



AI-DRIVEN SHRM STRATEGIES FOR FINANCIAL RISK MITIGATION AND ENHANCED RETURNS

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Abstract

AI-driven Strategic Human Resource Management (SHRM) strategies are crucial in the modern world to reduce financial risk and improve performance. The study examined the correlations between the efficacy of AI tools in managing financial risks, satisfaction with these tools, and their impact on organizational financial performance by employing a quantitative approach and conducting a survey of 100 HR professionals. The results indicate a highly significant positive correlation between the effectiveness of AI in risk mitigation and financial performance, as well as a similarly high correlation between satisfaction with AI tools and their impact on financial outcomes. AI tools that effectively manage financial risks and achieve high user satisfaction are closely associated with enhanced financial performance, as these results suggest. The study concludes that AI-driven SHRM strategies are indispensable for optimizing financial performance and effectively managing risks. In an effort to optimize their financial gains, organizations are to prioritize user satisfaction and allocate resources to artificial intelligence technologies.

Keywords: Artificial Intelligence, Healthcare Systems, Health Technology, Medical AI, Future Trends, Machine Learning

INTRODUCTION

Decision-making and financial performance are contingent upon effective human resource management in any organization (BOMMISETTI, R. K., et al 2024). The incorporation of Artificial Intelligence (AI) in Human Resource Management has emerged as a transformative approach to managing financial risks and augmenting returns in the contemporary business landscape. Organizations have the potential to optimize performance outcomes and mitigate financial uncertainties through this synergy between AI and SHRM. This introduction explores the history of this research area, emphasizing the importance of AI in SHRM, its role in financial risk management, and the potential for enhanced returns. SHRM is the process of ensuring that human resource practices are in accordance with the strategic objectives of an organization in order to establish a competitive advantage. In the past, SHRM has prioritized the optimization of workforce capabilities, the improvement of productivity, and the promotion of organizational effectiveness. Nevertheless, the scope of SHRM has broadened to encompass advanced predictive analytics, risk management, and financial performance optimization as a



result of the emergence of AI technologies (Vishwakarma, L. P., & Singh, R. K. 2023).

AI technologies, such as “machine learning, data analytics, and natural language processing”, have revolutionized numerous corporate operations, including human resource management. These technologies enable firms to analyse vast amounts of data, detect trends, and make decisions based on data. AI applications enable improved strategic planning, risk assessment, and forecasting in the context of SHRM (Guenzel & Passarelli, 2021). For example, AI-powered analytics tools can predict employee attrition, evaluate talent gaps, and optimize recruitment processes, thereby mitigating the financial risks associated with human resource management (Strohmeier, D.E.P.A.P.S.2014).

Organizational management necessitates financial risk mitigation, which encompasses operational challenges, liquidity, credit, and market fluctuations. Financial risk mitigation in the context of SHRM entails the management of human capital hazards that have the potential to affect financial stability and performance. In this field, there are numerous benefits to employing SHRM strategies that are AI-driven. By optimizing productivity and workforce management, AI technologies can increase financial returns. Organizations can enhance their overall performance and profitability by identifying high-potential employees, customizing training programs, and aligning talent acquisition with strategic objectives through the use of AI (Halid, H., et al 2022). AI-driven SHRM strategies allow organizations to optimize HR processes, decrease operational expenses, and allocate resources more efficiently, resulting in improved financial results (Badhwar, P., et al 2022).

Empirical evidence supports the prospective advantages of AI-driven SHRM strategies. For example, a study conducted by Baruch, Y., et al (2006) demonstrates that organizations that implement advanced HRM practices, such as AI-based solutions, achieve higher financial performance and a competitive advantage. Similarly, Becker, B. (1998) conducted research that indicates that strategic HRM practices have a positive impact on financial returns and organizational performance. The adoption of AI-driven SHRM strategies also presents challenges, despite the promising prospects. Data privacy, algorithmic bias, and the necessity of qualified personnel to oversee AI systems can influence the ethical implications and efficacy of these technologies (Tambe, P., et al., 2019). The objective of this investigation is to evaluate the influence of AI-driven SHRM strategies on financial performance and financial risk mitigation. This objective is to evaluate the efficacy of AI tools in managing risks and improving financial outcomes, as well as the role of user contentment in these processes.

OBJECTIVES OF THE STUDY

1. To evaluate the effectiveness of AI-driven Strategic Human Resource Management (SHRM) strategies in mitigating financial risks
2. To analyse the satisfaction of AI-driven SHRM strategies on organizational financial performance and returns

LITERATURE REVIEW

Samarasinghe, K.R. & Medi's, A. (2020) provide a theoretical framework for incorporating AISHRM within the framework of Industry 4.0. With the progression of Industry 4.0, machines powered by artificial intelligence are anticipated to supplant a significant portion of the human workforce, hence amplifying the significance of human capital. The article highlights the need of firms adjusting their HR strategy in order to effectively utilize AI. It introduces the AISHRM paradigm, which is based on the Resource-Based View (RBV). The objective of this approach



is to optimize human resources processes in order to improve organizational performance and achieve a competitive edge. The paper offers a prospective analysis of how AI will revolutionize HR management, but it would benefit from empirical verification of its suggested methodology.

Rosada, S., & Pujiwati, J. (2024) examine the primary factors that determine the efficacy of Human Resource Management (HRM) and their influence on the financial performance of organizations. The study utilizes a systematic literature review process to analyse findings from many scholarly sources, such as Google Scholar, JSTOR, ScienceDirect, and Business Source Premier. The study centres around theoretical frameworks such as the Resource-Based View, Human Capital Theory, and Strategic HRM Model, as well as empirical research on HRM practices and their impact on financial outcomes. The research emphasizes that the strategic alignment between HRM and corporate goals is crucial for enhancing financial performance. Key considerations in achieving effective personnel management include the implementation of robust training, development, and performance management systems.

Hasyim, H., & Bakri, M. (2023) investigate the correlation between Human Resources Development (HRD) strategies and the financial performance of corporations. The study utilizes a systematic examination of existing literature to analyse data from several scholarly sources, with a specific emphasis on terms associated with Human Resource Management (HRM) and financial results. The results underscore the need of implementing effective techniques in human resource development (HRD), such as talent management, training, and performance management, to improve financial performance. The research emphasizes the need of synchronizing HRD strategies with corporate objectives and utilizing technology to enhance results. The study provides useful insights by amalgamating previous research on how strategic HRD practices might enhance financial performance. It gives direction to researchers and practitioners on maximizing HRD efforts to achieve organizational success.

Haryanto, T. (2023) examines the potential of Human Resource Management (HRM) techniques to improve the financial management skills of “Micro, Small, and Medium Enterprises (MSMEs)”. The study used a qualitative methodology to investigate the correlation between HRM and financial management ideas. The study employed purposive sampling and theme analysis to establish that strategic HRM approaches, such as recruitment, training, and performance evaluation, significantly enhance the financial management capabilities of MSMEs. The study highlights the importance of cultivating a culture that encourages continuous learning and the improvement of abilities. The findings offer valuable insights for MSMEs aiming to improve their financial management capacities through the implementation of efficient HRM approaches.

Research Gap

Although there is increasing interest in the use of AI in SHRM, there is a significant lack of understanding on the direct correlation between the efficiency of AI in mitigating financial risks and its influence on financial performance. Current research frequently emphasizes the overall advantages of artificial intelligence (AI) or its technical components, but fails to adequately consider the impact of user happiness on the usefulness of AI products and their financial results. This study seeks to close this gap by carefully examining these interactions and providing insights into the actual consequences of AI-driven SHRM tactics.

RESEARCH METHODOLOGY

Research Design: To investigate the efficacy of AI-driven Strategic Human Resource

Management (SHRM) methods in reducing financial risks and improving corporate financial performance, this study uses a quantitative research approach. The main goal is to comprehend the connection between different financial outcomes inside firms and AI applications in SHRM.

Data Collection Method: A structured questionnaire was used in a survey to gather data. A total of one hundred respondents or stakeholders who work for HR businesses received the questionnaire. HR directors, managers, and other experts who are knowledgeable about the application and implications of AI in SHRM were among the responders.

Questionnaire Design: To gather respondents' opinions and experiences with AI-driven SHRM methods, the questionnaire was composed of Likert scale questions. The Likert scale addressed a wide variety of topics, including the effectiveness of AI in risk detection and management, the impact of AI on financial performance, and the satisfaction with AI-driven SHRM tools and their integration into HR procedures. The scale went from 1 (Strongly Disagree) to 5 (Strongly Agree).

Sampling Technique: The respondents were chosen using a purposive sampling method. By ensuring that participants had pertinent knowledge and expertise about AI-driven SHRM practices, this strategy offers findings that are directly relevant to the goals of the research.

Data Analysis: To investigate the associations between variables, data analysis was carried out using the Pearson correlation coefficient. to evaluate the nature and degree of the association between financial risk reduction and financial performance as a result of using AI-driven SHRM initiatives.

Data Analysis

The data analysis was done through frequency distribution and deriving correlation between variables.

Figure 1: Representation of Survey Respondents

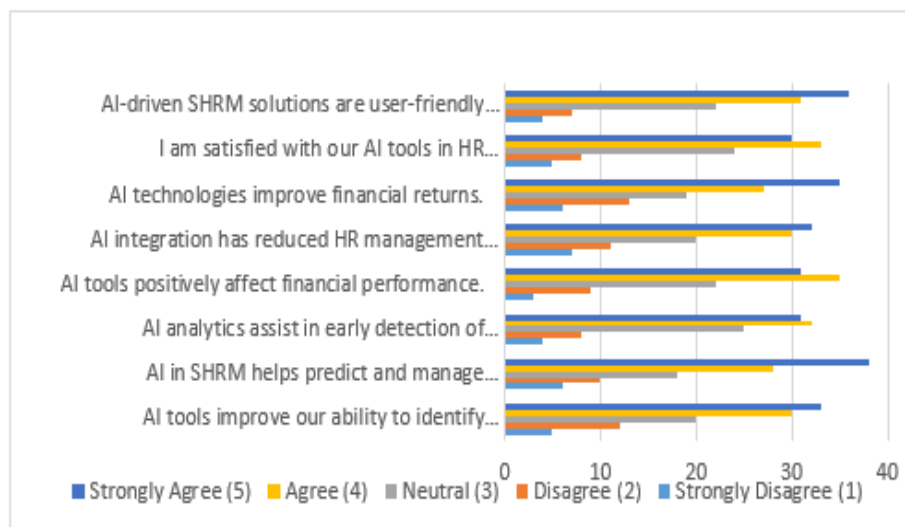


Table 1: Frequency Distribution of Survey Respondents

Question	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Section 1: Effectiveness of AI in Risk Mitigation					
AI tools improve our ability to	5	12	20	30	33

identify financial risks.					
AI in SHRM helps predict and manage employee turnover.	6	10	18	28	38
AI analytics assist in early detection of financial issues.	4	8	25	32	31
Section 2: Impact of AI on Financial Performance					
AI tools positively affect financial performance.	3	9	22	35	31
AI integration has reduced HR management costs.	7	11	20	30	32
AI technologies improve financial returns.	6	13	19	27	35
Section 3: Satisfaction with AI-Driven SHRM Tools					
I am satisfied with our AI tools in HR management.	5	8	24	33	30
AI-driven SHRM solutions are user-friendly and easy to integrate.	4	7	22	31	36

The survey results provide valuable insights into the perceptions of AI-driven Strategic Human Resource Management (SHRM) tools among respondents. Effectiveness of AI in Risk Mitigation reveals that a majority of respondents believe AI tools are effective in improving their ability to identify financial risks, with 33 agreeing and 30 strongly agreeing on this point. Similarly, AI's role in predicting and managing employee turnover is seen positively, with 38 agreeing and 28 strongly agreeing.

The early detection of financial issues through AI analytics also receives favourable feedback, with 31 strongly agreeing and 32 agreeing. These responses collectively indicate that AI is highly regarded for its effectiveness in managing financial risks and related HR challenges.

The Impact of AI on Financial Performance shows that respondents generally perceive AI tools as having a positive impact on financial performance, with 31 strongly agreeing and 35 agreeing. The reduction in HR management costs due to AI integration is recognized by 32 strongly agreeing and 30 agreeing.

Additionally, AI technologies are thought to enhance financial returns, with 35 strongly agreeing and 27 agreeing. This data suggests that AI tools are not only effective in risk management but also contribute positively to financial outcomes.

On Satisfaction with AI-Driven SHRM Tools indicates a high level of satisfaction with the AI tools used in HR management, with 33 agreeing and 30 strongly agreeing.

The user-friendliness and ease of integration of AI-driven SHRM solutions are also well-regarded, with 36 strongly agreeing and 31 agreeing. These findings suggest that users are generally satisfied with the functionality and integration of AI tools, which likely contributes to their overall effectiveness and impact on financial performance.

Correlation between Effectiveness of AI in Mitigating Financial Risks and Impact on Financial Performance

Figure 2: Correlation between Effectiveness of AI in Mitigating Financial Risks and Impact on Financial Performance

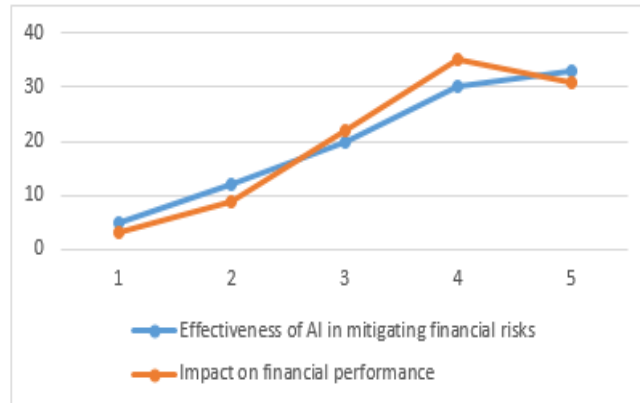


Table 2: Correlation Table 1

	Effectiveness of AI in mitigating financial risks	Impact on financial performance
Effectiveness of AI in mitigating financial risks	1	
Impact on financial performance	0.976637	1

The correlation coefficient of 0.976637 indicates a very strong positive relationship between the effectiveness of AI in mitigating financial risks and its impact on financial performance. This means that as the perceived effectiveness of AI in managing financial risks increases, there is a correspondingly high increase in the perceived positive impact on financial performance. This strong correlation suggests that improvements in risk mitigation through AI are closely associated with better financial outcomes for the organization.

Correlation between Satisfaction with AI-Driven SHRM Tools and Impact of AI on Financial Performance

Figure 3: Correlation between Satisfaction with AI-Driven SHRM Tools and Impact of AI on Financial Performance

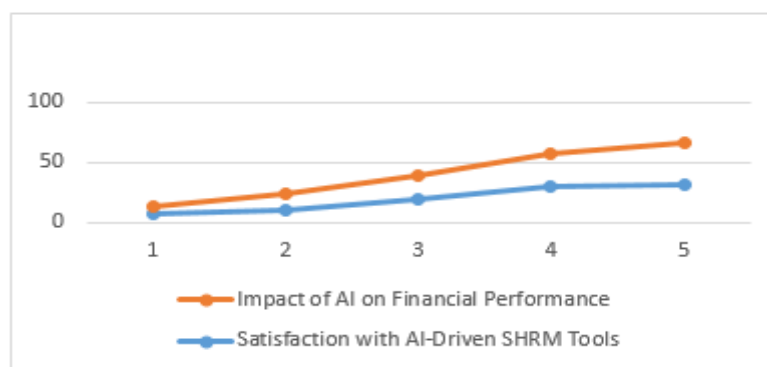


Table 3: Correlation Table

	Satisfaction with AI-Driven SHRM Tools	Impact of AI on Financial Performance
Satisfaction with AI-Driven SHRM Tools	1	
Impact of AI on Financial Performance	0.976652	1

The correlation coefficient of 0.976652 also indicates a very strong positive relationship between satisfaction with AI-driven SHRM tools and their impact on financial performance. This means that higher satisfaction with AI tools is highly correlated with a better perceived



impact on financial performance. Essentially, when respondents are more satisfied with the AI tools used in SHRM, they tend to perceive a greater positive effect on the organization's financial performance.

CONCLUSION

The study backs up AI's big impact on changing SHRM practices. It shows AI gives strong risk management answers and boosts money results. The study found very strong links between how well AI cuts risks and money results, and between how happy users are and money impact. This proves AI tools are valuable in today's HR work. Companies that use AI tech well in their HR plans can handle money risks better and get better money results. How happy users are with AI tools affects how much they help money results. This shows it's key not just to use AI tools, but to make sure they work well for users and fit into HR tasks. Future studies could look at which parts of AI tools help user happiness and money results most, and how different fields use AI-driven SHRM plans. The findings say companies should focus on bringing in AI and keeping users happy to drive money success.

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