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Human Resource Management Practices and Employee Retention: Mediating Role of Diversity & Inclusion and Moderating Effect of Corporate Governance

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Abstract

Contemporary organizations are increasingly challenged by workforce globalization, evolving employee expectations, and heightened scrutiny of governance and inclusion practices. Within this context, human resource management (HRM) practices, diversity and inclusion (D&I) initiatives, and corporate governance have emerged as critical drivers of employee retention, yet their interrelationships remain underexplored. Guided by Social Exchange Theory, this study aims to examine the direct effect of HRM practices on employee retention, the mediating role of D&I, and the moderating influence of corporate governance. Adopting a quantitative, cross-sectional research design, data were collected from 375 full-time employees in medium-to-large private sector banking organizations in Pakistan using a structured questionnaire. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the hypothesized relationships. The results reveal that HRM practices have a significant positive impact on employee retention, with D&I partially mediating this relationship. Interestingly, corporate governance was found to significantly moderate the HRM–retention link, but in a negative direction, suggesting that stronger governance frameworks may weaken the direct influence of HRM on retention. These findings contribute to the theoretical refinement of Social Exchange Theory by highlighting that institutional support mechanisms may not always operate synergistically. Practically, the study highlights the importance of embedding inclusive practices within HR strategies while ensuring governance frameworks remain enabling rather than overly procedural.

Keywords: Human Resource Management Practices, Employee Retention, Diversity & Inclusion and Corporate Governance

Introduction

Contemporary organizations grapple with dynamic challenges such as workforce globalization, shifting employee expectations, and escalating scrutiny of governance and social responsibility. Whereas earlier HR models prioritized administrative efficiency, modern discourse increasingly emphasizes the strategic role of human resource practices in shaping inclusive cultures and improving organizational stability (Akinteye et al., 2023). As businesses navigate complex environments, there is growing recognition that human resources through equitable recruitment, inclusive development, and transparent governance can act as a linchpin for both diverse workforce integration and sustained employee engagement (Lin et al., 2024). Against this backdrop, the interplay between human resource

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management, inclusion efforts, effective corporate governance, and staff retention has surfaced as a critical domain of scholarly and practical inquiry, highlighting the importance of understanding how these constructs interrelate to foster resilient, high-performing organizations (Azegele et al., 2021). Recent empirical work highlights that HR practices such as fair performance appraisal systems and inclusive training opportunities correlate positively with employee retention and satisfaction. Researchers also document that strong corporate governance, characterized by transparency and accountability, reinforces employee trust and loyalty (Stor, 2024). At the same time, diversity and inclusion initiatives are associated with enhanced organizational commitment and lower turnover rates. However, the literature often treats these domains HR practices, inclusion, governance, and retention as separate or partially linked constructs rather than as components of a unified model reflecting their synergistic potential (Tajeddini et al., 2023).

Worldwide, organizations confront persistent challenges such as high turnover rates, employee disengagement, and regulatory pressures on governance and social equity. For instance, recent global surveys show turnover rates especially among underrepresented groups remain stubbornly elevated, leading to talent shortages and increased recruitment costs (Boutmaghzoute & Moustaghfir, 2021). At the national level, firms in many emerging economies face scrutiny over governance lapses that erode workforce trust and hamper retention. Locally, companies that fail to embed inclusive policies often suffer productivity losses, reputational damage, and reduced employee morale. This confluence of global and localized pressures emphasizes the urgency of investigating how integrated governance and HR strategies can mitigate attrition and enhance inclusion. Despite mounting interest in each component HR practices, inclusion, governance, and retention the literature remains fragmented (Lim et al., 2023). Most studies explore pairwise relationships: for example, HR practices and retention, or governance and inclusion. Few longitudinal or cross-national investigations consider how corporate governance frameworks might moderate the effect of HRM on inclusion, or how inclusion mediates between HR governance and retention (Showkat & Misra, 2022). This fragmented focus leaves questions unanswered: Can governance mechanisms amplify HR-driven inclusion efforts? Does inclusion serve as a critical conduit through which HR practices and governance jointly influence retention? Research seldom accounts for contextual contingencies such as industry norms or cultural diversity that may shape these relationships. Addressing these gaps requires an integrative,

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theoretically grounded model that positions inclusion as a mediator and governance as a contextual enabler between HR practices and retention outcomes (Sousa et al., 2021).

It is theoretically and practically significant to comprehend these dynamics. On academic grounds, the generation of integrative designs contributes to the advancement of strategic HR administration and government theory, especially silo shattering of corporate government, which deals with boards and compliance and HRM, which deals with people processes (Kalia et al., 2024). In practice, companies may use evidence-informed knowledge that drives integrated approaches to address employee retention questions, embrace inclusion and enhance the legitimacy of governance. The integration of governance reforms and practical notions of inclusive HR practices may be fruitful in terms of accruable stability and productivity especially in environment where turnover burdens affect operations and the budget. Moreover, the benefits of expanding inclusion in the governance of organizations to promote longer-term retention may help achieve other organizational aims related to workforce diversity, equity in work, and long-term sustainability of an organization. With the help of these factors brought together in an integrative model, the present study will provide new evidence on the way that both, corporate governance and HRM, promote inclusion-driven retention. Such a strategy will therefore have original empirical studies and contribute to more unified policy and managerial practice addressing governance, inclusion, and HR practice. Based on the Social Exchange Theory, this model provides that employees respond to inclusive HR and governance cues with loyalty and retention. The governance structures ensure credibility and fairness to the HRM initiatives, which will create the feeling of belongingness blossoming into increased retention. Such a theory lens beautifully combines the key variables of (corporate governance, HRM, inclusion and retention) to offer a logical basis on which this study will rest, enhance both academic and organizational policy and strategy.

Theoretical Foundation

Social Exchange Theory (SET) emerges from the foundational work of sociologists like George Homans and sociopsychologist Peter Blau. It theorizes that, social interactions are supported by reciprocity whereby frequent advantages and cost influence the relations between people at social systems (Blau, 1964; Homans, 1958). As the theory has developed in its conceptualization, the theory has moved beyond its roots in sociology and psychology to develop into a staple of the theory of organizational behavior and human resource

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management. In essence, SET holds that people are driven to involve themselves in relationships in which the benefits of a relationship as perceived are greater than the perceived costs and that long-term social bonding forms along a pattern of mutual obligation and trust. This conceptualization has been applied in an organizational context in contemporary literature that focuses on how fostering employee engagement, loyalty and discretionary effort occurs through the perception of organizational support and hence, the lack of it due to fairness and justice in the organization (Cropanzano & Mitchell, 2005; Emerson, 1976).

In recent studies, SET has demonstrated adaptability to modern research complexities. Research in the inclusion of HRM and governances reveals that psychological contract is strengthened through mutual loyal relationships when the workers perceive institutional integrity, equal treatment, and devotion to diversity. The mentioned trends exemplify the mutual logic developed by SET as the greater understanding of organizational dynamics within the context related to the boundaries where ethical governance and inclusive practice become confluent. The theoretical orientation in SET fits in perfectly with your integrated one: it conceptually glues the spheres of governance, the HR practices, and inclusion into an interconnected explanatory set of prisms. Through its relational norms that include trust, fairness, and obligation, SET explains why workers react to the institutional messages with a sense of generative reactions, which facilitates retention due to a feeling of continued commitment.

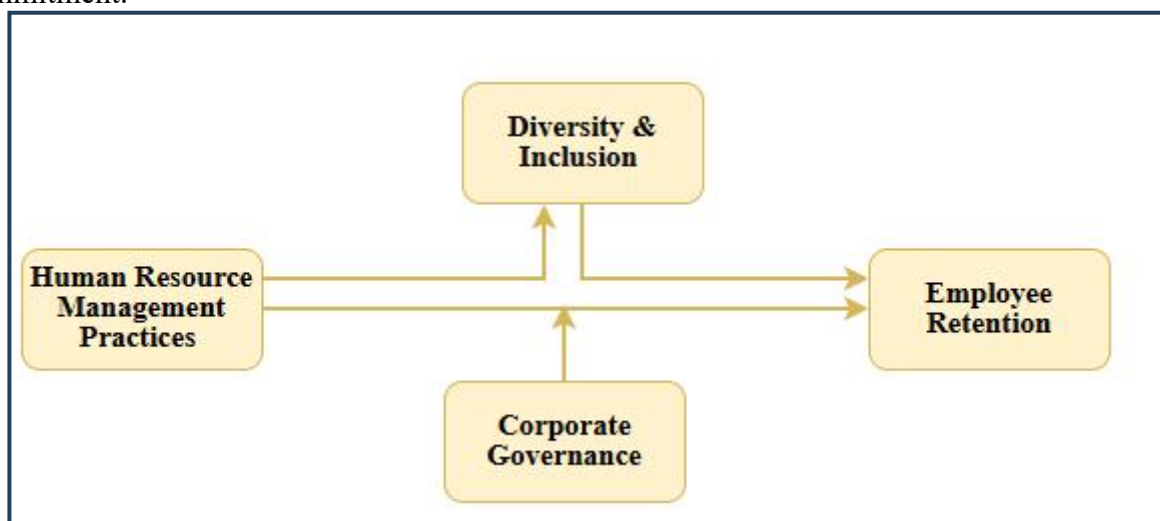


Figure 1: Research Model

Hypothesis Development

Contemporary studies on organizational sustainability highlights the vital role of internal systems in retaining skilled personnel. Against the backdrop of the increasingly fluid nature of workforce dynamics and the changing expectations of employees, human resource management (HRM) practices have increasingly been in the focus of attention as potential means of effecting organizational resilience. Based on the Social Exchange Theory which assumes that people respond to favorable treatment with commitment and loyalty new discussions allude that a well-constructed, fair and supportive HRM intervention influences employees to stay in the organization. Empirical studies provide evidence in support of this theoretical orientation (Alam et al., 2024). An example of these findings is that research on inclusive performance appraisal systems, fair career development infrastructures and participatory decision-making frameworks demonstrate statistically significant relationships with the employee retention outcomes. These types of findings underscore that to the extent that where HRM practices are indicative of organizational investment in employees, the psychological contract is reinforced and employees are more committed to remain in them.

Context-specific research in both developed and emerging markets demonstrates that HRM practices rooted in transparency and fairness can mitigate turnover intentions even amidst socioeconomic instability. This evidence corresponds to theoretical expectations according to Social Exchange Theory because the feeling of mutual obligation creates life-long employee commitment (Koeswayo et al., 2024). Conceptual and empirical knowledge would indicate that strong, just, and inclusive human resource management practices hold a great deal of promise in terms of enhancing employee retention on the basis of relational reciprocity. Therefore, the following hypothesis is proposed:

H1: Human resource management practices enhance employee retention.

In current organizational studies, a growing recognition of workforce heterogeneity has shifted attention toward mechanisms that channel diversity into retention via inclusive structures. As a researcher seeing through the lens of Social Exchange Theory, the practice of HRM that will allow enforcing inclusive norms actively should increase the mutual exchange of values, so employees will notice the organizational commitment and repay this obligation to the organization with loyalty (Ahmad et al., 2023). According to recent studies, inclusivity should not be thought of as a moral duty only, but a strategic channel; once the frameworks of HRM, including recruitment, appraisal, and development is delivered with an inclusivity

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perspective in mind, it will create a sense of belonging and, in turn, will strengthen the psychological contracts fostering and driving employees towards a resilient sense of commitment (Beyond diversity: the impact mechanism of organizational inclusion (Alhajaj & Ahmad, 2024). Practical research also indicates that inclusivity is a strategy capable of shifting D&I as a secondary issue into an essential retention design; in the case of inclusive practices, employees will feel appreciated not only by demographic preferences but feel more rooted to the organization. This academic discourse highlights that the HRM practices supported by the concept of inclusion define relational value, which fosters retention based on the sense of fairness, belonging, and compromise.

Building on this foundation, the mediating power of D&I becomes evident: inclusive HRM acts as an interpretive lens through which employees experience organizational intent and stability. Instead of HRM practices instigating retention on the spot, inclusive climate modeled does, in turn, create a stronger commitment (Khan et al., 2024). In the environments where performance appraisal systems consider multiple opinions by including representatives of minorities or by using impartial evaluation words, employees report trust and job continuity levels (Minghua, 2022). Under the circumstance of an inclusive environment, HRM cues are received by the employees as heartfelt investments toward equity and engagement, which enshrine mutual loyalty in reciprocity (Amin et al., 2022). Therefore, the following hypothesis is postulated:

H2: Diversity and Inclusion positively mediate the relationship between Human Resource Management practices and Employee Retention.

From a theoretical standpoint grounded in Social Exchange Theory, the role of institutional frameworks in shaping employee perceptions has gained significant traction in recent discourse. Although practices of HRM like fair staffing, open performance appraisals, and widespread developmental programs demonstrate organizational commitment and introduce mutual loyalty among the staff, the processes are not conducted in a vacuum (Lin et al., 2024). Rather, they tend to be constrained by the overall structure of governance which they exist in. The effectiveness of the system of corporate governance through the board oversight, accountability system, ethical leadership and other mechanisms will give the credibility to HRM processes (Ahmed et al., 2024). In this kind of scenario, workers have a tendency to view HRM initiatives as genuinely demonstrating organizational fairness and integrity (Tajeddini et al., 2023). When the environments are characterized by poor governance, the

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HRM practices that are carefully designed can be distrusted or perceived as cosmetic. In this respect, it can be concluded that the ability of HRM to achieve retention can considerably vary according to the quality of governance. Theoretically, institutions that are well governed increases the signals of inclusion and support that are inherent in HRM, hence the increased employee trust in organizational reciprocity.

Emerging studies suggest that governance quality not only influences direct outcomes such as employee morale and trust but also conditions how people interpret and respond to managerial initiatives (Owusu et al., 2021). HRM approaches linked to equitability and accommodativeness tend to have a more positive payoff in terms of retention more frequently in organizations with openness and ethical governance orientation. Staff of an organization does not take the HR policies as a random set of instructions but instead, as a serious representation of the corporate values (Lim et al., 2023). These theoretical as well as empirical findings point to the fact that there is no uniformity to the relationship between HRM practices and employee retention and this history depends on the presence or lack of strong governance structures. Accordingly, the following hypothesis is proposed:

H3: The positive relationship between human resource management practices and employee retention is strengthened when corporate governance moderates.

Methodology

This study adopts a quantitative cross-sectional research design, which collects data from respondents at a single point in time to examine the relationships between variables in the proposed model. A cross-sectional design is particularly appropriate for this study because it enables the assessment of associations among Human Resource Management (HRM) practices, Diversity and Inclusion (D&I), Corporate Governance, and Employee Retention without the time and resource demands of a longitudinal approach. Quantitative design is chosen to facilitate statistical testing of the hypothesized mediation and moderation effects using numerical data, enabling precise measurement and generalizable findings (Creswell & Creswell, 2018).

The target population comprises full-time employees working in medium-to-large private sector organizations in Pakistan's banking sector. This population is relevant for investigating the research problem because such organizations typically have formalized HRM systems, structured corporate governance frameworks, and active diversity initiatives, all of which are critical to the study's conceptual model. Prior literature indicates that

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employee retention issues are especially salient in sectors facing high turnover rates and competitive talent markets (Kossivi et al., 2016), making this population suitable for testing the integrated effects of HRM practices, inclusion, and governance on retention. A stratified random sampling technique employed to ensure representation across various organizational departments (e.g., HR, operations, finance) and hierarchical levels (e.g., junior, middle, and senior management). Stratification reduces sampling bias and increases the precision of estimates by ensuring proportional representation of key subgroups (Etikan & Bala, 2017). The sample size determined using Item Response Theory (IRT), which accounts for the psychometric properties of measurement items and respondent ability to discriminate among response categories (Embretson & Reise, 2000). Given that the study's measurement model comprises approximately 28, and applying the rule of a minimum of 10 respondents per item for PLS-SEM analysis (Hair et al., 2021), the recommended minimum sample size is approximately 300–350 respondents. Therefore, we distributed 520 questionnaires and in return 375 responses used in analysis. A structured self-administered questionnaire was disseminated using an online and a print version of the same. It will consist of a section that measures D&I, corporate governance, employee retention as well as HRM practices. Descriptives, descriptive statistics, Cronbach alpha reliability assessment through SPSS (Statistical Package for the Social Sciences). SmartPLS (Partial Least Squares Structural Equation Modeling) was employed to test the hypotheses where the mediating effect of D&I and the moderating effect of corporate governance were used. All constructs in this study measured using established scales from prior literature. Human Resource Management Practices measure using 8 items. Diversity and Inclusion measured using 8 items, while Corporate Governance items measure using 6 items. Employee Retention measure using 6 items from. All items rated on a 7-point Likert scale ranging from 1 ("Strongly Disagree") to 7 ("Strongly Agree"). This scaling allows for greater sensitivity in capturing the intensity of respondents' attitudes and perceptions (Joshi et al., 2015).

Data Analysis

Table 1: Factor Loadings

		CG	DI	ER	HRMP
Corporate Governance	CG1	0.808			
	CG2	0.824			

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	CG3	0.817	
	CG4	0.864	
	CG5	0.858	
	CG6	0.780	
Diversity & Inclusion	DI2	0.756	
	DI3	0.761	
	DI4	0.792	
	DI5	0.844	
	DI6	0.755	
	DI7	0.813	
Employee Retention	ER1	0.856	
	ER2	0.895	
	ER3	0.865	
	ER4	0.905	
	ER5	0.841	
	ER6	0.869	
Human Resource Management Practices	HRMP1	0.895	
	HRMP2	0.873	
	HRMP3	0.853	
	HRMP4	0.839	
	HRMP5	0.876	
	HRMP6	0.902	
	HRMP7	0.835	
	HRMP8	0.920	

Factor loadings represent the correlation between an observed indicator and its underlying latent construct, serving as a primary indicator of measurement quality in structural equation modeling. High factor loadings indicate that the item shares a substantial proportion of variance with the construct it measures, thus supporting convergent validity (Hair et al., 2022). While factor loadings above 0.40 are generally acceptable in exploratory research, confirmatory studies such as the present one typically adopt a stricter threshold of 0.70 or

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higher, as this level suggests that the item explains at least 50% of its variance through the construct (Henseler, 2023). Loadings exceeding 0.80 are considered strong, reflecting a robust indicator–construct relationship, and further reinforcing construct reliability. The factor loadings in this study exceed the recommended 0.70 threshold for all indicators, indicating excellent measurement properties. CG loadings range from 0.780 (CG6) to 0.864 (CG4), reflecting strong alignment between items and the latent construct. DI indicators demonstrate loadings between 0.755 (DI6) and 0.844 (DI5), meeting the confirmatory benchmark and supporting construct coherence. ER items exhibit particularly high loadings from 0.841 (ER5) to 0.905 (ER4), signifying very strong measurement accuracy. HRMP loadings range from 0.835 (HRMP7) to 0.920 (HRMP8), demonstrating excellent construct representation.

Table 2: Reliability Analysis

	Cronbach's			
	alpha	(rho_a)	(rho_c)	(AVE)
Corporate Governance	0.906	0.908	0.928	0.682
Diversity & Inclusion	0.877	0.879	0.907	0.620
Employee Retention	0.937	0.939	0.950	0.760
Human Resource Management Practices	0.956	0.958	0.963	0.765

Cronbach's Alpha, rho_A, and Composite Reliability (rho_C) are essential indicators for assessing internal consistency reliability, ensuring that the items measuring a construct produce consistent results (Hair et al., 2022). Threshold values of 0.70 or higher are generally considered acceptable for reliability, with values above 0.90 reflecting excellent internal consistency (Henseler, 2023). Average Variance Extracted (AVE) evaluates convergent validity, representing the proportion of variance captured by a construct relative to measurement error; an AVE value of 0.50 or greater indicates adequate convergent validity (Fornell & Larcker, 1981; updated application in Hair et al., 2022). The results show that all constructs exceed the minimum reliability standards. CG indicating strong internal consistency and convergent validity. DI demonstrates similarly robust reliability confirming sound measurement quality. ER exhibits exceptional reliability suggesting excellent convergence.

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Table 3: HTMT Ratio

	CG	DI	ER	HRMP
Corporate Governance				
Diversity & Inclusion	0.466			
Employee Retention	0.624	0.464		
Human Resource Management Practices	0.629	0.438	0.577	

Discriminant validity ensures that conceptually distinct constructs in a structural equation model are empirically separable, meaning that they measure different phenomena rather than overlapping dimensions (Hair et al., 2022). The Heterotrait–Monotrait ratio (HTMT) is a strong criterion for discriminant validity, next to a recommended threshold below 0.85 with a strict evaluation and below 0.90 with a more liberal judgement (Henseler, 2023). Values exceeding those levels may suggest a violation of discriminant validity, a conceptual redundancy between concepts. The HTMT results for this study reveal that all construct pairs are below both strict thresholds (0.85) and liberal thresholds (0.90), and therefore, is adequate discriminant validity. The highest observed relationship is between HRMP and CG (0.629), followed by ER and CG (0.624), and ER with HRMP (0.577), all comfortably within acceptable limits. The relationships between DI and CG (0.466), DI and ER (0.464), and DI and HRMP (0.438) are lower, suggesting clear conceptual distinction.

Table 4: Model Fitness Indicators

	Saturated model	Estimated model
SRMR	0.061	0.072
d_ ULS	1.314	1.837
d_ G	0.733	0.745
Chi-square	1575.326	1574.233
NFI	0.821	0.822

Model fit indices assess how well the hypothesized structural model represents the observed data. The Standardized Root Mean Square Residual (SRMR) values of 0.061 (saturated) and 0.072 (estimated) are below the 0.08 cut-off, indicating acceptable fit (Hair et al., 2022). The discrepancy measures, d_ ULS and d_ G, are low, suggesting minimal differences between empirical and model-implied correlations. The Chi-square values are comparable across models, and the Normed Fit Index (NFI) values of 0.821 and 0.822 exceed the 0.80 threshold,

reflecting adequate fit (Henseler, 2023).

Table 5: Coefficient of Determination

	R-square	R-square adjusted
Diversity & Inclusion	0.163	0.161
Employee Retention	0.438	0.432

The R-square values indicate the proportion of variance in each endogenous construct explained by its predictors. DI has an R-square of 0.163, suggesting that 16.3% of its variance is explained, which reflects a modest explanatory power (Hair et al., 2022). ER shows a higher R-square of 0.438, meaning that 43.8% of its variance is accounted for by the model's predictors, representing moderate explanatory strength. The adjusted R-square values (0.161 for DI and 0.432 for ER) are slightly lower, as expected, accounting for model complexity.

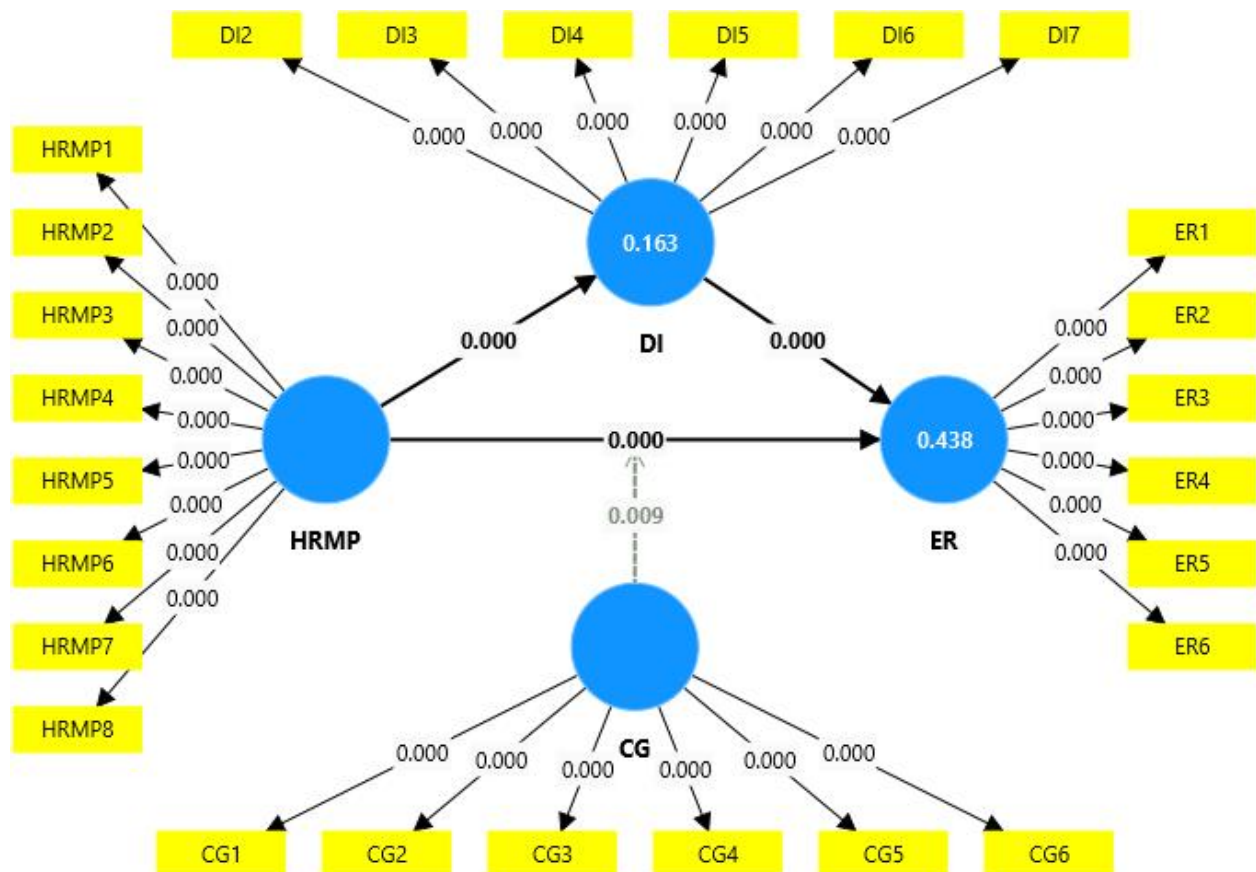


Figure 2: Structural Equation Modelling

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Table 6: Findings

	Original sample	Sample mean	Std. Dev	T statistics	P values
HRMP -> ER	0.305	0.304	0.052	5.823	0.000
HRMP -> DI -> ER	0.067	0.067	0.020	3.382	0.001
CG x HRMP -> ER	-0.101	-0.101	0.038	2.630	0.009

The results indicate that all three hypothesized relationships are statistically supported based on the significance criteria ($p < 0.05$). The direct effect of HRMP on ER is positive and significant ($\beta = 0.305$, $t = 5.823$, $p = 0.000$), confirming that stronger HRMP are associated with higher retention levels. The indirect effect of HRMP on ER via DI is also significant ($\beta = 0.067$, $t = 3.382$, $p = 0.001$), supporting the mediating role of DI and suggesting that part of HRMP's impact on ER operates through fostering inclusive practices. The interaction term between CG and HRMP shows a negative but significant moderating effect on ER ($\beta = -0.101$, $t = 2.630$, $p = 0.009$), indicating that higher CG levels weaken the direct positive relationship between HRMP and ER.

Discussion

The results affirm that human resource management practices significantly enhance employee retention, aligning with the premise of Social Exchange Theory that employees reciprocate organizational support with loyalty and commitment (Alam et al., 2024; Koeswayo et al., 2024). The positive direct effect indicates that equitable recruitment, transparent performance appraisals, and fair career development opportunities foster a sense of organizational investment, which strengthens the psychological contract and encourages longer tenure. This finding is consistent with prior research demonstrating that structured and inclusive HR practices reduce turnover intentions by reinforcing perceptions of fairness and trust (Kalia et al., 2024). In the banking sector, where high turnover rates can undermine service quality and client relationships, such HR initiatives may provide stability by reinforcing employee engagement and reducing the allure of external opportunities.

The mediation test shows that both diversity and inclusion partially convey the impact of HRM practices on retention, thus indicating the strategic importance of inclusion as an

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interpersonal mechanism. By fostering this inclusiveness, employees perceive HR policies as inclusive and dealing with the various individualities as well as eradicating any form of discrimination thus leading to a degree of belonging and attachment to the organization (Ahmad et al., 2023; Alhajaj, & Ahmad, 2024). This goes in tandem with findings that equitable settings turn generic HRM practices into unique acts of equity and identity thereby building loyalty (Alzyoud et al., 2022; Khan et al., 2024). The importance of the mediating path implies that the single effect of HR initiatives might be not enough to maximize retention; instead, the effectiveness of HR initiatives is increased when they are situated in the environment of inclusion that legitimizes diverse employees and their identities and their contributions. The latter is of special importance in multicultural organizational settings where the inability to focus on inclusion may be a hindrance to the success of even well-motivated HRM initiatives. Fascinatingly, when it comes to moderation analysis, the latter shows that better corporate governance decreases positive correlation of HRM practices and retention. This paradoxical finding is unlike other past research findings implying that the quality of governance is supposed to expedite the credibility of HR and trust by its employees (Ahmed et al., 2024; Tajeddini et al., 2023). This is perhaps because of the nature of governance structures that are very regulated like in the banking industry. In cases where governance systems are too inflexible or compliance based, employees will find HR efforts to be more bureaucratic rituals as opposed to adaptable and employee driven solutions. This may be counterproductive to the relationship advantages HRM practices non controversially come with, especially where decision-making autonomy, or tailor-made career progress is limited by administration guidelines (Owusu et al., 2021). The other moderate possibility is that in organizations that have already strong governance, the governance-driven forces like ethical leadership, or culture of compliance may influence retention more than HRM-specific interventions, hence decreasing the marginal impact of HRM practices. This implies that, although governance is essential to the integrity of the organization, it is bordered with the use of flexible HR policies that keep the organization human-centered in its approach.

Limitations and Future Directions

This study, while offering valuable insights into the interplay between human resource management practices, diversity and inclusion, corporate governance, and employee retention, is not without limitations. The cross-sectional research design restricts the ability to establish causal relationships among variables. Although significant associations were identified, the

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temporal sequencing of these relationships remains uncertain. Longitudinal studies would be better suited to capture the dynamic and evolving nature of HRM–inclusion–governance interactions over time, thereby providing stronger evidence of causality (Creswell & Creswell, 2018). The sample was drawn exclusively from medium-to-large private sector organizations in Pakistan’s banking industry. While this sector provides a relevant context due to its structured HR systems and formal governance frameworks, the findings may not be generalizable to other industries or to public sector organizations where HR practices, governance structures, and inclusion strategies may differ significantly (Kossivi et al., 2016). Cross-sectoral and cross-national comparative studies could help assess the robustness of the relationships observed here across varying institutional and cultural settings. Third, the reliance on self-administered questionnaires introduces the potential for common method bias, as data for all variables were collected from the same respondents at a single time point. Although this approach is common in HRM research, self-reported perceptions may be influenced by social desirability or response consistency tendencies (Podsakoff et al., 2012). Future research could incorporate multi-source data, such as supervisor evaluations or archival HR records, to triangulate findings and reduce potential bias.

Also, the measurement model was operational and only used four major constructs; although defined using established scales. Other associated factors that may potentially influence the HRM-retention association were not taken into consideration including job satisfaction, staff engagement, organizational culture, and leadership management style, or psychological safety. These constructs would act as mediators or moderators to bring out a more detailed explanation of the role of HR practices in conjunction with governance in influencing retention (Ahmed et al., 2024; Khan et al., 2024). After all was said and done, this was the fun part moderation analysis showed that corporate governance had the inverse effect of weakening the bond between HRM-retention relationship. Although it has been argued that such reasons are plausible, further research is necessary, and better practices to investigate this finding are qualitative or mixed-method, which might help in determining the subtle ways that employees view governance systems with respect to HR practices. Expanding on these limitations, future studies ought to consider longitudinal and multi-wave study designs in order to strengthen the concept of causality and consider the temporal aspects of perception and behavior of employees. Inclusion of different sectors, size of the organization, and geographical situations in sampling frame would increase the external

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validity. It is possible to expand the model to include other theoretically-oriented variables, e.g., organizational justice, psychological contract fulfillment or work–life balance as mediators and leadership style, economic conditions, or digital changes initiatives as moderators. Since hybrid work environments are getting more relevant and prominent, analyzing how policies on remote work intersect with the factors of inclusion and governance in influencing retention outcome may also provide valuable insights on a timely basis. Additionally, future research could combine the quantitative approach with qualitative ones, e.g., interviews or focus groups to unlock the contextual implications that the employees might give to the concepts of governance and inclusion, which could support the comprehension that the quantitative models could fail to capture. These extensions would not just help overcome the shortcomings of the current research but also promote the theoretical adoption of Social Exchange Theory into the developing environment of HRM and governance in an organization.

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