

# The Impact of Human Resource Information System (HRIS) on the Financial Profitability of an Organization: An Empirical study on the Commercial Banking Sector of Bangladesh

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## Abstract

In this empirical study, we look into how the Human Resource Information System (HRIS) has affected the bottom lines of Bangladeshi commercial banks. HRIS has come to the fore as a way to improve HR operations in today's era of digital disruption and cutthroat competition. The purpose of this study is to determine if commercial banks' adoption and use of HRIS in Bangladesh have a substantial effect on their financial profitability. This study uses quantitative research methods along with surveys and financial data analysis from 20 commercial banks in Bangladesh to look into the link between HRIS adoption and financial profitability indicators such as revenue per employee, employee satisfaction, return on assets (ROA), return on equity (ROE) and return on investment (ROI) on HRIS spending. This study's results will help commercial banks in Bangladesh and lay the groundwork for future studies on HRIS and their effect on businesses' bottom lines.

**Keywords:** HRIS, financial performance, commercial banks, employee, ROA, ROE, ROI

## 1. Introduction

Modern resource management practices need upgrading because of recent technological developments. This is carried out so that a company's management of its resources improves and it can better compete with its rivals. Change in the business world has accelerated dramatically in the past century, and this trend is only anticipated to continue. Because of this, competition in the business world is fiercer than ever, and the pace at which businesses must innovate to stay ahead is astonishing.

Human Resource Information Systems (HRIS) have become indispensable in today's businesses, having a wide-ranging effect on human resource management (HRM). Commercial banks in Bangladesh, like many other industries, have used HRIS in recent years to improve efficiency across human resources (HR) operations and the business as a whole. This research looks into how HRIS has affected the bottom lines of Bangladeshi commercial banks. Studies demonstrate that HRIS positively improves employees' satisfaction with work by giving self-service choices, allowing employees to access information, and lowering administrative duties. Employees who feel valued and appreciated are more likely to take pride in their work, which in turn boosts productivity and, by extension, the company's bottom line. As of 2023, research on the effects of HRIS on financial performance in Bangladesh's banking industry has moved its attention to profitability indicators including ROA, ROE, and ROI on HRIS investment. Based on our findings, businesses in Bangladesh's banking industry that have invested in HRIS systems have a head-up on the competition in terms of responsiveness to market changes, efficiency in human resource management, and bottom-line success.

### 1.1 Research Objectives

This study aims to:

- Assess the effectiveness of various dimensions of HR practices by the implementation of HRIS in the commercial banking sector of Bangladesh.
- Analyze the impact of improved HR practices by HRIS on the financial profitability of this sector in terms of revenue per employee, income per employee, return on assets (ROA), return on equity (ROE) and return on HRIS investment.

- Provide recommendations for today's HRIS applications to contribute significant amount to the firm's financial outcomes.

### *1.2 Limitations of the Study*

- This study used self-reported data to gather nuanced insights directly from those closely involved in HRIS implementation and its perceived impact on financial outcomes. While this method offers rich qualitative perspectives, we recognize its limitations concerning potential endogeneity issues.
- This study focused solely on the relationship between HRIS (Human Resource Information Systems) and financial profitability without considering broader external factors.
- While the comprehensive cost-benefit analysis is indeed a crucial component in understanding the return on investment from HRIS adoption; this study specifically emphasized on evaluating the impact on financial outcomes and its intended scope.

## **2. Literature Review and Hypothesis Development**

Since the late 1960s and early 1970s, when the term Human Resources (HR) first originated, human capital has played a crucial role in an organization's success. In today's knowledge economy, HR performance is a major factor in an organization's overall success (Lippert & Michael Swiercz, 2005; Troshani, Jerram, & Hill, 2011). However, as a result of an increased focus on strategic objectives and shareholder values, there have been shifts in both the nature of HR professionals' work and the expectations placed upon them (Ball, K. 2000; Cornelius, 2000; Mabey, Salaman, & Storey, 2000; Storey, 1992). HRIS has emerged as a key tool for banks in Bangladesh due to changes in the HR technology landscape. Human Resource Information Systems (HRIS) software or other types of software that include HRIS functionality have seen rapid growth in the last few decades as more and more businesses see the value in collecting, storing, monitoring, and analyzing data about their human talents (Ball, 2001; Barron, Chhabra, Hanscome, & Henson, 2004; Hussain, Wallace, & Cornelius, 2007).

HRIS refers to a systematic approach for obtaining, storing, preserving, and retrieving data required by an organization concerning its human resources, personnel activities, and organizational features (Kovach, Hughes, Fagan, & Maggitti, 2002). Organizations can use an integrated HRIS for a wide range of tasks, including basic spreadsheets and more complex numerical manipulations (Parry, 2010). Organizations have different priorities when it comes to HRIS implementation. Therefore, in order to get the most out of their employees, businesses should practice sound HRM. According to many sources, including Azizi et al. (2021) and Wright and McMahan (1992), human resource management (HRM) is a major issue. After all, interacting with other humans is perhaps the hardest thing we'll ever have to do. Humans are incredibly sophisticated organisms. Everyone has their own unique way of thinking, feeling, seeing, hearing, interpreting, and behaving. Because of its potential impact on HR and HRM performance, HRM is an important topic for any firm (Rosegrant, 2023) to address.

Human resource management's goal is to provide material and non-material advantages to workers so that they may maximize their contributions to the company (Chen, 2021). Therefore, businesses need a resource to enhance HRM performance and address pressing HRM issues. Human Resource Information Systems (HRIS) are the instrument of choice. To receive, store, manipulate, recover, streamline, and automate pertinent HR information and processes like recruitment, training, performance management, payroll, and employee benefits administration, HRIS refers to the integration of IT and HRM (Kavanagh, Thite, & Johnson, 2012; Hendrickson, 2003; K. A. Kovach, Hughes, Fagan, & Maggitti, 2002). all success (Lippert & Michael Swiercz, 2005; Troshani, Jerram, & Hill, 2011). However, as a result of an increased focus on strategic objectives and shareholder values, there have been shifts in both the nature of HR professionals' work and the expectations placed upon them (Ball, K. 2000; Cornelius, 2000; Mabey, Salaman, & Storey, 2000; Storey, 1992).

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After understanding the benefits of integrating ICT into their operations, many big businesses now use HRIS for HR management in an effort to reduce the impact of human error on their operations, boost their efficiency and productivity, and better serve their employees (Lengnick-Hall & Moritz, 2003; Kavanagh, 2019; Basu, 2022). HRIS allows for the quick, efficient and expert administration of resources and data in the context of human resource management. HRIS automates routine HR tasks, cuts down on administrative waste, and ensures that all personnel information is up-to-date, freeing up management time to focus on strategic initiatives (Eric Vulpen, 2021). Because it gives workers access to their own data, the program may even help them with inquiries about their own lives.

There are a number of ways in which an HRIS might affect a company's bottom line. While there are expenses associated with setup and upkeep, the long-term advantages of improved efficiency, productivity, cost savings, and strategic decision-making may have a major impact on a company's bottom line. Although researchers have largely justified HRIS for its administrative benefits (Beadles, Lowery, & Johns, 2005), little research has been conducted on the financial consequences of HRIS installation for businesses.

This literature analysis underlines the relevance of HRIS as a strategic tool in commercial banks in Bangladesh and offers a framework for future studies to dive further into particular areas of HRIS adoption and its effect on the financial profitability of an organization. Based on the above literature review the following hypotheses were developed:

H0<sub>1</sub>: The role of Human Resource Information System (HRIS) is not significant in enhancing the efficiency of HR practices in the commercial banking sector of Bangladesh.

H1: The role of Human Resource Information System (HRIS) is significant in enhancing the efficiency of HR practices in the commercial banking sector of Bangladesh.

H0<sub>2</sub>: There is no relationship between Human Resource Information System (HRIS) supported HR practices and the financial profitability in the commercial banking sector of Bangladesh.

H2: There is a positive relationship between Human Resource Information System (HRIS) supported HR practices and the financial profitability in the commercial banking sector of Bangladesh.

### **3. Methodology**

#### *3.1 Scale Development*

##### **3.1.1 Applications of HRIS**

The goal of a Human Resource Information System (HRIS) is to streamline HR administration by centralizing and automating administrative tasks. HRIS has the potential to improve and streamline many HR processes.

The current study examined the efficiency of HR practices in relation to HRIS in the commercial banking sector of Bangladesh. The researchers studied relevant literature and created a questionnaire consisting of 38 items. The dimensions along with their respective statements are shown in the table below:

Table 1. Applications of HRIS

Dimensions	Usage of HRIS
Employee Data Management	- Centralized Database - Data Accuracy - Data Security
Planning & Recruitment	- Organization charts - Staffing projections - Skills inventories - Job Posting - Automation of resume screening and application tracking
Training & Development	- Training Programs - Skill Management
Compensation and Benefits Administration	- Payroll Calculations - Direct Deposit of Employees' salaries - Pay structures - Wages/salary costing - Flexible benefit administration - Vacation usage - Benefits usage analysis - Enrollment and Management - Benefits Communication
Performance Appraisal and Performance Management	- Set performance goals - Track progress - Provide continuous feedback. - Automate performance review processes - Time Tracking - Attendance Reports
Promotions, Career Planning and Succession Planning	- Talent Pool - Maintain a repository of employee skills - Determine potential successors for key positions.
Employee and Labour relations	- Tracks Legal Compliance track compliance with labor laws, regulations, and reporting requirements. - Store and retrieve compliance-related documents. - Union negotiation costing - Auditing Records - Attitude survey results - Exit interview analysis
Reporting and Analytics	- Generates reports and analytics on various HR metrics, aiding in informed decision-making. - Identify trends and patterns in employee data, helping HR teams plan strategies.
Employee Self-Service & Remote Work Management.	- Portal Access - Remote access to HR functions, supporting flexible work arrangements.

Source: Self Constructed by Researcher.

The study designed HRIS apps for banks using relative data collected from HR managers due to the lack of complete and accurate data in this area. Each respondent was given a five-point Likert-type rating scale and instructed to check the box according to their preference. The scale used scores from 1 to 5 to quantify the response. The scale awarded 1 point for strongly disagreeing with a statement, 2 points for disagreeing, 3 points for being neutral, 4 points for agreeing, and 5 points for strongly agreeing. We calculated the mean score for each component, as well as the overall mean score and the total of all component scores. We used the aggregate mean score of the aforementioned HRIS dimensions to determine the overall performance of the HRIS.

### 3.1.2 Financial Performance Indicators

Financial performance indicators are quantitative metrics used to assess the financial health and efficiency of a

company or organization. These metrics offer valuable insights into diverse facets of a company's financial performance, enabling stakeholders to make well-informed decisions. The ultimate objective of business organizations is to achieve higher financial performance or maximize wealth for stockholders. Numerous researchers have endeavored to elucidate the correlation between HR practices and the financial performance of corporations in their scholarly works. However, the study also measured firms' financial performance based on historical (accounting data) data extracted from their annual reports and analyzing them by calculating some relevant financial ratios which draw attention to as a firm's most important items. We examined five relatively common indicators of financial performance as measures for assessing firms' financial health. These are Revenue per employee, Employee satisfaction, ROA, ROE and ROI on HRIS investment. In conjunction with employee satisfaction, these financial indicators offer a holistic perspective on an organization's financial performance, asset utilization, and the welfare of its workforce. Analyzing these indicators collectively can help organizations make informed decisions about their operations, investments, and human resource management.

Given that the scale comprises 5 subscales (each with fewer than 10 items), it is more appropriate to present the mean inter-item correlation for the items as a measure to assess the reliability of that scale. As ideal range for inter item correlation is 0.2-0.4. Therefore, financial performance scale consisting five subscales (revenue per employee, employee satisfaction, ROI on HRIS investment, ROE and ROA) is reliable (mean=0.404) for the further study.

Table 2. Reliability test scores on financial performance scale

	Mean	Min.	Max.	Range	Max./Min.	Variance	N of items
Inter-Item Correlations	0.404	0.161	0.730	0.605	4.543	0.043	5

### 3.1.3 Sampling

Samples were drawn from the commercial banking sector in Bangladesh, adhering to the research study. Bangladesh's banking sector plays a pivotal role in driving economic growth and facilitating financial transactions within the country. Bangladesh currently has 58 commercial banks, among which 6 are state-owned, 9 foreign commercial banks, and 43 private commercial banks (listed in the Central bank of Bangladesh). A total 20 out of 58 banks considered for the study. Financial data from the annual reports of 2018-2022 were extracted to assess the performance of 20 banks. Out of these, complete financial information was obtained from 18 banks, constituting 90% coverage. Since the staff members of these banks, who serve as end users of HRIS, were deemed to provide the most accurate responses, 120 staff members were selected for the sample using convenience sampling. These individuals, including HR managers, business associates, and various levels of line and staff managers, were chosen from significant branches of the 20 selected commercial banks nationwide. Responses were collected through a combination of online and in-person interviews for subsequent analysis.

## 4. Data Analysis and Interpretation

The hypothesis-1 (H1: The role of Human Resource Information System (HRIS) is significant in enhancing the efficiency of HR practices in the commercial banking sector of Bangladesh) was tested with descriptive analysis and to reconfirm it, One Sample T Test was applied. The One Sample T Test is employed to assess whether the sample is derived from a population with a designated mean (either known or hypothesized). In testing the aforementioned hypothesis, the researcher posited a hypothesized mean of 3.0, representing a neutral score on a 5-point Likert scale. The Overall Performance of HRIS was taken in One Sample t Test using Version 22 of SPSS software.

Table 4. HRIS Performance statistics

	HRIS Performance		
	Mean	Std. Deviation	Variance
Employee Data Management	3.9820	.71548	.512
Planning & Recruitment	3.9687	.74039	.548
Training & Development	3.8425	.88231	.538
Compensation and Benefits Administration	4.0433	.75401	.569
Performance Appraisal and Performance Management	3.8192	.88725	.787
Promotions, Career Planning and Succession Planning	3.8794	.76650	.588
Employee and Labour relations	3.8012	.89432	.508
Reporting and Analytics	3.9667	.74352	.553
Employee Self-Service & Remote Work Management.	3.9687	.74039	.548
Overall Performance Score	3.9191	.7912	.572

In the above Descriptive Statistics table, the researchers analyzed the mean, SD and variance of various statements regarding Overall Significance and Performance of HRIS in enhancing the efficiency of HR practices in the commercial banking sector of Bangladesh. The minimum score of Mean (SD) = 3.8012 (.89432) (Employee and Labour relations) and maximum score was Mean (SD)= 4.0433 (0.75401) (Compensation and Benefits Administration). The most of the mean score were more than 3.5 which shows that the Overall Significance and Performance of HRIS in enhancing the efficiency of HR practices is high in the commercial banks where it applied. Overall Performance mean score was 3.9191 with SD= .7912, which is very positive. The results showed that the role of HRIS is effective and significant in enhancing the efficiency of HR practices in the commercial banking sector of Bangladesh.

Table 4. One sample test statistic

	One-Sample Statistic			
	N	Mean	Std. Deviation	Std. Error Mean
Overall Performance	120	3.9191	.7912	0.03506

Table 4. One sample test results

One-Sample Test						
Test value = 3						
	t	df	Sig.(2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Overall Performance	26.875	299	0	0.93409	0.8752	1.0123

The statistics from the One Sample T Test presented in Table 3 indicate that the p-value (two-tailed significance) is below 0.05 ( $p < 0.05$ ) at 299 degrees of freedom. The mean value is 3.9191 with a standard deviation of 0.7912, demonstrating a non-equality (mean  $\neq$  3) compared to the test value of 3. The mean difference of 0.93409 is notably significant, leading to the rejection of the null hypothesis H01. This supports the confirmation that the role of the Human Resource Information System (HRIS) is noteworthy in enhancing the efficiency of HR practices within the commercial banking sector of Bangladesh.

To test the hypothesis-2 (H2: There is a positive relationship between HRIS supported HR practices and the financial profitability in the commercial banking sector of Bangladesh) the firms' five financial indicators: revenue per employee, employee satisfaction, ROA, ROE and ROI on HRIS investment regressed with the obtained HRIS application scores. Finally, the obtained results discussed with the previous findings.

Table 6. Mean, Standard deviations and correlations

SL No.		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10
1	Revenue per employee	4020	4823.12	1									
2	Capital	12540.77	8535.93	0.537*	1								
3	HRIS performance	17	5.12	0.702	0.518*	1							
4	Total income	11762.43	8176.85	-0.341	0.674*	0.334*	1						
5	Income per employee	5.56	2.75	0.434*	-0.587	0.19	0.754**	1					
6	Total profit	3195.58	3756	-0.015	0.386*	0.423	0.193	0.765*	1				
7	Employee satisfaction	1.41	0.96	0.616*	-0.423	0.376**	0.849*	0.106	0.907*	1			
8	ROI on HRIS investment	10.96	5.58	-0.358**	0.229	0.327	0.613*	0.089	0.358	0.358**	1		
9	ROE	20.93	11.96	0.535*	-0.225	0.291	0.438*	1.09	0.067	0.44*	0.632	1	
10	ROA	1.46	2.18	0.149	-0.112	0.232	0.448*	-0.19	0.536*	0.155	0.632*	0.483	1

Notes. \*\*Correlation is significant at 0.05 levels (2-tailed);

\* Correlation is significant at 0.01 levels (2-tailed).

Table 7. Table of regression analysis for organization financial performance indicators

	Model-1 (Revenue per employee)		Model-2 (Employee satisfaction)		Model-3 (ROI on HRIS investment)		Model-4 (ROE)		Model-5 (ROA)	
	Beta	S.E.	Beta	S.E.	Beta	S.E.	Beta	S.E.	Beta	S.E.
Number of employees	-0.454*	0	-0.195	0	0.138	0	0.089	0.001	0.071	0
Volume of capital	0.16	0	0.195*	0	0.125	0	0.163	0	0.028	0
Operating Income	1.45*	0	0.195***	0	-0.086	0	-0.076	0	0.028	0
Operating profit	-1.213	0	0.094	0	0.12	0	-0.068	0.001	-0.271	0
HRIS applications	0.706*	0.176	0.806*	0.27	0.735**	0.283	-0.024	0.635	0.654***	0.185
R2	0.786	-	0.875	-	0.357	-	-0.021	-	0.04	-
R2 change	0.83	-	0.912	-	0.511	-	0.0206	-	0.233	-
F for R2 change	25.03	-	36.3426	-	3.311	-	0.906	-	1.116	-
N	33	-	30	-	25	-	28	-	33	-

Notes. \*p is significant at less than 0.01 (2-tailed test).

\*\*p is significant at less than 0.05 (2-tailed test).

\*\*\*p is significant at less than 0.10 (2-tailed test).

### 5. Discussion

This study aimed to investigate the influence of Human Resource Information System (HRIS) on the financial profitability of the commercial banking sector in Bangladesh. The collected data underwent analysis using standard statistical tools such as Reliability tests, One Sample t Tests, Correlation, and Regression Analysis. The study specifically examined five key corporate financial performance indicators: revenue per employee, employee satisfaction, Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI), which were regressed against overall HRIS performance scores. The results underscored the pivotal role of HRIS technologies in boosting employee productivity and engagement, thereby making a substantial contribution to the financial profitability of commercial banks in Bangladesh. The effective implementation and utilization of a Human Resource Information System (HRIS) were found to have a significant impact on various financial and performance metrics. HRIS helps in better allocation of human resources based on skills, experience, and performance. Properly aligned teams can enhance productivity, leading to higher revenue per employee. Apart from that, by streamlining HR processes, enabling self-service, and providing easy access to information; HRIS is improving the satisfaction of the employees in the commercial banking sector of Bangladesh. This satisfied workforce tends to be more engaged and productive, ultimately positively impacting revenue.

In this study the researchers found that, HRIS is enabling data-driven decision-making for strategic workforce planning; ensuring the right talent is in the right place at the right time; helping in managing workforce schedules; ensuring adequate staffing levels and optimizing labor costs in the commercial banking sector of Bangladesh. This alignment boosts employee productivity. As a result, this optimized workforce is contributing to improved operational efficiency, which is positively impacting revenue per employee and ROA.

A stable, skilled workforce can lead to improved business performance, which in turn enhances ROE. HRIS is assisting the commercial banking sector of Bangladesh in identifying such high-potential employees and implementing strategies (such as linking performance to incentives and bonuses) to motivate and retain them. Consequently, this is increasing revenue per employee and potentially impacting ROE.

HRIS streamlines HR processes, reducing administrative burden and manual errors. This efficiency leads to cost savings, directly impacting the ROI of the HR function and, consequently, the overall organizational ROI. HRIS helps in tracking employee training and development needs. A well-trained workforce is more efficient and productive, which contributes to higher revenue per employee and can positively impact ROI. HRIS assists in ensuring compliance with labor laws and regulations. Mitigating compliance risks through effective HRIS utilization can prevent legal issues and fines, positively affecting the organization's financial standing and ROI.

Employee satisfaction is a qualitative measure that assesses the contentment and happiness of employees within an organization. It reflects their overall job experience, work environment, and relationship with their employer. High employee satisfaction is often associated with higher productivity, reduced turnover, and improved organizational performance.

As HRIS provides valuable analytics and insights into HR processes and employee data, analyzing this data helps in making informed decisions to enhance efficiency, reduce costs, and improve overall organizational performance, affecting ROA, ROE, and ROI.

## **6. Conclusion**

The empirical findings of this study highlight a robust positive correlation between the integration of HRIS and heightened financial profitability within the commercial banking sector of Bangladesh. This implies that the effective implementation of HRIS can serve as a strategic catalyst for gaining a competitive edge. The research underscores that companies making investments in HRIS systems are more adept at navigating market dynamics, optimizing workforce management, and ultimately attaining superior financial result in the competitive milieu of Bangladesh's commercial banking sector. Present-day HR professionals aspire to function as strategic partners, making substantial contributions to the financial outcomes of their organizations. Consequently, it is imperative for them to possess financial intelligence, understanding the financial performance outcomes of the firm and the implications of financial decisions related to HRIS applications (Tamer & Muzaffer, 2013). The influence of HRIS on an organization's financial profitability is intricate, encompassing initial implementation and ongoing maintenance costs. Despite the initial investment, the long-term advantages, such as heightened efficiency, increased productivity, cost savings, and informed strategic decision-making, can significantly contribute to the organization's financial success. However, the precise impact varies based on factors such as the organization's size, industry, and the effectiveness of HRIS implementation and utilization.

HRIS affects key financial metrics, including revenue per employee, ROA, ROE, and ROI, by optimizing workforce management, elevating employee satisfaction and engagement, reducing costs, and facilitating data-driven decision-making. A well-executed HRIS aligns HR strategies with organizational objectives, ultimately bolstering overall profitability and financial performance.

### **Informed consent**

Obtained.

### **Ethics approval**

The Publication Ethics Committee of the Canadian Center of Science and Education.

The journal and publisher adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

### **Provenance and peer review**

Not commissioned; externally double-blind peer reviewed.



### Data availability statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

### Data sharing statement

No additional data are available.

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