions related to work.

The compensation result also has practical significance. Since compensation and rewards did not directly predict employee performance but produced a significant indirect effect through work environment, simply increasing rewards may be insufficient. Reward systems should operate alongside fairness, recognition, communication, and supportive workplace practices. Earlier research involving Bangladeshi bank employees similarly found compensation to be an insignificant direct predictor of employee performance (Sarker, 2017). Banks should also maintain continuous employee development in areas such as technical banking knowledge, digital capabilities, customer service, communication, and compliance.

8. LIMITATIONS AND FUTURE RESEARCH

There are several limitations. First of all, conclusions on temporal and causal relationships are limited by the cross-sectional design. Longitudinal designs could investigate whether HR practices and workplace conditions change and these changes impact on performance over time. Secondly, the common method and social desirability problems are potential concerns due to the use of self-reported measures. Future research could include supervisor ratings or objective performance measures. Thirdly, the focus on commercial banks of Bangladesh does not make it easy to generalize the findings. The model could be replicated in other services and developing economies in the future. Other HR practices and mechanisms such as leadership support, organizational culture, work-life balance, perceived organizational support, trust and psychological empowerment may also be explored.

9. CONCLUSION

The study findings indicate that HRM has a variety of pathways to employee performance. Training and development, performance appraisal and participation and empowerment were found to have significant direct links with performance, whereas, compensation and rewards had major indirect relationships through work environment. All four HRM practices–performance relationships were mediated by work environment. The findings further confirm the need to explore HR practices that create performance and work environment as a vital linkage between HR practices and employee performance in banks in Bangladesh.

REFERENCES

1) Blau, P. M. (1964). *Exchange and power in social life*. John Wiley & Sons.
2) Blumberg, M., & Pringle, C. D. (1982). The missing opportunity in organizational research: Some implications for a theory of work performance. *Academy of Management Review, 7*(4), 560–569. https://doi.org/10.5465/amr.1982.4285240.
3) Bos-Nehles, A., Townsend, K., Cafferkey, K., & Trullen, J. (2023). Examining the Ability, Motivation and Opportunity (AMO) framework in HRM research: Conceptualization, measurement and interactions. *International Journal of Management Reviews, 25*(4), 725–739. https://doi.org/10.1111/ijmr.12332 DOI
4) Bos-Nehles, A., Townsend, K., Cafferkey, K., & Trullen, J. (2023). Examining the Ability, Motivation and Opportunity (AMO) framework in HRM research: Conceptualization, measurement and interactions. *International Journal of Management Reviews, 25*(4), 725–739. doi: 10.1111/ijmr.12332.
5) Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approaches* (5th ed.). SAGE Publications.
6) Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management, 31*(6), 874–900. https://doi.org/10.1177/0149206305279602.

7) Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology, 71*(3), 500–507. https://doi.org/10.1037/0021-9010.71.3.500.
8) Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). SAGE Publications.
9) Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science, 43*, 115–135. doi: 10.1007/s11747-014-0403-8.
10) Homans, G. C. (1958). Social behavior as exchange. *American Journal of Sociology, 63*(6), 597–606. https://doi.org/10.1086/222355.
11) Jiang, K., Lepak, D. P., Hu, J., & Baer, J. C. (2012). How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanisms. *Academy of Management Journal, 55*(6), 1264–1294. https://doi.org/10.5465/amj.2011.0088.
12) Khan, S. I., Bartram, T., Cavanagh, J., & Dahanayake, P. (2025). The effects of human resource strength and social identification on employee performance: The case of Bangladeshi private commercial banks. *Asia Pacific Journal of Human Resources, 63*(3), e70024. https://doi.org/10.1111/1744-7941.70024 Wiley Online Library
13) Khan, S. I., Bartram, T., Cavanagh, J., & Dahanayake, P. (2025). The effects of human resource strength and social identification on employee performance: The case of Bangladeshi private commercial banks. *Asia Pacific Journal of Human Resources, 63*(3), e70024. doi: 10.1111/1744-7941.70024.
14) Khan, S. I., Haque, A., & Bartram, T. (2023). Unleashing employee potential: A mixed-methods study of high-performance work systems in Bangladeshi banks. *Sustainability, 15*(19), 14636. https://doi.org/10.3390/su151914636 DOI
15) Khan, S. I., Haque, A., & Bartram, T. (2023). *Unleashing employee potential: A mixed-methods study of high-performance work systems in Bangladeshi banks*. **Sustainability, 15**(19), 14636.
16) Kock, N., & Hadaya, P. (2018). Minimum sample size estimation in PLS-SEM: The inverse square root and gamma-exponential methods. *Information Systems Journal, 28*(1), 227–261. doi: 10.1111/isj.12131.
17) Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology, 88*(5), 879–903. doi: 10.1037/0021-9010.88.5.879.
18) Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology, 87*(4), 698–714. https://doi.org/10.1037/0021-9010.87.4.698.
19) Rubel, M. R. B., Rimi, N. N., Yusliza, M. Y., & Kee, D. M. H. (2018). High commitment human resource management practices and employee service behaviour: Trust in management as mediator. *IIMB Management Review, 30*(4), 316–329. https://doi.org/10.1016/j.iimb.2018.05.006. DOI
20) Sarker, A. S. (2017). Human resource management practices and employee performance in banking sector of Bangladesh. *Journal of Human Resource Management, 20*(1), 68–80.
21) Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research methods for business students* (8th ed.). Pearson.
22) Zhenjing, G., Chupradit, S., Ku, K. Y., Nassani, A. A., & Haffar, M. (2022). Impact of employees' workplace environment on employees' performance: A multi-mediation model. *Frontiers in Public Health, 10*, 890400. https://doi.org/10.3389/fpubh.2022.890400

There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non-Commercial 4.0 International (CC BY-NC 4.0) (https://creativecommons.org/licenses/by-nc/4.0/), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.