

Human Resource Outsourcing Practices in Commercial Banks of Bangladesh: A Critical Perspective

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Abstract

The study aims to critically examine the outsourcing of HR activities in the banking sector in Bangladesh. The descriptive and exploratory research was followed, and quantitative primary data were collected from the population of three private and three public commercial banks in Bangladesh. The data were collected from 110 samples using a structured questionnaire and a convenience purposive sampling method. The collected data were analyzed and evaluated using SPSS IBM 25.0. The study revealed that most of the outsourcing service provider firms (90%) are providing “Training and Development” services. This service is customized as per the requirements of the client organizations, and most of the banks outsource HR services and payroll management. The study also found that the most of the reasons for outsourcing are optimization of overhead cost (M=4), making the organization free from the hassle of doing manual work (M=3.9), improving policy and process compliance, a greater extent of functional accuracy (M=3.9), technological advancement (M=3.8), ensures confidentiality (M=3.70), quick response (M=3.6), free from bias (M=3.50). The study again indicated that there is a strong positive correlation between outsourcing HR functions and overall HR performance of the organizations, and regression analysis showed that three HR outsourcing functions significantly contribute to overall HR performance. R-squared (.963) value indicated the linear relationship between the dependent variable (overall HR performance) and independent variable (HR services and payroll, performance Management, recruitment and selection, Training and development).

Keywords: *Outsourcing; Human resource management; HR performance; Banking Sectors; Bangladesh*

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1.0 Background of the study

Bangladesh is a densely populated country with a 72.55 million active employed population in different sectors. The right number of skilled human resources for the job has not been available. The provision of the right and quality people is one of the key duties of human resources (HR). Considering that the HR functions are shifting from support to strategic, backend to employee engagement, administration to alternate dispute resolution, floor-shop to organizational developments, and time keeping to employee development in order to create a high-performance culture and sustainable development in the long run [1]. HR as a support staff role: where the first goal of the owner is to minimize the cost associated with it, and to minimize the cost of overhead. So at first, HR outsourcing is seen as a way to decrease overhead. The Bangladesh economy is becoming increasingly integrated with the world economy due to the liberalization of trade. As a result, its corporate sector is highly competitive. Our local industries must become far more competitive and well-managed if they are to survive a cut-throat global economy. In this perspective, Corporate Bangladesh must concentrate on the core business, whereas the non-core business must be outsourced to a third party, for it maximizes production with minimum costs [2]. The concept of HR outsourcing has started to become popular in Bangladesh.

HR outsourcing since the early 90s, when it became widely known in the US and Western Europe, 90% of companies have been outsourcing some HR functions [3, 4]. In a study of the American Management Association between 1994 and 1996, 77% of firms outsourced certain human resources activities (60% in 1994). In 1997, 700 firms, or 53% expressed an intention to outsource even further in the future [5]. And with HR outsourcing positions, it has been a hot issue in many countries in the last decade. Many South South-Asian countries have already started implementing HR outsourcing practices according to the customized needs and requirements [6]. In Malaysia, 40 % of service and manufacturing sector companies outsourced HR, and large companies focused more on it [7]. This idea of outsourcing is not a new matter in the rural areas (e.g., farmers, labor, of paddy and crops, household women workers, irrigations, carpenters, masons) in the context of Bangladesh. Now people have this given power, and it was never really acknowledged, at least properly, up to the mainstream HR functions of current times. Nowadays, most of the companies are outsourcing more and more security, cleaning, business, consulting, packaging, labels, event management, product delivery, transportation, logistics, and IT support [8]. The last twenty years have seen an increase in headhunting, HR consulting firms in Bangladesh. But there is no precise data between 2005 and 2017; there has been an

increase in the number of HR consulting firms, with an estimated 20 [9]. HR consulting firms spur HR outsourcing in Bangladesh. The increasing number of posts of the firms points to the fact that demand has already been made on the stakeholders. Now, just the cost elements are not only drivers of the increasing opportunities but also the effectiveness of the services and operational efficiency, and their work process transformation, as well as the ideal concentration level. The research in HR outsourcing is to date virgin areas in Bangladesh. This study has therefore sought to explore the extent to which HR outsourcing occurs in recruitment and selection, training and development, performance management, HR services, and payroll management. Given the research objective on why HR is outsourced, the issue of overall HR performance and HR total outsourcing is the focus question. To the best of our knowledge, this is the first review in the same aspect and brings some novelty within the context of Bangladesh.

1.1. Statement of the problem

Problems by Different Institutions of Bangladesh. In Bangladesh, Different Institutions face different types of challenges. The first problem is that outsourcing intangible products, such as security services, courier services, janitorial services, and lobby services, is not as transparent as tangible services, and we cannot measure them as such. Consequence: Different institutions in Bangladesh can't properly measure the actual cost of the outsourced service delivered by the service provider. Service quality cannot be controlled as per the prior service level agreement. When outsourcing is introduced, jobs can move from the service users to the service provider doing the outsourced work, with a likelihood of reduced pay or conditions. As a result, the outsourced employees might show less loyalty towards the client than their directly hired counterparts, who are motivated to do so, and result in discontent with the poor services that it translates into and impacts the business organ in various ways [10]. Also, a major issue that arises from outsourcing comes from employees, as they are uncertain about losing their jobs [11]. Many service providers take only a subset of clients' environments or personalities into consideration, so the services provided by them cannot be interspersed with others, mainly because some service providers only build one set of service delivery systems for all clients, which causes a low production cost [12]. No less for the same tradition, managers have to watch and constantly speak regarding the outsourced work and check if the functions being outsourced are actually beneficial to the own institution. Accordingly, we may witness the re-emergence of the workloads of managers toward transactional administration [13]. Furthermore, poor attitude, lack of willingness to adapt to new changes, and

demoralization are real issues that will render them ineffective. It has also been shown that there are cases when outsourcing will not have the anticipated cost savings [14, 15]. When such problems represent complicated risks, distract the client from desiring what it wants, and work against the buyer's performance on the buyer's core possibilities. There is no doubt that outsourcing can provide the organization with a lot of positive effects, or with some harmful effects. In light of the challenges and opportunities of outsourcing discussed above, the researcher attempted to explore the challenges and prospects of outsourcing by formulating the following research questions and answering them.

1.2. Research question

1. What are the scopes of HR outsourcing activities in commercial banks of Bangladesh?
2. Which reasons are most preferred by commercial banks for outsourcing their HR functions?
3. How will the HR functions outsourcing affect the general HR function of the banks?

1.3 Research objectives

This research aimed to critically review the HR Outsourcing in commercial banks of Bangladesh. To fulfill the specific objectives, the research tests the following research objectives.

- To explore the present extent of HRP outsourcing in the commercial banks of Bangladesh.
- To identify the reasons for HR functions outsourcing in commercial banks of Bangladesh.
- To examine the impact of HR functions outsourcing on the overall HR performance of the organization in commercial banks of Bangladesh.

1.4 Significance of the study

Other institutions in Bangladesh and similar types of business organizations, especially for those who are thinking of outsourcing or expanding the services, will be able to benefit from the findings and suggestions. Knowing these facts is to the advantage of the institutions, such as whether or not to continue with outsourcing, at large, what are the major measures to be taken to face challenges, and to have a preventive system to overcome the addressed challenges. Furthermore, the study made significant contributions to researchers in studying the risk management in

outsourcing and to the companies in this paper to give some ideas of what can be expected in performing outsourcing.

1.5 Scope of the study

Scope of the Study The study will cover the outsourcing services in Different commercial banks of Bangladesh, especially branches and Head offices in Bangladesh. Data were available because of the known context and geographical proximity to the study area. Thus, if any conclusion is to be made from this study, the latter must be kept in mind.

1.6 Limitations of the study

It was a small sample of respondents from a handful of commercial banks that limited this study. Thus, it is not logical to generalize. What is more, HRM outsourcing is still a baby in Bangladesh, so the concepts need more time for the organizations. Only recruitment, selection, and training, development, performance management, and payroll and HR services are emphasized in the present study; however, there are many other functions of HRM that can be outsourced.

2.0 Review of the Literature

2.1. Conceptual Review

The body of knowledge with respect to business process outsourcing is increasingly being documented with regard to the motivations, benefits/advantages, and problems of business process outsourcing. Most studies on outsourcing present a benefit for a specific type of organization.

2.1.1. The concept of outsourcing

Outsourcing- came up as a term from two words, which are “out”, meaning an exterior, and “source”, meaning a source or origin. It follows that in the business language, the 'outsourcing "is a dramatic, not isolable, activity from the limits of the organization [16]. HR outsourcing is simply an agreement from the employer to a third party. In this transaction, the employer outsources the management of, and certain functions in relation to, one or more of its employees. Pertinent to this paper, I will introduce outsourcing as a source and action that permits the external service provider who offers HR services to extend the services of HR, with a focus on recruitment and selection, training and employee development, performance management system, HR Services, and payroll management. Such a tough competitive environment has compelled organizations to be more pragmatic and logical regarding business procedures. Businesses have been outsourcing operations, services, and even

entire lines of business successfully for years. The concept of outsourcing is drawn from the competitive advantage theory that was assigned by Adam Smith in his book "The Wealth of Nations," which was published in 1776. Over the ages, the definition of the term outsourcing has metamorphosed. From the shifting of the manufacturing of products to places or countries offering cheaper labor in the industrial revolution, it has assumed a whole new meaning in the present-day scenario. Nowadays, data technology is the sinew of business, and it has a vital impact on all business endeavors. It is a situation where one company assigns some or all of its business processes to another company; it has control over the design and execution of the business processes based on the requirements and management of the outsourcer.

2.2. Empirical Review

Williamson (1975) introduced the concept of the transaction cost of economies (TCE). Under this rationale, all organizations focus on finding the most perfect process for conducting business activity [17]. This concept affects the organization in a positive manner to identify whether "make an in-house service or "Buy it from the market "is more effective or not. For doing so, two costs in particular are to be minimized: that of production and that of transaction (coordination). So, the choice of outsourcing is about whether the organization can do something (coordinate) more cheaply by exchanging it with others, rather than by having the in-house capability to deliver that service. However, the resource-based view (RBV) of a firm's competitiveness. Even as the RBV suggests "keen sensitivity to the strategic significance of material and immaterial resources and their implications for guiding the firm's business activities and nurturing a rich collection of capabilities in the firm's portfolio of distinctive competences" [18]. Subsequently, the study has supported RBV, a classic that suggests that if the activities of the business are not vital core competencies, they should be outsourced. Thus, the HR core activities could be kept in-house, and the non-core HR activities could be outsourced [19, 20]. It is drawn from the two major perspectives, TCE and RBV, that researchers are conceptualizing the framework variables (Dependent and Independent Variables) to serve this critical relationship and its outcomes at the organizational level, with a view to aligning with the research findings that most probably point to a strategic choice for the firms. Outsourcing patterns are somewhat varied in developing and transition economies. Outsourcing, off-shoring, and the new on-shoring are being experienced by developing and emerging countries. According to A.T. Kearney's Offshore Attractiveness Index 2004, India, China, Malaysia, the Czech Republic, Singapore, the Philippines, Brazil, Canada, Chile, and Poland are ranked 1-10 based on a firm's combination of low cost and depth of human

resources. Several governments have also been promoting business process outsourcing for large enterprises by cutting back-office costs, thereby restructuring costs and improving productivity, and allowing an increase in resources for core business processes. The literature on outsourcing, on the other hand, suggests that one of the indirect gains of outsourcing is creating discipline for suppliers to provide and retain better-trained, more experienced, and higher-qualified personnel. According to a new study by the World Bank, greater outsourcing in the developing world “is strongly associated with more advanced markets... more secure access to technology or service suppliers”. If the banks in question don’t have the ability to set up a BPO operation in-house and can’t afford to hire outside help, then they've effectively enrolled in a course of business process outsourcing. There is a strong technical professional focus within IT outsourcing, with the move to business process outsourcing adding this additional layer to application professionalism. IT outsourcing is a major phenomenon and, for example, over 90 % of the European banks outsource their ICT activities. The same is for software and software-enabled processes, including call centers and accounting. The global survey of 50 banks also finds that back office and other support functions are increasingly likely to be outsourced to a service provider [21]. On the other hand, as the branch operation business is growing, and the financial market in China is liberalized, bank cards are turning out to be the way in which different Institutions build their own core competence. The phenomenon of “outsourcing” (of external advisors to support them on different stages of the business process) is also mentioned in different layers of the outsourcing research. Generally, banks are more prone to have a proportionally higher number of outsourced non-core competencies, because they have neither sufficient expertise, nor workload to justify hiring a full-time or open unit to cover this body of activities 18 [22]. The research carried out on larger Spanish firms showed that the advancement of Outsourcing provides companies with better IS services and the option to obtain technological progress (though reductions in workforce and technology costs are considered in general very important), but they do not appear amongst the foremost reasons for outsourcing in the current study. About the risks: They are primarily on the provider’s side; there are very high concerns about the potential insufficient qualification of the providers’ employees, potential incompliance of the provider with the contract, and the provider's inability to adapt to the New Technologies. The outsourcing wave is a significant phenomenon from a regulatory point of view. The extent to which outsourcing increases or decreases the net risk profile of an institution, however, will vary based on the significance of the outsourced activity, the sufficiency of controls to mitigate risk from outsourcing, and the capacity of the service provider. Poorly

managed outbound activities carry significant aggregate operational, legal, and reputational risk to the outsourcer, and, ultimately, unintended credit exposure and business expense, or loss [23]. An emphasis on competency within an industry is a key motive in the Indian banking industry for HR outsourcing [24]. The main reason why banks tend to rely on in-house resources for event planning is confidentiality. That kind of limits their ability to outsource event services to an outside company because to protect client privacy and other sensitive information they can't share their data. Moreover, there was common agreement that hiring an event service (or outsourcing it) is not economic at all (it was more for the time saving and the use of a third-party company to have access to the know-how and the latest things happening to the event industry, as in technology equipment, for example [25]. Zemen Bank: Security Guard, Janitorial Service, and Other Support Services outsourced. Assistants/Facilitators: It has major outsourcing in IT, including Security, which is completely managed by offshoring 2.0 Technology Services House (An Associate of Event Enterprise Inc. USA). Dashen Bank: It contracted some of its IT tasks to domestic and foreign vendors, primarily for maintenance works and software development. Security guards are also placed at 19 locations, and major cleaning is subcontracted out. Repairs and maintenance of physical structures, vehicles, equipment, and machines are performed based on contract. Hence, the consequences of outsourcing on industrial sectors must be considered in another way. In this paper, the term outsourcing was discussed in terms of outsourcing activities across the Various Institutions of Bangladesh. The bottom line for me is not id what sector the business is in but that business sectors needs to be increasingly flexible, entrepreneurial, responsible and efficient and this sort of analysis of offshore opportunities and threats can help businesses identify what to do in each case to help them meet their goals by learning new things, pricing services more competitively, strengthening capabilities using other people's capital and ultimately by focusing on what they are good at.

2.3 Research Gap

Although human resource outsourcing (HRO) has been widely studied in developed economies as a strategic tool for cost reduction, efficiency improvement, and organizational flexibility, research on its adoption and effectiveness in the context of Bangladesh's commercial banking sector remains limited. Existing studies in Bangladesh have primarily focused on general HR practices, employee performance, or technological adaptation, but very few have critically examined the scope, drivers, and challenges of outsourcing HR functions in banks. Moreover, the impact of HRO on service quality, employee morale, regulatory compliance, and long-term

sustainability has not been adequately addressed. This gap highlights the need for a critical perspective on HRO practices in Bangladeshi commercial banks to understand whether outsourcing strengthens HR capabilities or undermines core strategic functions.

2.4 Proposed Research Model

To examine the impact of HR functions outsourcing on the overall HR performance of the organization in commercial banks of Bangladesh, the following figure shows the independent variables (HR outsourcing activities) and the dependent variable (HR performance).

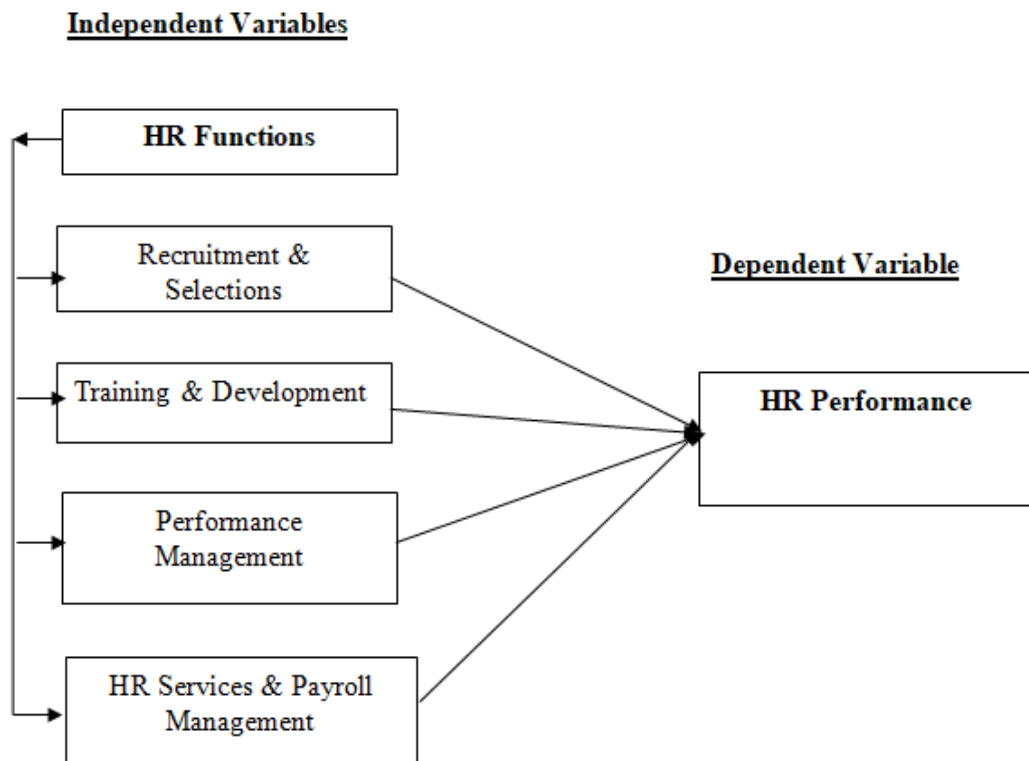


Figure 1: Proposed Research Model

2.4.1 Independent variables

In this study, the independent variables include four significant HR dimensions practices: Recruitment & Selection, Training & Development, Performance Management, and HR Services & Payroll. Recruitment & Selection ensures that banks attract and hire competent employees whose skills and qualifications align with

organizational needs. Training & Development enhances employees' knowledge and capabilities, enabling them to adapt to evolving banking technologies and deliver superior services. Performance Management establishes clear performance expectations, appraises outcomes, and provides feedback and rewards that motivate employees toward higher efficiency. HR Services & Payroll represent the administrative backbone of HR, where timely payroll processing, benefits management, and compliance foster employee satisfaction and operational efficiency. Collectively, these practices form the strategic drivers that influence HR effectiveness within banks.

2.4.2 Dependent variable

The HR Performance, which is taken as the dependent variable, captures the overall outcome of these HR practices. It reflects how effectively human resources contribute to organizational goals through employee productivity, quality of customer service, retention, and workplace satisfaction. Strong HR performance ensures that banks can maintain a motivated workforce, reduce turnover, and build long-term competitive advantage. In the banking sector of Bangladesh, where service quality and customer trust are critical, HR performance acts as a key determinant of both employee and organizational success.

2.5 Hypotheses of the Study:

H₁: Recruitment & Selection-related HR activities have positive impacts on HR performance

H₂: Training & Development-related HR activities have positive impacts on HR performance

H₃: Performance Management-related HR activities have positive impacts on HR performance

H₄: HR Services & Payroll Management-related HR activities have positive impacts on HR performance

3.0 Research Methodology

The methodology adopted by the researcher in critically examining the scenario of outsourcing in HR activities in the banking sector in Bangladesh.

3.1. Study Design and Data Sources

This is descriptive and exploratory research. Basically, quantitative primary data were focused on in this research due to the nature of the study. The data collection process

was guided by an instrument, and the research objectives were established in advance. The data were gathered from the HR managers, senior management team, and lead Consultants in the selected banks.

3.2. Sample Populations, the Sampling, and Questionnaire Design

The population size of the study consists of three private and three public commercial banks in Bangladesh. The data were collected from 110 samples by following a convenient purposive sampling method using a structured questionnaire. The top and mid-level of management were my respondents, as they are more related to HR outsourcing activities. The multivariate nature of the study sample: A rule of thumb for the multivariate nature of the study sample could be that anything above 200 makes a reasonable analysis of the data [26]. The sample size in relation to that, from 30 to 500, is an adequate and minimum number of samples for multivariate analysis; multiple regressions must be a considerably greater number, preferably much greater, as many variables as possible in the study adopted. According to these rules, the minimum required sample size for this study should not be less than $50(5 \times 10)$ but equal to it. 110 samples in this study are more justified. The questionnaire includes organization demographics and responses for HR outsourcing use, reasons for using HR outsourcing functions, and the association of HR outsourcing functions with the HR's overall performance. Responses are on a five-point Likert Scale method (1=Strongly Disagree, 5=Strongly Agree).

3.3. Data analysis

In order to meet the goals of the study, the collected data were evaluated using descriptive statistics by SPSS 22 (Statistical Program for Social Science). This methodology was chosen as it presents a way of condensing the sample, enabling the revealing and description of data features, and can analyze and interpret the questions systematically, one after the other, therefore achieving valid results. Percentages are utilized throughout the course of analysis. Tables were used to display and facilitate the understanding of the results to get relevant information.

4.0 Data Presentation, Interpretation, and Analysis

This chapter deals with data presentation, interpretation, and analysis of the study. It has two main parts: the first part is the background information of the respondents, and the second part consists of data collected from employees and managers through questionnaires. In order to address the research questions, a total of 125 questionnaires were distributed, out of which 110 questionnaires have been received and validated.

4.1 Demographic Profile of Respondents:

Table 1: Demographic Characteristics of Respondents

Dimension		Frequency	Percent
Gender	Male	85	77.27
	Female	25	22.73
Total		110	100
Age	25-35	70	63.64
	35-50	25	22.73
	50 and above	15	13.64
Total		110	100
	Honors	52	47.27
	Master's or High Diploma	58	52.73
Total		110	100
Job title	Top Level Executives	44	40
	Mid-Level Executives	48	43.64
	First Line Managers	18	16.36
Total		110	100
	5- Less than 10 years	66	60
	10 – Less than 15 years	28	25.45
	15 Years and above	16	14.55
Total		110	100

Source: Field Survey 2025

The demographic profile of the respondents highlights a diverse but balanced sample. Out of 110 participants, the majority are male (77.27%), while females account for 22.73%. In terms of age, most respondents fall within the 25–35 age group (63.64%), followed by 35–50 years (22.73%) and 50 years and above (13.64%), indicating a relatively young workforce. Educationally, a slightly higher proportion hold a Master's

degree or higher diploma (52.73%) compared to those with only an Honors degree (47.27%). Regarding job titles, mid-level executives represent the largest share (43.64%), closely followed by top-level executives (40%), while first-line managers form the smallest group (16.36%). Considering work experience, the majority of respondents (60%) have between 5–10 years of service, with 25.45% having 10–15 years and only 14.55% with 15 years or more, suggesting that most employees are in the early to mid-stages of their careers. Overall, the sample reflects a workforce that is relatively young, well-educated, and concentrated in middle and top management positions.

Table 2: Sample Banks Characteristics

Name of Banks	Distribution of Sample	Percentage
Janata Bank Ltd PLC	17	15.45
Agrani Bank Ltd PLC	18	16.36
Rupali Bank Ltd PLC	19	17.27
IFIC Bank PLC	16	14.55
United Commercial Bank PLC	21	19.09
National Bank PLC	19	17.27
Total	110	99.99

Source: BB Report 2023

The sample distribution across the six banks shows a fairly even representation, with slight variations in proportions. United Commercial Bank PLC has the largest share of respondents, accounting for 19.09% of the total sample, followed closely by Rupali Bank Ltd PLC and National Bank PLC, each with 17.27%. Agrani Bank Ltd PLC and Janata Bank Ltd PLC contribute 16.36% and 15.45%, respectively, while IFIC Bank PLC has the smallest share at 14.55%. Overall, the distribution indicates a well-balanced sample of 110 respondents, ensuring that no single bank is overly dominant, while still reflecting diversity among both state-owned and private commercial banks.

4.2 Firms providing HR Outsourcing services in Bangladesh

There were only five (5) HR consulting firms in the year 2005, and that increased to twenty (20) in the year 2022, till this research was conducted (the firm's website). Names of firms and services are mentioned in the appendix section, which shows only

the relevant outsourcing functions provided by firms within the research area. There are other types of HR functions, such as employment background check, assessment center, team building, organizational development, HR policy and process development, health and safety training, employee welfare, employee insurance, and human resources restructuring rendered by those firms.

Table 3: HR functions outsourcing services rendered by outsourcing service Providers

Name of HR functions	Number of firms	Total firms	Percentage
Recruitment & Selections	17	20	85%
Training & Development	18	20	90%
Performance Management	11	20	55%
HR Services & Payroll Management	14	20	70%

Sources: Field survey 2025

This Table depicts the firms providing HR services in the different categories. It is evident that most of the firms (90%) are providing “Training and Development” services. This service is customized as per the requirements of the client organizations. Organizations are placed in their specific requirement throughout the year, and the supplier firm designs and arranges a training program. The trainer is selected mutually, and the training is conducted at the place of the client organization or in an agreed venue. It is also evident that 85% of service provider firms maintain their own web portal, CV bank, and advertising system. The table also shows that 55% of firms outsource performance appraisal functions. The service provider has customized software, systems, and methods, although they serve according to the needs of the clients. The HR services and payroll are rendered by 70% of the firms. To provide HR services and Payroll, the service provider firms solely maintain the database, compute the salary of each category of employment (permanent, daily, contractual), and place the statement to the accounts department of the sourcing company to confirm the disbursement.

Table 4: To what extent has your company outsourced HR functions?

Types of Services	Frequency	Percentage
Recruitment & Selections	10	9.09%
Training & Development	22	20%
Performance Management	11	10%
HR Services & Payroll Management	12	10.91%
All HR functions are outsourced	28	25.45%
Some of the HR functions are outsourced	27	24.55%
Total	110	100

Source: Field Survey 2025

This Table found that most of the organizations are outsourcing HR services and payroll management. Under these services, the client organization provides salary and payroll database, allowances, deductions, leave, and attendance records to the service provider. The salary is paid in two ways: client firms pay the salary, or service-providing firms pay the salary. In the recruitment and selection function, the sourcing organization placed an interim or yearly requirement on the service providers through the internal HR department or by the head of the organization. Recruitment and selection services include three key areas: job advertisement, CV screening, interview, and background checking. Training and development services include a range of soft and hard skills, leadership development, and communication skill development provided by service providers under an annual contract or on a requirement basis. Sometimes, the service providers also offer a special package to a select client organization to attract them to a particular training program. In performance management, the client firms receive specific types of services such as setting key performance indicators (KPI), performance data analysis, and talent management. The types of services are also customized and categorically selective, as per the nature and needs of the organization. HR services and payroll Management, salary process and payment, provident fund maintenance, leave and tax management, are sourced by the client organizations from the service providers. Not every organization takes all services; rather, it depends on the needs of the organization.

Table 5: Reasons behind HR Functions Outsourcing

Reasons	N	M	SD	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
				Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Quick Response	110	3.6	1.4	13	12	15	14	10	9	32	29	40	36
Ensure Confidentiality	110	3.7	1.5	15	14	14	13	10	9	26	24	45	41
Free from bias	110	3.5	1.5	18	16	19	17	9	8	25	23	39	35
Cost Optimization	110	4.0	1.3	9	8	8	7	8	7	30	27	55	50
Free from Hassle	110	3.9	1.3	10	9	11	10	9	8	30	27	50	45
Improved Compliance	110	3.8	1.5	16	15	12	11	6	5	28	25	48	44
Improve functional accuracy	110	3.9	1.4	12	11	9	8	9	8	30	27	50	45
Technological advancement	110	3.8	1.4	15	14	10	9	7	6	33	30	45	41

Source: Data Analysis by Author

The above table depicts that the sample organizations have a selective ground for choosing HR outsourcing that varies according to nature, size, operational volume, and number of HR strengths. Although there are multiple reasons: optimization of overhead cost, making the organization free from the hassle of doing manual work, improving policy and process compliance, a greater extent of functional accuracy is a key focus. Alongside the quick response of HR support, ensuring confidentiality of data, keeping a bias-free process, and technological advancement are also remarkable reasons. In data analysis, cost optimization shows the highest (M=4), and free from hassle and improves functional accuracy (M=3.9), technological advancement (M=3.8), ensures confidentiality (M=3.70), quick response (M=3.6), free from bias (M=3.50), showing a degree of preference to outsource HR functions. Analyzing the result, we assert that the free from bias and quick response shows comparatively a

poor score because of the possibility of manipulation/influence of the other party, immediate response towards client organizations may be interrupted. In the discussion with the lead consultant, we found that companies intended to reduce their costs by transferring some segment of HR functions to outside suppliers rather than doing it themselves. It is because the customized outsourcing is cheaper and more productive than doing it in-house. The comment of a lead consultant of the largest HR firms can be mentioned, “We are often asked by the firm's owner to provide some selective and less costly services, though we can offer more”. Another lead consultant comments, “Generally, we identify the types of HR services that may be needed for the organization, but we are not requested to provide all.”

**Table 6: Relationship between HR outsourcing and Overall HR performance
Correlations coefficient**

	Mean	SD	Overall HR performance	Recruitment & Selections	Training & Development	Performance Management	HR Services & Payroll Management
Overall HR performance	3.67	1.43	1.000				
Recruitment & Selections	3.66	1.32	.962	1.000			
Training & Development	3.68	1.46	.972	.943	1.000		
Performance Management	3.37	1.54	.946	.933	.941	1.000	
HR Services & Payroll Management	3.93	1.31	.937	.937	.946	.892	1.000
N=110, Correlation coefficient at the .01 level of significance (2 tailed)							

Source: Data Analysis by Author

Table 6 shows that there is a strong positive correlation between outsourcing HR functions and the overall HR performance of the organizations. The relationship shows that the overall HR is strongly correlated with recruitment and selection ($r = .962$, $p \leq .01$), training and development ($r = .972$, $p \leq .01$), performance management ($r = .946$, $p \leq .01$), HR services and payroll ($r = .937$, $p \leq .01$). The values indicate that

effective outsourcing of these functions significantly enhances overall HR performance.

4.2 Regression Analysis

The multiple regression analysis is a strong tool to exhibit the relationship between the dependent and independent variables of the study. As the study aims to examine the degree of relationship between outsourcing HR functions and organizations' HR performance, the strength of the relationship is tested.

Table 7: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982	.964	.963	.274
a. Predictors: (Constant), HR services and Payroll, Performance Management, Recruitment and selection, Training and development				

Source: Calculated by the author

The above table shows that the explanatory variable “the overall HR performance” can explain 96% of the total variation, whereas the adjusted R-squared (.963) is also very close to the value of R², which means the explanatory variables are rightly indicating the relationship and model fitness. This means there is a linear relationship between the dependent variable (overall HR performance) and the independent variable (HR services and payroll, performance Management, recruitment and selection, Training and development).

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	214.317	4	53.579	712.063	.000**
	Residual	7.901	105	.075		
	Total	222.218	109			
a. Dependent Variable: Overall HR performance						
b. Predictors: (Constant), HR services and Payroll, Performance Management, Recruitment and selection, Training and development						

Source: Data Analysis by Author

The F-test is helpful to test the null hypothesis. The calculated value of $F=712.063$ is higher than the tabulated value (2.44) at $df_{4, 105}$ is at $\alpha=.05$. This can be concluded from the result that HR outsourcing has a close association with the overall HR performance of the organizations. So the null hypothesis can be rejected.

Table 9: Model Analysis (Coefficients)

Predictor Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficient (Beta)	t-value	Sig. (p-value)	Relationship
Constant	0.000	0.091	0.000	0.004	0.997	
Recruitment & Selection	0.374	0.073	0.346	5.118	0.000*	Strongly Significant
Training & Development	0.488	0.075	0.499	6.488	0.000*	Strongly Significant
Performance Management	0.129	0.056	0.139	2.300	0.023*	Significant
HR Services & Payroll	0.018	0.069	0.016	0.255	0.800	Not Significant
a. Dependent Variable: Overall HR performance						

Source: Calculated by the author

Multiple regression coefficients determine the strength of the influence of each independent variable on the dependent variable. The above regression analysis shows that three HR outsourcing functions significantly contribute to overall HR performance. Specifically, Training and Development ($B = 0.488, \beta = 0.499, p < 0.01$) has the strongest positive effect, followed by Recruitment and Selection ($B = 0.374, \beta = 0.346, p < 0.01$) and Performance Management ($B = 0.129, \beta = 0.139, p < 0.05$). These results suggest that outsourcing these functions substantially enhances HR performance. However, HR Services and Payroll ($B = 0.018, \beta = 0.016, p = 0.800$) does not show a significant impact, indicating that outsourcing this function may not directly influence overall HR performance in the organizations studied.

5.0 Major Findings

The findings of this study reveal several critical insights regarding the practice of HR outsourcing in the commercial banking sector of Bangladesh. The number of HR consulting firms has grown considerably, from only five in 2005 to twenty in 2017, which indicates the rising demand for outsourced HR functions. Among the functions most commonly outsourced, training and development (90%) and recruitment and selection (85%) dominate, followed by HR services and payroll management (70%) and performance management (55%). Banks rely heavily on outsourcing to optimize costs, reduce administrative burdens, ensure compliance, and enhance functional accuracy. Statistical results further confirm a strong positive correlation between HR outsourcing and overall HR performance. Regression analysis shows that training and development ($\beta = .499$, $p = .000$) has the most significant positive impact, followed by recruitment and selection ($\beta = .346$, $p = .000$) and performance management ($\beta = .139$, $p = .023$). In contrast, HR services and payroll management ($\beta = .016$, $p = .800$) have no significant effect on overall HR performance. The regression model explains 96% of the variation in HR performance, and the ANOVA test ($F = 712.063$, $p = .000$) further confirms the model's robustness.

5.1 Discussion

This study makes significant contributions to the understanding of the issues related to HR outsourcing in commercial banking in Bangladesh. The findings suggest that training and development, and recruitment and selection, are the two HR functions outsourced relatively frequently and have a high impact on HR performance. This result is in line with studies that argue that skill improvement and effective recruitment are motivating factors for firm performance [27, 28]. More specifically, training and development outsourcing in Bangladesh seems to be a means to prepare employees with the technical and soft skills needed in the midst of rapid changes in banking activities, particularly in the era of digital banking and financial technologies. The strong predictors for recruitment outsourcing may reflect the fact that banks have to take talent quickly in a highly competitive labor market and also mirror the global tendency to use external HR specialists to better ensure that the best candidates are selected [29].

They also find that performance management outsourcing has a weaker, yet still significant, effect on HR performance. This would indicate that, even in the hands of bank staff and more specifically in the hands of bank employees who are now responsible for setting KPI and doing data interpretation and performance evaluation, banks are still outsourcing the process, and that perhaps the decision-making whether

to hire, fire, or promote is outside the talent management process. Its limited effectiveness may also be a cultural and structural limitation in Bangladeshi banks, where we believe performance management is bureaucratic and hierarchical in nature, and external solutions are less likely to be effective. This reflects observations from Asian settings where the practice of outsourcing performance management has been found to yield mixed results owing to the impact of context and institutions [30].

Interestingly, the research reveals that whilst HR business services and payroll outsourcing are common practices, they do not impact overall HR performance. This is contrary to results from some Western countries, where payroll outsourcing was found to bring efficiency and reduce errors [31]. Other possible reasons for the lack of effect of DBCFT in Bangladesh were, however, also discussed, including poor vendor responsibility, issues related to confidentiality, and the rather transactional nature of the payment of the payroll. Payroll, to banks, could be seen as a transactional necessity as opposed to an HR added-value function, which is why outsourcing in this function does not directly lead to a better HR performance measure.

Another issue to consider from the results concerns the motive of outsourcing. Cost reduction, hassle of management, and higher accuracy were found to be the most important motivators. This is in line with transaction cost economics theory, according to which the firm would try to lower overhead costs or achieve its efficiency objectives through outsourcing its non-core functions [32]. That being the case, because of the low scores in quick response and independence of bias, it is likely that banks would find it difficult to maintain responsiveness and free bias practices for their outsourced agencies. Such concerns are highly pertinent aspects in Bangladesh, where personal networks and informal practices could be an issue for the outsourcing relationships.

Strong R2 results were shown (964), also highlighting that HRO has an extensive effect on HR performance in commercial banks. This is consistent with the Resource Based View, which suggests that firms are able to improve performance by accessing external knowledge whilst concentrating internally on key strategic competencies. By outsourcing non-strategic areas like recruitment, learning, and performance management, banks in Bangladesh can save dollars to invest in strategic HR functions, such as talent retention, employee engagement, and innovation.

5.2 Recommendations

Based on the findings, a few suggestions can be put forward for commercial banks in Bangladesh. First, training and development outsourcing should be made a priority, as

this is where the impact on workforce capability, leadership development, and ongoing productivity is greatest. And not to underestimate recruitment outsourcing that could be underpinned by a more formal relationship with REPS/HRS service providers, leading-edge ATS, and access to external CV databases to deliver a more objective, higher quality recruitment process. From the same perspective, the outsourcing of performance management should also extend and connect more with KPIs (Key Performance Indicators), talent analytics, and succession planning to sustain organization-wide effectiveness. As for the payroll outsourcing, careful use is necessary, but it does not make sense to perform it on the scale that would heighten HR performance. Banks might decide to outsource the mundane payroll activities, but keep the strategic payroll in-house to secure the information and ensure accuracy of the process. And although cost savings is the primary motivation for outsourcing, banks must weigh cost vs. quality by defining rigid Service Level Agreements (SLAs) that maintain quality and performance requirements. Finally, vendor relationship management should take a long-term view that is more partnership-like, rather than transactional, and encourage innovation, accountability and trust between banks and their suppliers.

5.3 Implications

The study has theoretical, management, policy, and practical implications. From a theoretical perspective, these findings corroborate the importance of RBV and Transaction Cost Theory within the banking context. With the help of non-critical HR functions outsourcing, banks can easily concentrate on the vital HR functions and their overall competencies. In terms of management implications, our results give a clear message to those managers in banks and the aforementioned HR functions that they can optimize their HR outsourcing levels by focusing on training (where they can maximally outsource work to achieve the most efficient cost/quality), recruitment (if decision makers consider a payback period of 2 years) and performance management (if payback is 3 to 5 years), while perspective of payroll are less promising. Policy implications are also accrued that shed light on the importance of the regulatory bodies in Bangladesh to develop standardized guidelines so that a consistent approach is taken towards HR outsourcing in ensuring service standards, while upholding ethical recruitment practice and data protection. Practically speaking, HR consulting firms must augment their service lines in training, recruitment, and performance management, as well as invest in tech tools such as AI-fuelled payroll and automated compliance solutions to drive value in payroll outsourcing.

5.4 Conclusion

Finally, HR outsourcing is found to be a successful tool for improving HR performance in the Bangladeshi banking industry. The findings reveal that training and development, recruitment and selection outsourcing have the greatest impact on overall HR performance, followed by payroll outsourcing in order of importance. These results highlight that outsourcing should not be seen solely as a cost reduction tool but as a strategic agreement improving organizational learning, efficiency, and competitiveness. Choice: For banks, it will be the ability to pick and choose which functions they outsource and strategically manage their relationships with service providers that will drive long-term incremental performance improvement and growth.

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