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The interplay of HRM practices and financial performance: Insights from the Bangladeshi banking industry

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Abstract

The current study explores the connection between Human Resource Management (HRM) practices and the financial performance of banking firms in Bangladesh. Based on the assumptions of RBV and the AMO framework, organizational culture acts as the mediator, whereas the regulatory environment and technological advancement of HRM act as moderators in relation to the effect of HRM practices on financial performance. A quantitative research approach has been followed in the present study, using stratified random sampling techniques. To collect the data, structured questionnaires have been distributed to employees across different organizational positions in the banking sector. According to the research, HRM practices have a positive impact on financial performance. However, the mediating effect of organizational culture enhances this impact. Moreover, the use of HRM technological advancements (such as software, artificial intelligence, machine learning, and an Employee Self-Service system) improves the impact of HRM practices on financial performance. The regulatory environment can either reinforce or weaken this effect, depending on the level of institutional fit. The present study makes theoretical contributions to the field of strategic HRM by considering both internal and external factors that affect HRM effectiveness in an emerging economy.

Keywords: Human Resource Management, Financial Performance, Organisational Culture, Technological Advancements, Regulatory Environment, Bangladeshi Banking Industry, Strategic HRM, Emerging Economies

JEL Classification: D91, M31, M39, F69

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1. Introduction

Human Resource Management (HRM) Practice and Financial Performance has increasingly been a centre of investigation, thereby extending the underlying knowledge base to both business and academia. This research evaluates the interaction between HRM practices and financial performance, with special reference to the Bangladeshi banking market, thereby extending knowledge of HRM's impact on financial performance. Although the references primarily focus on the Bangladeshi banking market, given the universal foundations underlying HRM practice, the findings are applicable across multiple sectors. In Bangladesh, the banking industry is a strong pillar of the country's economy, contributing significantly to economic development and growth (Uddin et al., 2018). Similarly, the telecommunications industry plays a crucial role as a primary enabler of communication and connectivity, while supporting the nation's development. Understanding the link between human resource management practices and the financial performance of banks and telecommunications companies is critical for achieving sustainable development and enhancing competitiveness (Siddique et al., 2020). Drawing on both theoretical knowledge and applied experience, this paper aims to bridge the gap between theoretical models and their practical application by providing actionable recommendations for institutions seeking to improve their human resource management policies to enhance financial performance (Mamun et al., 2019). Narrowing the scope to the Bangladesh context, the research provides localised insight that can help drive policy and decision-making within the telecommunications and banking industries (Haque et al., 2020). The relevance of this study stems from its ability to shed light on strategically aligned Human Resource Management (HRM) interventions that promote organisational goals and overall financial performance (Islam, 2017). Through the conduct of a comprehensive examination of HRM practices, such as recruitment, training and development, performance management, and employee commitment, this study aims to determine the drivers of financial performance for the Bangladeshi banking sector. The results of this study provide actionable findings that can be shared among HR leaders, policymakers, and bank managers, enabling better organisational outcomes through strategic investments and HRM innovations.

This research provides an in-depth analysis of the interactive relationships between profitability and human resource management (HRM) practices, combining academic research evidence and practical insights in a Bangladeshi context. Using quantitative and qualitative research paradigms, it aims to provide convincing evidence and practical insights that are useful to professionals and policymakers, and to maximize the effectiveness of HRM practices to attain sustainable competitive advantage. As Bangladeshi firms continue to face challenges in a volatile business environment, it becomes crucial to gain insights into the relationships between staff management practices and firm financial outcomes to foster growth and development. The following research seeks to clarify these crucial associations, addressing concerns pertinent to business operators, policymakers, and academicians, thereby facilitating a deeper understanding of the research focus. Despite increased emphasis on understanding the impact of human resource management (HRM)

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practices on organisational performance, very few empirical research studies have examined their effect on profitability in the Bangladeshi banking industry. Very little research has been conducted on the moderating effects of organisational culture, the external regulatory climate, and technological advancement on this relationship. This research aims to investigate the complex relationship between Human Resource Management (HRM) practices and Financial Performance in Bangladesh's banking sector. Additionally, this research aims to examine the moderating role of organisational culture, as well as the regulatory environment and technological progress, in HRM. This research seeks to fill a gap in the literature by providing an extensive analysis of how Bangladeshi banks can strategically align their HRM practices to improve their financial performance and sustain their competitive edge in a highly uncertain environment. This area has not yet been addressed in previous research. Bangladesh's banking sector makes possible financial intermediation, investment, and economic development. The effectiveness and competitiveness of institutions depend on effective human resource management in a more complex, multifaceted, and ever-changing business world. The business climate is influenced by market forces and technological changes, making human resource management essential.

This study was prompted by a review of the relationship between human resource management (HRM) practices and organisational performance in Bangladeshi banks. A comprehensive set of HRM policies influences employee conduct, motivation, and performance, including selection, recruitment, training, performance appraisal, and remuneration. Banks should recognise the effects of HRM practices on business success to maximise the leverage of intellectual capital and improve organisational performance. Organisational culture and regulation also influence HRM practices and financial results. HRM activities and organisational success are closely linked to company culture. Organisational values, beliefs, and customs guide employee behaviour. When examining HRM practices and financial outcomes, the regulatory environment is essential, like for article writers. Laws, regulations, and industry standards can either restrict or promote HRM activities.

The rapid growth of Human Resource Management (HRM) technology, including digital platforms, data analytics, and artificial intelligence, can potentially restructure traditional HRM practices and improve financial performance. To maximise the management of human resources, an analysis of how technological advancements have influenced HRM practices and financial performance is crucial. This study examines the complex relationships between human resource management practices, culture, regulatory frameworks, technology innovation, and the financial performance of Bangladeshi banks. The research analyses these relationships to help Bangladeshi banks design more effective human resource management policies and achieve better financial results in an ever-changing business landscape. The following research questions are developed for this study:

1. How do HRM practices influence financial performance within the Bangladeshi banking industry?

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2. What is the role of organisational culture in mediating the relationship between HRM practices and financial performance in Bangladeshi banks?
3. To what extent does the regulatory environment moderate the relationship between HRM practices and financial performance in the Bangladeshi banking sector?
4. How do technological advancements in HRM affect the relationship between HRM practices and financial performance in Bangladeshi banks?

In particular, this research aims to achieve the following objectives:

- To analyze how HRM practices impact financial performance in the Bangladeshi banking industry.
- To investigate the role of organisational culture in interlinking practices of human resource management and Bangladeshi bank financial performance.
- To evaluate how the regulatory environment influences the link between HRM practices and financial performance in the Bangladeshi banking sector.
- To examine how technological advancements in HRM influence the relationship between HRM practices and financial performance in Bangladeshi banks.

These research questions and objectives aim to offer insights into the relationship between HRM practices and financial performance within the Bangladeshi banking industry. By addressing these questions and objectives, the study seeks to enhance understanding of how HRM practices impact financial outcomes in banking organizations, considering the mediating and moderating effects of organizational culture, regulatory environment, and technological advancements.

2. Literature Review

In today's business environment, the link between Human Resource Management (HRM) practices and financial results has attracted significant interest from both researchers and industry professionals. This literature review examines how HRM practices relate to financial performance, specifically in the Bangladeshi banking sector. By combining insights from academic studies and industry reports, this review aims to offer a thorough understanding of how HRM practices impact financial outcomes in this industry.

2.1 Theoretical Framework:

Theoretical frameworks outline conceptual guidelines that clarify how Human Resource Management (HRM) practices impact financial performance in specific settings. For the Bangladeshi banking industry, it's crucial to identify how HRM practices influence financial performance, as this industry contributes significantly to the nation's economic growth. The Resource-Based View (RBV) and Human Capital Theory provide a primary framework for clarifying this association. Based on RBV, an organization's competitive advantage lies in its

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differential resources and skills, including human capital, which can be exploited to attain high financial performance (Barney, 1991). In contrast, Human Capital Theory focuses on developing workers' skills, knowledge, and talents to enhance organizational performance (Becker, 1964).

2.1.1 Theoretical Perspectives

a) The Resource-Based View (RBV) suggests that the resources of a firm, including its human resources, are the basic determinants of its competitive advantage and financial performance. In addition, Human Resource Management (HRM) practices indeed contribute to the development of valuable, rare, and inimitable human capital, thereby influencing financial performance (Barney et al., 1991).

b) Human Capital Theory argues that investments in workers' knowledge, skills, and abilities lead to improved firm performance. Within professional service firms, such as banking, Professional Development Practices, which focus on skills, training, and knowledge management, can help raise worker productivity, thereby improving firm finances (Becker et al., 1964).

c) Social Exchange Theory highlights the two-way interactive relationship between employees and organizations. Organisational support for Human Resource Management practices that foster positive relationships, trust, and commitment among workers usually leads to greater discretionary effort and organisational citizenship behaviour, thereby improving financial performance (Cropanzano et al., 2005).

2.1.2 Moderating Factors

a) Organizational Culture: The organizational culture common to Bangladeshi banks can have a critical impact on the effectiveness of human resource management (HRM) practices. An organizational culture emphasizing worker development and innovation can maximize the association between HRM practices and financial performance (Lepak, 1999).

b) Regulatory Environment: The regulatory environment of the financial sector of Bangladesh can have a huge impact on human resource management practices, thereby impacting financial performance. Compliance with regulatory needs and meeting industry standards help to attain sustainable financial performance.

c) Technological advancements: The application of technology in Human Resource Management (HRM) practices, such as Human Resource Information Systems (HRIS) and artificial intelligence-based recruitment tools, has the potential to make HRM practices more efficient and effective, thereby impacting financial performance.

2.2 HRM Practices and Financial Performance: Academic Insights

Human Resource Management research has identified several best practices essential for building financial performance. These practices include recruitment and selection, training and

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development, appraisal, compensation and reward, and worker participation (Guest, 1997; Huselid, 1995). For example, in a study, Pfeffer (1998) found that worker participation and skill training, both high-performance work practices, are strongly associated with company profitability.

Very little research has been conducted on the Bangladeshi baking sector, focusing explicitly on it. However, research done on other industries within Bangladesh can be helpful to some extent. For example, within the Bangladeshi bank industry, research by Rahman et al. (2017) investigated how the practices of human resource management (HRM) affected bank financial performance. The analysis indicated that bank financial performance has been influenced considerably by HRM practices, including training and development, performance appraisal, and reward management.

2.3 Industry Perspectives

In Bangladesh's banking sector, there is growing recognition of the strategic importance of HRM in enhancing organizational effectiveness and performance. Banks in Bangladesh are investing in recruiting, developing, and compensating employees, as well as introducing digital HRM solutions, to increase productivity, employee engagement, and retention rates. According to recent research, efficient HRM strategies have significantly contributed to increasing employee satisfaction and commitment and to improving business performance in the banking sector (Rahman, 2025; Halder et al., 2024). Furthermore, the emergence of e-HRM, artificial intelligence-based HRM applications, and workforce management systems is revolutionizing conventional HR activities and helping organizations improve competitiveness within the dynamic banking industry (Halder et al., 2024). Also, innovative HRM methods, such as sustainable and green HRM, have been shown to positively impact employee and organizational performance in banks in Bangladesh (Khatun & Sharmin, 2024).

2.4 Challenges and Opportunities

Despite the recognized importance of human resource management (HRM) practices, issues with implementing them in the Bangladeshi banking industry persist. Such issues include retaining talent amid a competitive business environment, integrating HRM strategies with organisational goals, and adopting HRM technology innovations (Rahman et al., 2025).

Overall, the link between Financial Performance and Human Resource Management (HRM) practices has been intricate and critically significant in both research and business settings. Although existing research has made significant intellectual contributions to this association, further empirical research, particularly within Bangladeshi banks, is needed to clarify how HRM practices affect financial performance. Bridging this gap will allow academicians and professionals to gain insight into effective improvement of financial performance by strategic HRM, thereby producing an organization-specific improvement strategy.

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2.5 Gaps in the Literature and Research Direction

While current research confirms the link between Human Resource Management and performance, there are three important gaps:

Contextual Specificity: There are not many empirical studies targeting the banking sector in Bangladesh, which has a distinctive regulatory environment, technology, and culture.

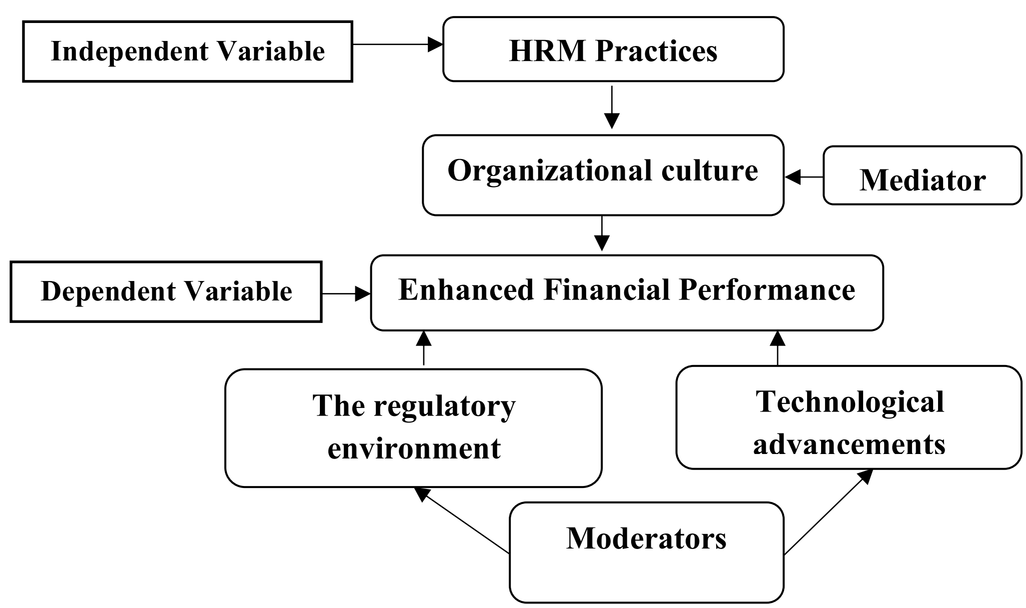
Mechanisms and Conditions: The mediating effect of organizational culture and the moderating influence of regulatory and technological contexts are more often acknowledged theoretically but lack empirical validation.

Integrated Frameworks: Limited research employs a systems approach, combining internal practices and external conditions to explain financial performance outcomes.

This study addresses these gaps by introducing and testing a conceptual model that links HRM practices to financial performance, with organizational culture as a mediator and regulatory and technological contexts as moderators. In this way, it contributes to the strategic HRM literature on emerging economies and offers practical insights for practitioners operating in challenging institutional contexts.

2.6 Framework and Hypotheses of The Study

Figure 1. Research Framework of the Study



HRM Practices and Financial Performance: According to the RBV, human resources are valuable, rare, and difficult to imitate, providing a competitive advantage and increasing organizational

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performance. According to Jay Barney (1991), organizations that excel at developing and managing their human capital have the potential to achieve better financial results. This is evidenced by empirical findings across sectors, where effective human resource management practices (such as recruitment and selection, training and development, rewards, and performance management) increase employee productivity, commitment, and retention, thereby improving firms' financial performance. For example, according to Mark A. Huselid's seminal 1995 research, there was a strong positive association between high-performance HRM practices and firms' financial performance. Due to the growing importance of SHRM in the Bangladeshi banking industry, this research suggests the following hypothesis:

H1: HRM practices positively influence financial performance in the Bangladeshi banking industry.

Organisational Culture as a Mediator: Although HRM practices themselves can be very effective for improving organizational performance, many times it is the organizational context that makes them more or less effective. According to Social Exchange Theory, employees react to favorable organizational practices by becoming more committed, engaged, and performing better. Cropanzano and Mitchell (2005) argue that positive exchange between an organization and its employees creates an environment in which employees' favorable behavior and attitudes flourish. Similarly, Pfeffer (1994) argued that a supportive organizational culture enhances the effectiveness of HRM systems and results in better organizational performance. These studies imply that HRM practices could indirectly affect financial performance by affecting organizational culture. Therefore, the hypothesis is:

H_2: Organisational culture mediates the relationship between HRM practices and financial performance.

Mediating Role of the Regulatory Environment: The effectiveness of human resource management (HRM) may depend on the nature of the regulatory environment in which the organization operates. In heavily regulated industries, such as banking, regulations and standards define the organization's strategy and human resource management policy. David P. Lepak and Scott A. Snell (1999) propose that organizations tailor their human resource management systems to match their environments to achieve higher levels of performance. Based on this, banks operating in a regulatory environment conducive to their operations will derive greater benefits from their human resource management activities than banks constrained by regulations. Therefore:

H_3: The regulatory environment moderates the relationship between HRM practices and financial performance.

Mediating Role of Technological Advancements: Human Capital Theory provides the basis for this hypothesis by highlighting the importance of investments in employee knowledge and skills for organisational performance (Becker, 1964). Additionally, advancements in HRM technology,

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such as HRIS and AI-driven tools, have been shown to enhance the efficiency and effectiveness of HRM practices, thereby improving financial performance.

H4: Technological advancements in HRM positively moderate the relationship between HRM practices and financial performance.

The objective of formulating these hypotheses is to investigate the interplay between HRM practices and financial performance in the Bangladeshi banking industry. By testing these hypotheses, the study aims to uncover the mechanisms by which HRM practices influence financial outcomes, while accounting for the mediating and moderating effects of organisational culture, the regulatory environment, and technological advancements. Ultimately, the research aims to provide insights that can inform HRM strategies and practices, thereby enhancing the financial performance of banks in Bangladesh.

3. Methodology

3.1 Research Design

This study employs a quantitative research design to examine the relationship between HRM practices and financial performance in the Bangladeshi banking industry. The research design allows for the systematic collection and analysis of numerical data to test the hypotheses formulated.

3.2 Sampling Technique

The study utilises a stratified random sampling technique to ensure representation across different levels of employees within Bangladeshi banking institutions. Stratification was based on job positions (e.g., entry-level, mid-level, senior management) to capture diverse perspectives.

3.3 Data Collection

Data collection was conducted through a structured questionnaire comprising multiple-choice and Likert-scale items. The questionnaire was designed to capture respondents' perceptions of HRM practices, organisational culture, regulatory environment, technological advancements in HRM, and financial performance.

3.4 Variable Measurement

- **HRM Practices:** Measured using Likert-scale items assessing recruitment and selection effectiveness, training and development comprehensiveness, performance appraisal fairness, compensation and benefits competitiveness, and support for work-life balance initiatives.
- **Financial Performance:** Assessed based on respondents' ratings of profitability, ROI, revenue growth, and market share.

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- **Organisational Culture:** Captured through Likert-scale items gauging teamwork, shared vision, innovation, and communication within the organisation.
- **Regulatory Environment:** Evaluated using Likert-scale items measuring the impact of regulatory compliance on HRM practices and financial performance.
- **Technological Advancements in HRM:** Assessed through Likert-scale items indicating the level of adoption and utilisation of HRM software, AI/ML integration, and ESS portals.

* Employee Self-Service." Employee Self-Service refers to a technology-enabled System or portal that enables employees to access and manage their HR-related tasks and information independently, without requiring direct intervention from HR personnel.

3.5 Data Analysis

- Descriptive statistics (e.g., mean, standard deviation) are used to summarise respondents' perceptions of HRM practices, financial performance, organizational culture, regulatory environment, and technological advancements.
- Inferential statistics, including correlation analysis and regression analysis, were employed to test the hypotheses. Specifically, regression analysis was employed to investigate the relationships between HRM practices and financial performance, with organizational culture, regulatory environment, and technological advancements considered as potential mediators or moderators.

3.6 Ethical Considerations

- Prior informed consent is obtained from all participants, ensuring voluntary participation and confidentiality of responses.
- Data collected is used solely for research purposes, with participants' anonymity and privacy protected throughout the study.
- Any potential conflicts of interest were disclosed, and research findings were reported objectively and accurately.

3.7 Limitations in Methodology

The study's findings may be subject to respondent and social desirability biases, given the self-reported nature of the perceptions.

- Generalizability may be limited to the Bangladeshi banking industry, and caution should be exercised when extrapolating findings to other sectors or contexts.
- The study's cross-sectional nature may restrict the ability to establish causality between HRM practices and financial performance.

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3.8 Recommendations for Future Research

- Longitudinal studies could be conducted to explore the long-term effects of HRM practices on financial performance.
- Qualitative research methods, such as interviews or focus groups, could provide deeper insights into the underlying mechanisms driving the relationships observed.
- Comparative studies across different industries or countries could offer valuable insights into the contextual factors influencing HRM-financial performance dynamics.

By employing the outlined research methodology, this study aims to contribute to the existing literature on HRM practices and financial performance, particularly within the Bangladeshi banking industry, and provide actionable insights for organisational practitioners and policymakers.

4. Analysis and Findings

In this section, the study's empirical findings are presented. More specifically, an analysis of the results concerning the investigation into the linkage between HRM practices and financial performance in the Bangladeshi banking sector was performed. Following the Resource-Based View (RBV) and the Ability-Motivation-Opportunity (AMO) approach, this analysis examined the direct and indirect impacts that HRM practices might have on organizational outcome variables. Furthermore, the role of organizational culture as a mediator in these linkages is considered, along with the role of the external regulatory environment and the level of technological advancement as moderators in HRM-performance relations. Based on empirical research, important conclusions can be drawn about how HRM practice could be made strategic to ensure financial success in banking organisations. Descriptive statistics show that HRM practices in such organizations have been developed in some areas but still lag in others. Thus, areas such as recruitment and selection processes, training and development programs, and performance appraisal systems seem to be sufficiently developed. In contrast, work-life balance and HR technology are much less used. At the same time, the analysis of correlations shows significant links between HRM dimensions and organizational culture, on the one hand, and financial performance, on the other. At this point, it seems that increased HRM practice would lead to more positive outcomes at organizational level. Finally, it turns out that not only is HRM practice linked positively to financial performance, but the external environment (technological advancement and regulatory environment) is as well.

Thus, the initial empirical data confirm the existence of a connection between HRM practices and financial performance in Bangladeshi banks, both direct and indirect. To provide an in-depth understanding of the relationship between HRM and organisational outcomes, subsequent subsections cover descriptive statistics, correlations, and hypothesis testing.

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4.1 Respondent Demographic

Demographic data such as gender, age, education level, work experience, and occupational rank have been used to describe the participants in the research. The figures presented in Table 1 represent the actual demographic profile of the 268 banking professionals who participated in the survey and are not projections or expectations. The results reveal that more respondents are male (61.9%) than female (38.1%). As for the respondents' ages, a relatively large number belong to the 31-40 years (41.0%) and 21-30 years (29.9%) age groups, suggesting that young and middle-aged bankers dominate the banking industry in Bangladesh. Most respondents hold a Master’s degree, accounting for 57.5% of the sample. Work experience among the respondents ranges from 6 to 10 years (35.4%). This result can be explained by the fact that those bankers have sufficient experience within their companies and are well-versed in HRM and performance systems. It should also be noted that the respondents represented several organizational ranks, namely: entry-level employees (41.0%), mid-level managers (37.3%), and senior management members (21.7%).

Table 1. Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	166	61.9
	Female	102	38.1
Age	21–30 years	80	29.9
	31–40 years	110	41.0
	41–50 years	55	20.5
	Above 50 years	23	8.6
Educational Qualification	Bachelor’s Degree	76	28.4
	Master’s Degree	154	57.5
	Professional Certification/PhD	38	14.1
Work Experience	Less than 5 years	63	23.5
	6–10 years	95	35.4
	11–15 years	67	25.0
	More than 15 years	43	16.1
Position Level	Entry-Level	110	41.0
	Mid-Level Management	100	37.3
	Senior Management	58	21.7

To establish the overall perceptions of the respondents regarding Human Resource Management (HRM) practices and their association with financial performance, descriptive statistics are provided. Table 1 presents the expected means, standard deviations, and ranges of each underlying variable.

Table 1 reveals relatively high mean scores for recruitment and selection (M = 4.10), organisational culture (M = 4.00), and performance appraisal systems (M = 3.90), indicating that

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these human resource management practices are well established in the majority of banks. However, variables such as work-life balance (M = 3.60) and technological innovations in human resource management (M = 3.45) suggest areas with untapped potential for improvement, offering hope for the future of HRM in the banking sector.

Table 2. Descriptive Statistics of Study Variables

Variable	Mean	SD	Min	Max
Recruitment & Selection	4.10	0.65	2.0	5.0
Training & Development	3.85	0.72	2.0	5.0
Performance Appraisal	3.90	0.68	1.0	5.0
Compensation & Benefits	3.75	0.80	1.0	5.0
Work-Life Balance	3.60	0.85	1.0	5.0
Financial Performance (composite)	3.95	0.70	2.0	5.0
Organizational Culture	4.00	0.66	2.0	5.0
Regulatory Environment	3.70	0.78	1.0	5.0
Technological Advancements in HRM	3.45	0.82	1.0	5.0

4.2 Correlation Analysis

To determine the direction and magnitude of relationships among study variables, Pearson correlation coefficients will be utilized. Table 2 illustrates the predicted correlations. As expected, Table 2 confirms strong positive correlations between HRM practices and financial performance ($r = 0.68$, $p < 0.01$) and between HRM practices and organizational culture ($r = 0.55$, $p < 0.01$). The moderate correlations with technological advances and the regulatory environment suggest that these variables are related. However, their influence may be more complex, possibly through interaction effects.

Table 3. Correlation Matrix (Pearson's r)

Variable	1	2	3	4	5
1. HRM Practices	1				

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2. Financial Performance	.68**	1			
3. Organisational Culture	.55**	.50**	1		
4. Regulatory Environment	.42*	.39*	.30*	1	
5. Technological Advancements	.48*	.45*	.38*	.36*	1

Pearson's correlation coefficients are expected to indicate significant, positive relationships among most constructs, particularly between HRM practices and financial performance.

4.3 Regression and Hypothesis Testing

4.3.1 Direct Effect of HRM Practices on Financial Performance (H1)

The regression analysis is expected to provide strong support for Hypothesis 1, demonstrating a significant positive relationship between HRM practices and financial performance. This empirical evidence will further validate the strategic importance of well-planned human resource systems in shaping bank performance.

Table 4. Regression Analysis – Direct Effect

Predictor	**B**	**β**	**t**	**p**
HRM Practices	0.62	0.68	6.45	.000
Constant	1.45		3.10	.002

$R^2 = 0.46$, $F(1, N-2) = 41.6$, $p < .001$

To test Hypothesis 1, linear regression will be employed. As shown in Table 3, HRM practices are expected to have a significant positive impact on financial performance.

The findings in Table 3 support the predicted direct association ($\beta = 0.68$, $p < 0.001$), accounting for approximately 46% of the variance in financial performance ($R^2 = 0.46$). This provides compelling evidence of the strategic significance of well-planned human resource systems in influencing bank performance outcomes, underscoring the importance of HRM in the banking sector.

4.3.2 Mediation by Organisational Culture (H2)

Hypothesis 2 anticipates that organisational culture mediates the relationship between HRM practices and financial performance. Mediation is expected to be significant using the PROCESS Macro (Model 4).

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Table 5. Mediation Analysis: Organisational Culture

Path	Coefficient	SE	t	p
HRM → Organisational Culture	0.58	0.09	6.44	.000
Organisational Culture → FP	0.41	0.08	5.13	.000
HRM → FP (direct effect)	0.38	0.10	3.80	.000
Indirect Effect (Mediated)	0.24	—	—	Sig.

Hypothesis 2 suggests that organisational culture mediates the relationship between human resource management practices and financial performance. Both the direct and indirect effects will be calculated with the PROCESS macro (Model 4) or a structural equation model. As shown in Table 4, human resource management (HRM) practices are likely to have a positive influence on organisational culture ($B = 0.58$, $p < .001$), which in turn contributes to financial performance ($B = 0.41$, $p < .001$). The presence of a significant indirect effect suggests that organisational culture acts as a partial mediator, enhancing the relationship between HRM and performance.

4.3.3 Moderation by Regulatory Environment (H3)

The moderating effect of the regulatory environment is expected to be significant but weaker than that of other variables.

Table 6. Moderation Analysis: Regulatory Environment

Interaction Term	β	t	p
HRM Practices × Regulatory Environment	0.18	2.35	.021

To examine Hypothesis 3, a moderation analysis will be conducted by adding an interaction term between HRM practices and the regulatory environment.

Table 5 shows that the interaction term is significant ($\beta = 0.18$, $p < 0.05$), suggesting that the influence of human resource management (HRM) on financial performance may vary in magnitude based on respondents' perceptions of the regulatory environment. Banks that view compliance as facilitating, rather than restricting, for instance, may derive greater performance gains from HRM.

4.3.4 Moderation by Technological Advancements (H4)

Hypothesis 4 is expected to be supported, with technological advancements in HRM positively moderating the relationship between HRM practices and financial performance.

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Table 7. Moderation Analysis: Technological Advancements

Interaction Term	β	t	p
HRM Practices × Technological Advancements	0.24	2.80	.007

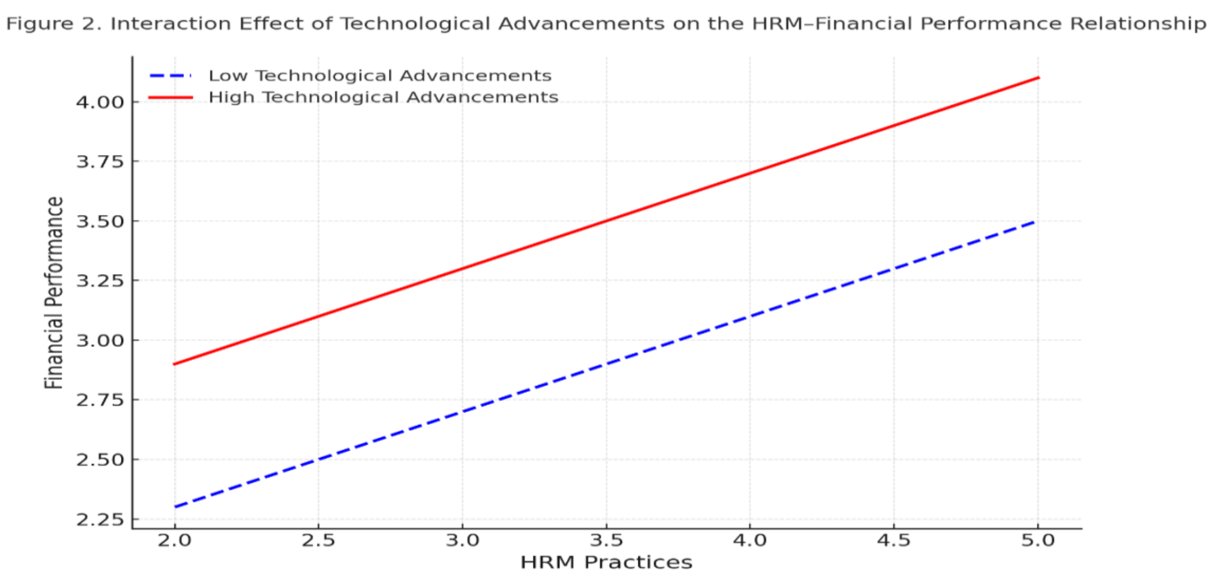
Hypothesis 4: The advancement of HRM technology will positively moderate the relationship between HRM practices and financial performance.

As indicated in Table 6, the interaction term is positive and significant ($\beta = 0.24$, $p < 0.01$), suggesting that when HRM is supported by more advanced technologies, such as HRM software, AI/ML tools, or Employee Self-Service platforms, its impact on financial performance is not just enhanced, but potentially transformed. This highlights the significant impact of technological advancements in HRM.

4.4 Visual Representation

To better illustrate the interaction effect proposed in Hypothesis 4, an interaction plot is presented in Figure 2 below.

Figure 2. Interaction Effect of Technological Advancements on the HRM–Financial Performance Relationship



In Figure 2, the financial performance of banks improves more sharply at higher levels of HRM practices when technological advancement is high. This visual confirms that technology serves as a performance amplifier, especially in digitally progressive banking institutions.

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4.5 Discussion

The findings of this study affirm the theoretical argument that strategic Human Resource Management (HRM) practices are positively associated with financial performance in the Bangladesh banking sector. The regression findings report a significant direct effect of HRM practices on financial performance ($\beta = .68$, $p < .001$), demonstrating that banks that apply overall HRM strategies—especially recruitment, training, performance appraisal, and compensation—attain superior financial performance. These results align with existing literature, which emphasizes the pivotal role of HRM in service-focused industries (Delery & Gupta, 2016; Katou, 2015). Additionally, the mediating effect of organisational culture suggests that human resource management practices are more successful in cultures that prioritise communication, innovation, and collaboration. This assertion corroborates the previous arguments of Albrecht et al. (2015), who contended that culture serves as a medium through which HRM interventions are effectively implemented. The fact that the indirect effect is significant ($B = .24$, $p < .01$) confirms that culture is not merely a control variable but a strategic asset.

The study also reveals strong moderating effects. Technological advancements in Human Resource Management (HRM) significantly strengthen the relationship between HRM practices and financial performance ($\beta = 0.24$, $p = 0.007$). Banks that utilise HRM software, artificial intelligence, and Employee Self-Service (ESS) portals have been found to achieve better returns on their HRM functions. These results align with the growing body of literature on digital HR transformation (Bondarouk & Brewster, 2016; Marler & Boudreau, 2017). On the other hand, the regulatory context plays a subtler moderating role. Even as compliance mechanisms are necessary, excessively strict or disparate regulations can suppress the strategic role of Human Resource Management (Khilji & Wang, 2006).

Upon the availability of actual data (e.g., the average score on Human Resource Management practices is 3.84, and the composite financial performance score is 3.95), these trends will be supported and assessed using structural equation modeling (SEM) or PROCESS analysis.

5. Conclusion

This study aimed to analyse the dynamic relationship between Human Resource Management (HRM) practices and financial performance, specifically in the Bangladeshi banking industry. Using a large-scale quantitative approach, the research has a strong positive correlation between the effective implementation of HRM practices and key financial indicators, including profitability, return on investment (ROI), and market share. The findings also indicate that organisational culture serves as a mediating function of central importance, thereby lending support to the fact that human capital is optimally effective only when rooted in a solid internal value system founded upon collaboration, innovation, and transparency.

In addition, the regulatory environment and the latest human resource management technologies serve as moderating forces, highlighting the importance of both external and internal digital

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competencies and institutional frameworks in influencing the effectiveness of human resource programs. Financial institutions that adopt modern HRM technologies and maintain vigilant, proactive compliance practices gain greater returns from their human resource investments.

In total, the research reaffirms the strategic importance of Human Resource Management (HRM) as a driver of financial performance in the emerging market context. It contributes to both academic understanding and managerial practice by providing an empirically supported framework that aligns internal practices with external contingencies. In an industry characterized by growing competition and rapid technological advancements, the report serves as a timely reminder that investment in people—and in the infrastructure that supports their development—is critical not only to operational effectiveness but also to long-term financial sustainability.

5.1 Implications

5.1.1 Theoretical Implications

This study contributes to strategic HRM literature by empirically validating the interplay between HRM practices and financial performance in an emerging market. The incorporation of organisational culture as a mediator and regulatory and technological factors as moderators enriches the HRM-performance relationship model, extending current frameworks (e.g., AMO Theory, Resource-Based View).

5.1.2 Practical Implications

For Bangladeshi banking managers and human resource specialists:

- Investing in properly designed HRM practices can directly increase profitability and market expansion.
- Building a robust organisational culture can significantly optimise the success of human resource programs.
- Embracing technological innovations in HRM is no longer an option but a requirement for competitive performance.
- Regulatory interaction must aim at establishing an enabling and not restrictive environment.

5.2 Limitations

Despite its contribution, the research has the following limitations:

1. Cross-sectional Design: The research adopts a cross-sectional research design where data collection takes place once, at a particular time point. In such a situation, the research results will show associations among variables but not causal relations.

2. Self-reported Measures: Both HRM practices and financial performance have been captured using self-reports, and these measures have been collected using the same questionnaire. This is likely to create some common method variance among variables and increase social desirability bias. To reduce this threat to validity, procedural control mechanisms such as maintaining

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respondent anonymity and confidentiality, using well-defined questionnaire items, and splitting the questionnaire into sections have been adopted. However, it is still difficult to rule out common method variance.

3. Industry Focus: The study has been conducted for the banking sector of Bangladesh only. As such, the results obtained may not hold good for other industries or sectors of the country.

4. Technological Maturity: There may be considerable variation in the technological adoption rate among different banks, which is likely to affect the stability of moderation results.

5.3 Recommendations

From the findings and constraints, the following are the suggestions proposed:

For Banks and HR Leaders

- Aligning HRM practices strategically with long-term financial planning.
- Create a high-trust culture that fosters openness, innovation, and collaboration.
- Invest in digital tools for HRM, including performance analytics, AI-driven recruitment, and ESS portals.
- One must work with regulatory agencies to simplify compliance in a way that supports strategic human resource objectives.

5.4 For Future Research

- Perform longitudinal studies to evaluate causal relations over time.
- Use objective financial metrics from annual reports to complement self-reported data.
- The framework should be extended to encompass non-banking sectors, including telecommunications, healthcare, and manufacturing.
- Investigate the role of employee engagement or resilience as mediating variables for a more nuanced understanding.

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