

HUMAN CAPITAL MANAGEMENT AS DRIVER OF FINANCIAL GROWTH IN COOPERATIVE BUSINESS: A REVIEW STUDY

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ABSTRACT

This study systematically examines the relationship between human capital management (HCM) and financial performance in cooperative enterprises through a PRISMA-guided literature review. Drawing upon 26 peer-reviewed studies published between 2006 and 2024, the paper synthesizes fragmented evidence across diverse institutional and organizational contexts. The findings reveal a consistent positive association between strategic HCM practices—particularly training, performance management, compensation, and employee engagement—and financial outcomes such as profitability, return on investment, and operational efficiency. However, the relationship is contingent upon organizational alignment, governance structures, and institutional environments.

Building on the resource-based view, human capital theory, social exchange theory, and contingency theory, this study develops a multi-level conceptual framework linking HRM practices, behavioral outcomes, operational performance, and financial results in cooperative enterprises.

The paper contributes to the literature by (i) consolidating empirical evidence specific to cooperatives, (ii) identifying mediating and moderating mechanisms, and (iii) proposing a theoretically grounded framework for future empirical validation.

Keywords: Human capital management; financial performance; cooperative enterprises; employee participation; strategic HRM practices; organizational sustainability.

INTRODUCTION

Within the contemporary organizational milieu, the strategic orchestration of human capital has crystallized as a pivotal determinant of enterprise viability and long-term sustainability. Human resource management constitutes a multifaceted continuum of managerial paradigms encompassing talent acquisition, personnel selection, competency enhancement initiatives,

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performance appraisal mechanisms, remuneration structures, and workforce engagement protocols; these practices exert profound influence in calibrating employee's proficiency trajectories and intrinsic motivation within organizational ecosystems (Singh and Kassa 2016). The assimilation of contemporary HRM methodologies with cooperative enterprises can be conceptualized as a strategic imperative to ensure synchronized investments in human capital, thereby catalysing the attainment of organizational objectives and optimal performance indices (Sacchetti *et al.* 2016). Progressive HRM paradigms in cooperative frameworks demonstrably augment workforce commitment, cultivate innovation-centric organizational cultures, and amplify operational efficacy – competencies that prove indispensable for navigating today's turbulent and dynamically evolving business terrain (Martinia *et al.* 2017).

The member–proprietorship architecture, a corporate governance construct predicted upon democratic deliberation mechanisms and communal advancement principles, fundamentally distinguish cooperative enterprises from conventional commercial entities. Notwithstanding their intrinsic uniqueness to cooperative identity, these foundational tenets simultaneously endanger distinctive challenges within organizational structuring and strategic formulation domains. Traditional member-centric HRM practices can be taxonomically delineated into multiple categorical dimensions, including participatory engagement assessment, oversight activities, and unwavering adherence to cooperative axioms (Aryal and Singh 2023). As cooperative societies progressively penetrate liberalized market systems and confront technological metamorphosis, the exigency for comprehensive HRM practice reformation becomes unequivocally imperative, as such transformations substantially bolster their competitive positioning while simultaneously fortifying their adaptive resilience mechanisms (Shakir *et al.* 2020).

Within today's intensely competitive commercial landscape, cooperatives encounter formidable pressure to generate superior-quality outcomes, thereby ensuring sustained growth trajectories and market competitiveness (Shakir *et al.* 2020). Contemporary HRM policies have ascended to prominence as foundational pillars undergirding organizational architectures, fundamentally sculpting prospective industry trajectories. Recent scholarship by Aryal and Singh (2023) has illuminated the quintessential role of HRM in facilitating organizational triumph. Empirical investigations conducted by Chinyamurindi *et al.* (2021), Ramos- Torres (2017), and Priyadharshini *et al.* (2015) have substantiated the critical significance of HRM in propelling organizational achievement. Scholarly evidence demonstrate that high-performance work systems can precipitate substantial ramifications on workforce attrition rates, productivity metrics, and corporate fiscal performance indicators (Meier *et al.* 2021; Ramos-Torres 2017). Conversely, alternative scholarly perspectives have documented the reciprocal causal relationship wherein financial performance exerts influence upon HRM practice configurations (Byarugaba *et al.* 2022; Khan *et al.* 2020). Furthermore, Mulolli and Boskovska (2020) have accentuated the instrumental role of HRM in amplifying financial optimization and profitability margins. Organizations have progressively gravitated toward recognizing the strategic dimensionality of human capital stewardship with escalating acknowledgment (Meire *et al.* 2021). Consequently, comprehending the multifaceted impact

of HRM practices on financial performance becomes critically imperative. These scholarly contributions collectively underscore the paramount importance of efficacious HRM in catalysing fiscal prosperity.

Despite the acknowledged significance of HRM practices in augmenting organizational performance, systematic empirical evidence remains conspicuously limited regarding how these practices specifically modulates financial outcomes within cooperative enterprises, which operate under distinctive governance architectures and organizational configurations. This paper endeavours to bridge the existing lacuna in contemporary literature by furnishing robust evidence elucidating the nexus between HRM practices and financial performance through a rigorous systematic review employing the PRISMA framework. The overarching objective of this scholarly endeavour is to proffer cooperatives actionable insights facilitating the refinement of their HRM procedures to substantially augment both financial and operational performance metrics. This review additionally aspires to synthesize empirically validated generalizations concerning the relationship between HRM and financial performance in cooperatives, yielding pragmatic utility for business practitioners, organizational strategists, and policy architects. Ultimately, this review systematically examines the scholarly literature within the domain of HRM and its consequential influence on business performance outcomes in cooperative enterprise structures.

THEORETICAL BACKGROUND

The relationship between human resource management (HRM) architectures and organizational fiscal outcomes has garnered substantial scholarly consensus. This paper is literature synthesis that endeavours to scrutinize salient theoretical paradigms elucidating the symbiotic relationship between HRM configurations and pecuniary performance metrics.

The resource-based view posits that idiosyncratic, strategically valuable, and inimitable organizational assets constitute the fundamental determinants of sustained competitive superiority. Within this conceptual framework, HRM praxis represents a constellation of rare, non-substitutable competencies that engender enduring competitive differentiation and facilitate superior economic returns (Gerhart and Feng 2021). Furthermore, Ahmed *et al.* (2018) contended that sophisticated HRM infrastructures enable organizations to procure, cultivate, develop, and maintain exceptional talent repositories, thereby catalysing enhanced operational productivity, organizational innovation capacity, and concomitant financial prosperity.

Human Capital Theory accentuates the instrumental significance of deliberate investments in anthropogenic, capital-encompassing formal education, systematic training interventions, and competency enhancement mechanisms -as vehicles for generating substantive economic dividends. Through this theoretical aperture, HRM methodologies function as instrumental mechanisms for augmenting employee's latent capabilities, consequently amplifying their operational efficacy and organizational value proposition (Rompho 2017). This paradigm advances the proposition that enterprises committing substantial resources toward development initiatives, pedagogical programs, and comprehensive HRM interventions demonstrate elevated productivity trajectories, as the workforce progressively assimilates

and deploys specialized knowledge and refined competencies that directly enhance organizational profitability.

Social exchange theory postulates that employment relationships are predicted upon reciprocal obligations, wherein organizational stakeholders engage in transactional exchanges governed by normative expectations of mutual benefit. In the HRM domain, this framework elucidates how favourable organizational treatment – manifested through professional advancement opportunities, equitable remuneration structures, and supportive workplace environments – precipitates reciprocal employee behaviours characterized by heightened engagement, discretionary effort, and organizational citizenship (Ahmed *et al.* 2018). Organizations cultivating positive social exchange dynamics consequently experience ameliorated employee performance indices, elevated satisfaction coefficients, and ultimately enhanced financial metrics (Mohammad *et al.* 2021).

Institutional Theory illuminates the coercive influence that prevailing societal normative structures, cultural values, and regulatory apparatuses exert upon organizational architectures and operational praxis (Ming-Chu 2017). Regarding HRM implementations, institutional theory reveals how exogenous institutional forces-including regulatory frameworks, industry consortia mandates, and broader societal legitimacy expectations-substantively shape organizational HRM configurations. Organizations may adopt particular HRM practices not exclusively for performance optimization but rather to achieve isomorphic legitimacy and satisfy institutional conformity pressures. Minh-Chu (2017) demonstrated that institutional mechanisms, accounting for variance in organizational processes, may attenuate or obscure direct correlations between specific HRM practices and financial outcomes.

Contingency theory advances the proposition that organizational efficacy is contingent upon the congruence between internal structural configurations and external environmental contingencies. Applied to HRM scholarship, this perspective asserts that the relationship between HRM practices and fiscal performance manifests only under conditions of contextual alignment with organizational characteristics and environmental parameters – including organizational scale, industrial sector dynamics, technological infrastructure, and competitive positioning (Chang and Huang 2005). Optimal financial performance necessitates the strategic calibration of HRM policies to align with idiosyncratic organizational exigencies and industry-specific contextual factors.

In summary, the interconnection between HRM practices and financial performance can be explicated through multiple complementary theoretical lenses. While distinct theoretical orientations emphasize particular dimensions of this multifaceted relationship, scholarly consensus underscores the paramount importance of strategically orchestrated HRM systems for enhancing both operational and financial organizational outcomes. By synthesizing these theoretical frameworks, scholars and practitioners can comprehensively apprehend the underlying mechanisms through which HRM practices and strategic initiatives drive organizational performance in contemporary turbulent and increasingly complex business ecosystems.

METHODS

To address a research inquiry, systematic reviews aggregate all pertinent empirical evidence conforming to predetermined eligibility parameters. The imperative for methodologically rigorous research approaches necessitates the utilization of systematic reviews, particularly the PRISMA framework (Purnomo *et al.* 2022). Predicted upon a methodical, transparent and explicitly delineated iterative progression, this approach facilitates researchers in synthesizing extant scholarly literature (Bakator *et al.* 2019). Moreover in addition to the PRISMA methodology, supplementary techniques such as forward and backward snowballing were deployed to ensure comprehensive literature coverage. Backward snowballing encompasses the systematic examination of reference from included manuscripts to identify chronologically antecedent studies of thematic relevance (Wohlin 2014). These approaches facilitate the retrieval of previously overlooked seminal works, as well as contemporaneous literature, potentially omitted during the initial database interrogation (Wohlin 2014). This augments the robustness of the review, and consequently the relationship between HRM practices and financial performances in cooperatives has been explored more exhaustively. The PRISMA model has experienced progressive adoption across disciplines beyond evidence-based medicine. Despite its proliferation in management scholarship, systematic reviews of finance literature have operationalized this model (Shakir *et al.* 2020; Alkhowaiter 2020; Khan *et al.* 2022).

The four sequential phases in our PRISMA flow diagram constitute its foundational architecture. During the identification phase, investigators formulate the research question and systematically retrieve pertinent manuscripts. Distinct inclusion and exclusion criteria should be established, and the search procedure should be methodical and exhaustive. In the screening phase, researchers critically appraise the studies identified in the initial phase based on their substantive relevance to the research question and conformity with inclusion and exclusion criteria. Characteristically, this phase encompasses screening of the studies titles and abstracts, succeeded by comprehensive full-text evaluation for those satisfying inclusion criteria. Researchers assess the eligibility of studies successfully navigating the screening phase. This assessment also evaluates the methodological quality of the studies and their relevance to the research inquiry. Studies satisfying eligibility criteria are incorporated into the systematic review.

In the inaugural phase, a strategy was devised to evaluate pertinent materials by operationalizing precise inclusion and exclusion criteria. A search expression utilizing predefined keywords such as “HRM” and “Financial Performance” OR “Cooperative” to retrieve the requisite resources was constructed. Inclusion criteria encompassing elements such as complete articles, digital accessibility, English language composition and relevance to the investigation. Subsequently we delineated the exclusion criteria in Table 1, which encompasses monographs, conference proceedings, editorial commentaries, manuscript composed in languages other than English and grey literature (comprising non-academic industry reports, governmental documentation, or materials falling to satisfy inclusion criteria).

Consistent with the PRISMA checklist, we systematically considered the pertinent factors enumerated in Table 1.

Table 1. The PRISMA Approach for Systematic Literature Reviews

| Component | Description |
|--|--|
| Language | English |
| Search Strategy | Selected the codes of search in the source database: “HRM” AND “Financial Performance” OR “Cooperative”. Categories: Finance, business; management; cooperative studies. Full text articles were identified for the subsequent eligibility and inclusion decision. |
| Study Design | The investigation employs a systematic literature review to consolidate the corpus of extant research. |
| Eligibility criteria and publication type included | Only articles published in peer-reviewed journals were deemed eligible. Peer reviewed publications from the electronic database Google Scholar, Scopus, and Web of Science were located. |
| Review Protocol | To mitigate the possibility of “biased post hoc decisions in review methods” (Purnomo <i>et al.</i> 2022), the search criteria and related keywords have already been predetermined by reviewers. |
| Publication time frame | 2006-2024 |

During the subsequent phase, the investigation progressed through a meticulous systematic literature examination in strict accordance with the PRISMA methodological framework. Scholarly materials were extracted from designated bibliography repositories utilizing strategically constructed search queries formulated from predefined terminological constructs. The analytical purview was deliberately restricted to germane empirical scholarship disseminated between 2006 and June 2024. This temporal delimitation guarantees comprehensive scrutiny of the most exhaustive and contemporaneous research accessible at the juncture of investigation, while simultaneously fulfilling the objective of capturing recent scholarly disclosure on organizational fiscal performance dynamics. From this initial retrieval of 72 documents through database interrogation, redundant entries, non - Anglophone publications and non - scholarly materials were systematically eliminated. This rigorous filtration methodology culminated in a refined corpus of 26 articles constituting the final analytical sample. The abstracts of these selected manuscripts underwent scrupulous evaluation to ascertain their alignment with the investigative parameters of this study. The entire literature screening and selection procedure maintained strict conformity with the PRISMA architectural model, as comprehensively illustrated in Table 1 and graphically depicted in Figure 1.

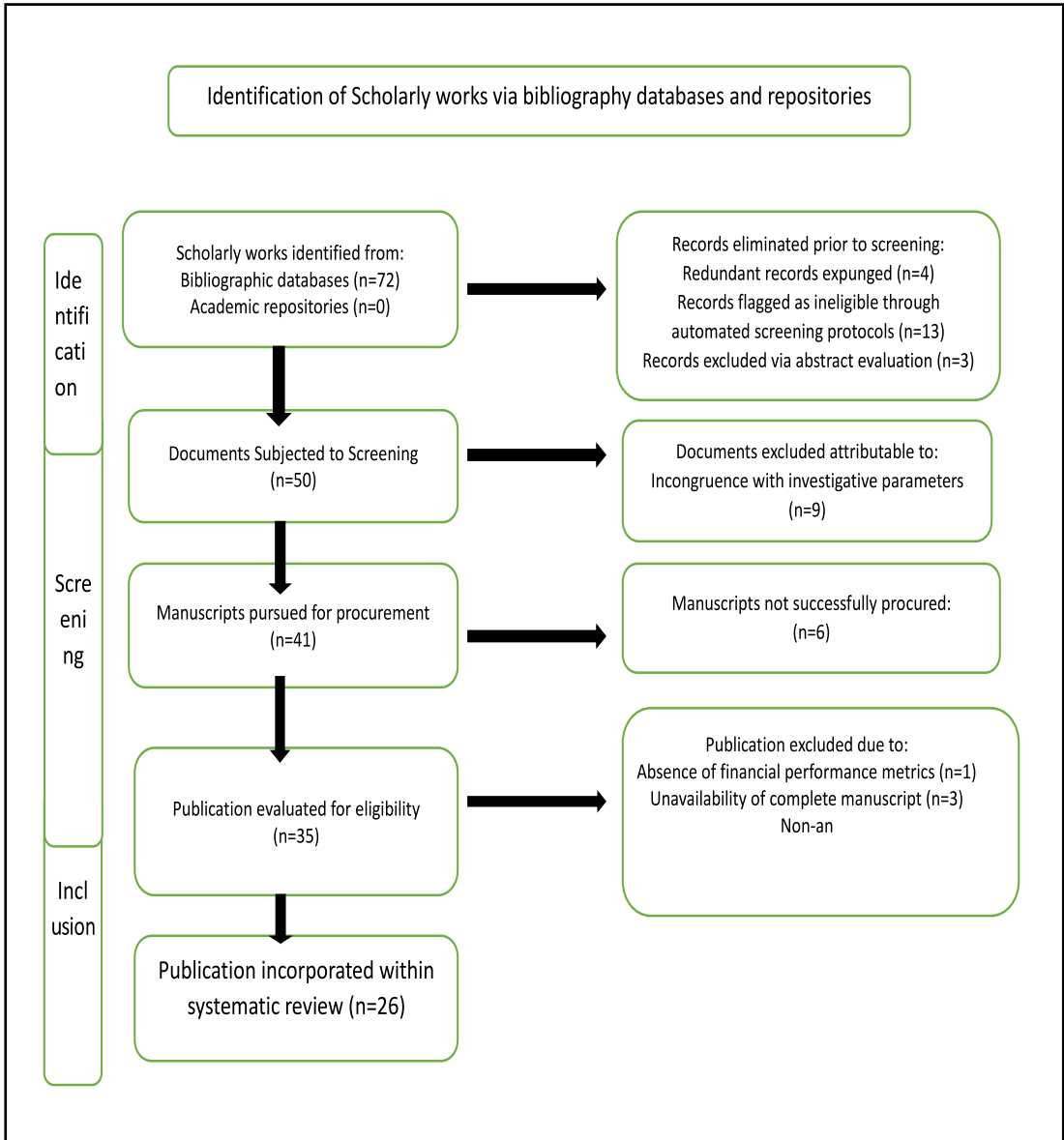


Figure 1: PRISMA flowchart delineating the systematic review process (Adapted from Pumomo *et al.* 2022)

RESULTS

This section outlines the outcome of the frequency examination and the classification of studies into separate categories based on the structural dimensions outlined earlier. A total of 26 articles exploring the relationship between HRM and financial performance were identified, spanning from 2006 to 2024. Figure 2 demonstrate that scholarly interest

in this research area has experienced considerable variation throughout the examined timeframe. Research output peaked notably in 2012, 2020, and 2024, while several years recorded little to no publication activity, indicating an irregular pattern of academic engagement with this topic.”

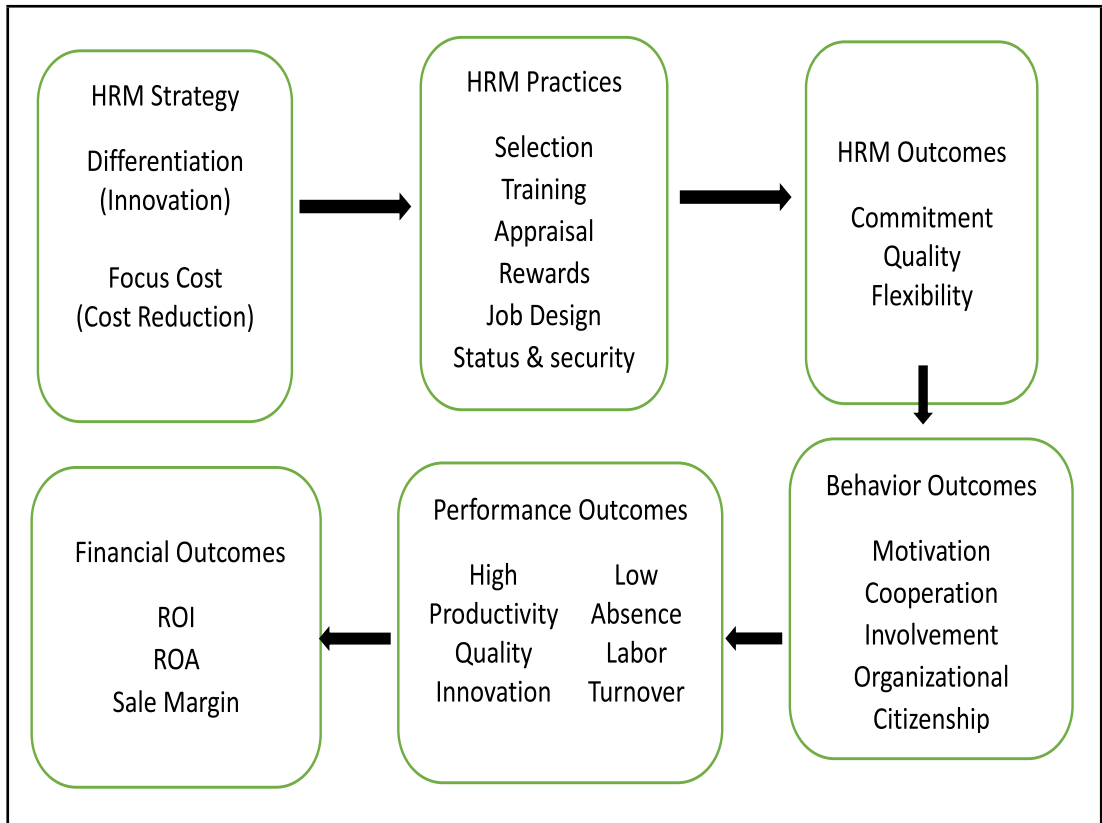


Figure 2: Article distribution Overtime

The geographical distribution of the reviewed studies shows considerable variation across countries. Figure 3 presents nations that have contributed two or more publications examining HRM’s influence on Organizational Performance. The finding reveal that research activity on SE performance is predominantly concentrated in India and Malaysia (4 publications each), followed by the United States (3 publications), and several countries with 2 publications each, including Australia, Canada, China, Oman, Spain and the United Kingdom.

This evaluation drew upon articles from credible academic journals as its principal sources. The literature search was conducted using Google Scholar and scopus databases, with inclusion of both meta– analyses and systematic review publications. Journal – specific details such as issue numbers, volumes, and edition information were not considered, as these factors did not affect the research outcomes. Articles from non-credible sources were excluded, and duplicate entries were removed during the screening process.

Table 2: Systematic Literature Review

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| Kumar and Kaur (2015) | Collected qualitative data from employees. | HRM in cooperative banks in India emphasizes the positive impact of developing human resources on organizational performance. |
| Chinyamurindi <i>et al.</i> (2021) | A questionnaire was filled in by 401 small businesses. | The results confirm that a direct relationship exists between HRM strategy and financial performance. |
| Morrison (2011) | Qualitative interviews and case studies were conducted. | Demonstrated that democratic HRM practices promote a culture of openness that fosters innovation and creativity in teams, resulting in better financial outcomes. |
| Ghosh and Chaudhury (2019) | Qualitative studies were conducted. | Concluded that firms operating in democracies, such as India, demonstrated higher financial performance metrics compared to those in more authoritarian systems. It highlighted that better governance practices promote transparency and accountability. |
| Hijazi <i>et al.</i> (2024) | The quantitative approach of questionnaire from 353 employees of Jordanian Banking. | Employee training, incentives, and decentralization contribute positively toward financial performance. Organizational culture increases the effects of HRM practices on financial results. |
| Papaioannou <i>et al.</i> (2024) | Empirical data from 172 managers of Greek sports services firms. | HRM practices significantly impact innovation activities, which have a significant and positive effect on perceived financial performance. |
| Ramos-Torres (2017) | Sampling of nearly one thousand firms. | High-performance work practices have a significant impact on output and financial management, reducing turnover and increasing productivity. |
| Mulolli and Boskovska (2020) | Descriptive and comparative method, questionnaire, and econometric model. | If a firm's managers use the appropriate HRM practices, the enterprise can be in competition with competitors or even pass them in a positive aspect. |

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|--------------------------------|--|---|
| Bakator <i>et al.</i> (2019) | A systematic review was conducted. | A positive relationship between HRM practices and overall business performance was found. In addition, HRM has a positive influence on employee well-being, productivity, and organizational climate. |
| Ghosh and Chaudhury (2019) | Qualitative studies were conducted. | Concluded that firms operating in democracies, such as India, demonstrated higher financial performance metrics compared to those in more authoritarian systems. It highlighted that better governance practices promote transparency and accountability. |
| Khan <i>et al.</i> (2020) | From 99 companies a total of 2126 employees participated. | HRM has a direct impact on financial performance and the impact of individual human resource management systems and policies. |
| Bakker <i>et al.</i> (2009) | Used a quantitative approach using surveys by employed structural equation modeling. | Opined that participatory governance increases employee engagement, which can lead to enhanced firm performance. |
| Sojka (2015) | Experimental research on a sample of 102 organizations. | Causality between HR practices and economic performance was not proven; a positive correlation was found when management practices were at average or higher levels, with remuneration being a factor. |
| Saridakis <i>et al.</i> (2017) | A meta-analysis of longitudinal studies was conducted. | A set of integrated, mutually reinforcing high-performance best practices has a stronger impact on firm performance than HRM practices have individually. |
| Lambooj <i>et al.</i> (2006) | Multilevel regression analysis was used to test hypotheses and Kendall's tau-b for a macro-level analysis. | The more HRM practices are aligned within themselves, the better employees know what is expected of them, and the more they behave cooperatively towards their co-workers and their supervisors. A negative relationship was observed between cooperation with co-workers and turnover, a positive relationship with sick leave was observed. |

| | | |
|-------------------------------------|---|---|
| Priyadharshini <i>et al.</i> (2015) | A content analysis of annual reports and a regression analysis was conducted. | HRM practices significantly impact firm's financial performance, and market capitalization positively influences human resource management practices. |
| Mutua <i>et al.</i> (2012) | A comprehensive analysis was conducted. | Develops a conceptual framework that links human resource management practices and firms' performance. |
| Mutua (2019) | A total of 340 cooperatives in Kenya were included. Qualitative and quantitative research was conducted. | A significant relationship exists between human capital resourcing practices and the performance of cooperatives. |
| Meier <i>et al.</i> (2021) | A total of 591 companies were included; 1405 firm-year observations from 36 industries were made based on VIGEO classification. | Significant quadratic relationship between HRM-CSP and CFP. Inverted U-shaped relationship. |
| Nguyena <i>et al.</i> (2020) | Audited annual reports and questionnaires from firms listed on HOSE. | Training and developing personnel skills; developing recruitment activities to ensure the most suitable input resources for firms. |
| Shakir <i>et al.</i> (2020) | Analyzed 135 questionnaires using a linear regression model. | A positive and significant relationship between the human capital of cooperative board members and cooperatives' performance. |

DISCUSSION

Research examining how workforce management practices influence company financial outcomes has produced inconsistent findings, largely because these relationships involve considerable complexity & vary depending on organizational context. This study aims to bring together key recent scholarship that sheds light on various aspects of this connection. For cooperatives to thrive, they must recruit individuals who align with their mission and values. Human resource departments facilitate this by designing hiring processes that seek candidates possessing not only the necessary technical capabilities but also dedication to the organization's principles (Shakir *et al.* 2020). This careful selection helps create a unified

workforce committed to shared objectives and the cooperative's collective purpose.

Organizations benefit from providing educational opportunities that strengthen employee capabilities and adaptability. Human resource functions can develop training initiatives that equip workers with competencies required for managing cooperative operations effectively and delivering quality services (VOO *et al.* 2018). By cultivating an environment that encourages continuous learning, companies become more innovative and better equipped to address evolving member requirements while maintaining competitive advantages (Shakir *et al.* 2020). Research by Bakator *et al.* (2019) identified a moderate yet meaningful correlation between effective training programs and financial metrics including return on investment and market value. Similarly, Martinia *et al.* (2017) found that organizations prioritizing employee growth initiatives experience enhanced productivity, which drives innovation and ultimately improves market position and profitability.

Effective performance evaluation systems that engage employees fully and connect individual goals with organizational objectives from the foundation for maximizing workforce contributions. Human resource professionals establish performance standards encompassing both monetary and non-monetary factors, creating a comprehensive framework that gives employees clear direction and regular feedback (Sacchetti *et al.* 2016). Recognizing and rewarding team achievements helps build a culture emphasizing excellence and responsibility, which support stronger financial outcomes.

However, the relationship between performance management approaches and financial result varies across different situations. Studies examining the connection have reached diverse conclusions. Aryal and Singh (2023) noted difficulties in establishing clear links between performance evaluation systems and financial metrics, pointing to complicating factors such as subjective elements in performance assessments.

Cooperatives must provide equitable compensation to secure and maintain quality employees. Human resource departments accomplish this by developing structures that remain competitive with market standards while maintaining internal fairness. Additionally, cooperatives can inspire their workforce through attractive salaries, performance incentives, and comprehensive benefit offerings while preserving financial stability through responsible resource management (Anwar and Abdullah 2021). Studies conducted over extended periods consistently show that strategic alignment of compensation approaches with organizational profitability objectives contributes to financial achievement. Wright *et al.* (2004) found that cooperatives implementing substantial incentive – based pay structures experience improvements in employee output and profitability. Research by Anwar and Abdullah (2021), Voo *et al.* (2018), and Martina *et al.* (2017) confirmed that organizations utilizing incentive mechanisms such as profit-sharing and gain-sharing arrangements achieve superior financial performance compared to those employing conventional compensation methods.

Fostering positive workplace relationships is crucial for building an environment that promotes teamwork and employee involvement. Human resource management facilitates this by promoting transparent dialogue, open information sharing, and mutual confidence between leadership and staff members, enabling workers to feel comfortable contributing their perspectives

and feedback (Voo *et al.* 2018). When HR addresses workforce concerns while cultivating a culture of dignity and inclusion within cooperatives, it strengthens the organization's social fabric, leading to improved employee satisfaction and output (Aryal and Singh 2023).

Democratic approaches to human resource governance incorporate collaborative decision-making frameworks and establish systems for transparency, responsibility, and stakeholder participation that contribute to financial success. These practices increase workforce involvement and effectiveness, strengthen stakeholder trust, and improve organizational risk oversight (Aryal and Singh 2023). Conversely, democratic HR governance can reduce the speed of decision-making processes and demands substantial upfront investment for implementation. Variables including sector characteristics, organizational scale, and cultural environment can influence how democratic governance impacts financial outcomes (Morrison 2011). For optimal results, cooperatives should strike a balance by maintaining democratic values while preserving operational effectiveness.

Research conducted by Ghosh and Chaudhary (2019) indicates that democratic HR governance substantially improves corporate financial outcomes, especially regarding stakeholder confidence and workforce participation. Nevertheless, this approach presents obstacles requiring thoughtful handling (Aryal and Singh 2023). Various contextual factors influence the effectiveness of these practices, meaning organizations must adopt tailored strategies suited to their particular situations.

A review by Bakator *et al.* (2019) reveals that employee engagement shows a strong association with multiple financial performance measures, including product excellence, profit margins, and workforce retention rates. Additionally, Wright *et al.* discovered in 2004 that companies with elevated employee engagement experienced reduced absence rates and strengthened customer dedication, which collectively contribute to enhanced organizational financial performance.

INFLUENCE ON FINANCIAL OUTCOMES

When implemented strategically, human resource management approaches can significantly boost an organization's profitability. An increasing number of organizations recognize that workforce management strategies can strengthen organizational performance and contribute to financial success. Effective HRM implementation can influence cooperative financial performance through several direct pathways. First, through the acquisition and retention of capable and committed personnel, cooperatives can streamline operations, elevate service quality, and consequently strengthen member contentment and dedication (Anwar and Abdullah 2021). Second, providing employee development opportunities enables cooperatives to become more adaptable, fostering innovation in new initiatives and expanding revenue streams while responding effectively to evolving market conditions (Voo *et al.* 2018). Third, when HRM connects individual achievement with organizational objectives, it cultivates employee ownership and responsibility, leading to enhanced productivity and improved financial results (Martina *et al.* 2017).

Extensive research has examined how workforce management practices relate to financial success. Research conducted by Hijazi *et al.* (2024) demonstrated that strategic

HRM implementation produces direct financial performance benefits. When organizations make purposeful investments in strategic human resource management, they can observe substantial improvements in critical financial metrics including profit margins and return on investment (Aryal and Singh 2023). Bakator *et al.* (2019) review revealed strong associations between employee engagement and various financial indicators such as product excellence, profitability and workforce retention. Wright *et al.* identified in 2004 that companies with elevated engagement levels experienced reduced employee absences and stronger customer loyalty, which collectively enhance organizational performance. Mutua’s (2019) research reinforced these findings, showing that establishing formal HR departments result in superior human capital management and performance gains. Nguyena *et al.* (2020) and Chinyamurindi *et al.* (2021) maintain that securing and maintaining skilled, motivated employees improves operational effectiveness, service delivery quality, and customer’s satisfaction and commitment. Meanwhile, Mulolli and Boskovska (2020) demonstrated that employee training investments enhance workforce adaptability, promoting innovation and income diversification to address changing market dynamics.

Consequently, when HRM aligns individual contributions with organizational aims, it develops employee ownership and accountability, spurring productivity gains and financial improvements. However, Hameed *et al.* (2020) offered an alternative viewpoint, proposing that organizational behavior may not fully explain the HRM- performance relationship, calling for additional research in this domain (See figure 3)

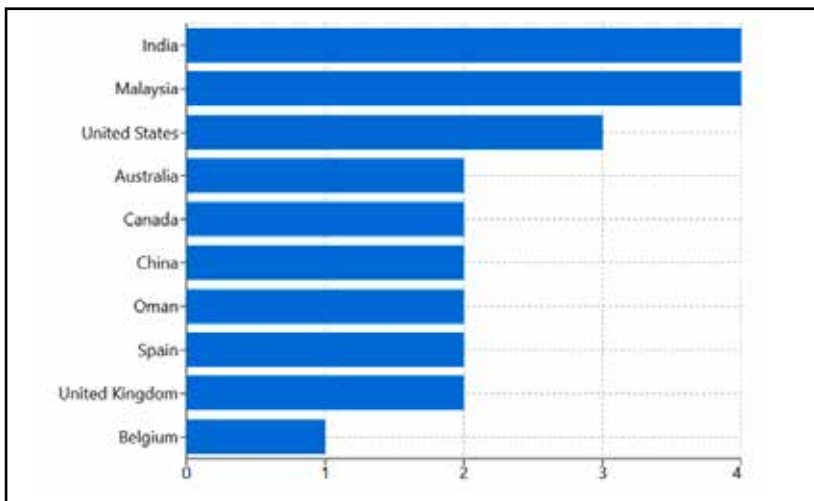


Figure 3: Summary of the influence of HRM on Financial Performance. Developed from a literature review and Guest’s (1997) model

CONCLUSION

To summarize, human resource management influences financial outcomes by securing personnel whose capabilities and principles align with organizational values and goals. Consequently, implementing robust HRM strategies is essential for navigating today’s intricate business landscape. Through improvements in hiring processes, employee development,

performance evaluation, remuneration systems, and workplace relationships, organizations can cultivate a workforce that possess both competence and commitment to shared objectives. When workers encounter favorable workplace conditions, employee turnover diminishes while job satisfaction rises, leading to enhanced productivity and operational efficiency. This indicates that workforce management practices genuinely affect organizational profitability, though particular approaches may yield more significant effects than others based on each organization's distinct strategic direction.

Singh and Kassa (2016) recognize human resources as a crucial driver of competitive differentiation for organizations. While HR initiatives do not generate revenue directly, they strengthen overall organizational effectiveness. Investment in personnel should be considered a strategic long-term asset optimization rather than merely an expense (Papaioannou *et al.* 2024). A company's success or failure does not hinge exclusively on effective HRM implementation; nonetheless, these practices contribute significantly to organizational outcomes (Anca-loana 2013). In summary, multiple elements shape how human resource management practices influence profitability.

LIMITATION

This systematic review acknowledges several inherent limitations that warrant consideration when interpreting the findings. First, the review is constrained by potential selection bias, a common challenge in systematic literature reviews, which may have influenced the inclusion or exclusion of relevant studies. The search was limited to specific databases (Google Scholar, Scopus, and Web of Science) and focused exclusively on peer-reviewed articles published in English between 2006 and 2024, potentially overlooking valuable contributions published in other languages or formats, such as grey literature, conference proceedings, and institutional reports that might offer additional insights into HRM practices in cooperative enterprises.

The geographic and contextual specificity of the reviewed studies presents another limitation. The research predominantly draws from studies conducted in specific regions, particularly India, Malaysia, the United States, and select European countries, which may limit the generalizability of findings to cooperative enterprises operating in different cultural, economic, and institutional contexts. The unique characteristics of cooperative enterprises—including their democratic governance structures, member-ownership models, and commitment to cooperative principles—distinguish them significantly from conventional business organizations, suggesting that the findings may not be directly transferable to other organizational forms.

Methodological diversity across the reviewed studies also poses challenges for synthesis and comparison. The studies employed various research designs, measurement instruments, and analytical approaches, making it difficult to draw definitive conclusions about causal relationships between HRM practices and financial performance. While many studies reported positive correlations, the review acknowledges that correlation does not necessarily imply causation, and the complexity of organizational systems means that multiple factors beyond HRM practices influence financial outcomes.

The review's focus on financial performance metrics may overlook other important dimensions of cooperative success, such as social impact, member satisfaction, community development, and adherence to cooperative values and principles. This emphasis on financial indicators, while important, may not fully capture the multifaceted nature of performance in cooperative enterprises, which often prioritize social and community objectives alongside economic sustainability.

Finally, the review does not extensively address temporal dynamics or the potential for reverse causality, whereby financial performance may influence the adoption and implementation of HRM practices rather than the other way around. The changing nature of work, technological advancement, and evolving regulatory environments also mean that HRM practices effective in earlier periods may require adaptation for contemporary contexts, a dimension that the cross-temporal nature of this review may not fully capture.

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