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Influence of Human Resource Management Practices on Employee Performance: Evidence from the Banking Sector of Afghanistan

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Abstract: Human resource management (HRM) practices are key mechanisms for developing employee capabilities, sustaining motivation and supporting organisational performance, yet empirical evidence on these relationships remains scarce in fragile and transitional institutional settings. This study examines how three HRM practices—recruitment and selection, training and development, and compensation and reward—relate to employee performance in Afghanistan's banking sector. Drawing on the Resource-Based View (RBV) and Social Exchange Theory (SET), three hypotheses were developed and tested using a quantitative, cross-sectional survey of 400 employees from three banking institutions in Kabul. Data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM). Compensation and reward ($\beta = 0.373$, $p < 0.001$), training and development ($\beta = 0.363$, $p < 0.001$), and recruitment and selection ($\beta = 0.285$, $p < 0.001$) were positively and significantly associated with employee performance, jointly explaining 35.5% of its variance. The findings suggest that HRM practices can support both human-capital development and reciprocal employee responses even amid institutional volatility and resource scarcity. The study contributes context-specific evidence on HRM in banking and offers practical implications for banking managers and policymakers, while recognizing that purposive sampling and a cross-sectional design limit generalization.

Keywords: Human Resource Management, Employee Performance, Banking Sector, Afghanistan, Recruitment and Selection, Training and Development, Compensation and Reward, Resource-Based View, Social Exchange Theory, PLS-SEM

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