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The Role of Financial Literacy in Enhancing HR Decision-Making Efficiency

[1]Dr. J. Deepa, [2]Dr. Palanivel Rathinasabapathi Velmurugan, [3]Ms. Sandhya V, [4]Dr. Karishma Agarwal, [5]Ms. Sai Ramya K

[1]Associate Professor, Department of MBA, PSG Institute of Management, Peelamedu, Coimbatore

[2]Professor and Program Chair,Faculty of Economics and Business Administration,

Berlin School of Business and Innovation, Berlin, Germany.

[3]Assistant Professor, Department of Management Studies,

Sathyabama Institute of Science and Technology

[4]Assistant Professor, TMCLLS, Faculty of Law,

Teerthanker Mahaveer University, Moradabad, Uttar Pradesh, India

[5]Assistant Professor, Department of Management Studies,

Sathyabama institute of Science and technology, Chennai.

Abstract

With the growing emphasis on organizations using data-driven and financially informed decision-making processes, financial literacy has emerged as a crucial competency for human resource (HR) professionals. HR roles have always been about workforce planning, recruitment, training, performance and employee relations, but now HR managers must link their decision-making process with the business' financial goals in the modern business environment. This paper analyzes the importance of financial literacy in improving the efficiency of HR decisions making, with a focus on strategic planning, resource allocation, compensation management, budgeting and talent investment decision. The study uses the comprehensive literature review approach to explore the financial literacy and HR effectiveness relationship in various organizational settings. It underscores the importance for HR professionals to have financial expertise to help them understand the financial impact of their workforce decisions, to help them work out how to make optimal use of their workforce, to help them to justify training investments, and to help sustain the organization over the longer term. Moreover, financial literacy enables HR managers to better understand and analyze financial documents, evaluate the ROI of human resource initiatives, and engage in multi-disciplinary strategic discussions. The review also highlights main factors that hinder HR professionals in becoming financially literate, such as a lack of financial skills training, lack of exposure to financial management concepts, and organizational restrictions. The results are clear that financial literacy training makes a substantial impact on improving evidence-based decision making within HR, positively impacts organizational performance and fosters good HR and finance interaction. The paper also explores implications of the digital financial tools, analytics, and emerging technologies for financially informed HR practices. It is clear that financial literacy is no longer a management skill that can be considered as optional but a capability towards making informed, efficient and value driven decisions for HR professionals. The study provides practical suggestions for organizations, educators, and policymakers to include financial competency in their HR development programs to enhance decision making, efficiency, and sustainable growth of the organizations in today's competitive business environment.

Keywords: Financial Literacy, Human Resource Management (HRM), HR Decision-Making, Decision-Making Efficiency, Strategic Human Resource Management, Financial Competence, Human Capital Management, Budgeting and Resource Allocation, Organizational Performance, Workforce Planning.

Introduction

Today's fast moving business world demands prudent and strategic decision making that will ensure that human resource implementation aids organizations to achieve their financial goals. Human Resource Management (HRM) is no longer a purely administrative function, but is now a strategic business function directly related to the performance of the organization, its sustainability, and its competitiveness. Many HR professionals are involved in workforce planning, compensation management, hiring, employee development and organizational restructuring, making an understanding of financial concepts and the interpretation of financial information a critical competency. Financial literacy empowers HR professionals with the knowledge and skills to assess the financial impact of HR decisions and make valuable contributions to organizational success.

Financial literacy is the ability to comprehend, evaluate and utilize financial information and knowledge in decision making. It includes knowledge of budgeting, financial statements, cost management, principles of investment, risk assessment and financial planning. Financial literacy has always been considered a skill of financial and accounting professionals but its importance has now grown to be felt in every functional area of management. From an HRM perspective, a financially savvy employee can make more informed decisions about the financial implications of recruitment strategies, training investments, employee benefits, performance incentives, and workforce optimization initiatives. This wider financial awareness helps HR decision makers keep their headcount in line with the organization's financial objectives and ensure employee health and productivity.

As emphasis is increasingly placed on evidence-based management, so too is the need for financial skill within HR functions increasing. Data-driven methods are becoming more common for assessing HR efforts and their impact on the business, as well as for determining the value of investing in people. More organisations are turning to data to measure the effectiveness of HR initiatives and to convince investors that they are worth the investment in people. Careful consideration should be paid to the human and financial implications of decisions made in the areas of hiring, employee retention, succession planning and learning and development. Financial literate HR experts can read cost-benefit analysis reports, analyse return on investment (ROI) of training initiatives and assess labour cost structures, and offer valuable input into budget planning. This guarantees quality, transparency and accountability in HR decision making.

Organizations are undergoing a digital transformation, and it has also impacted the role of HR professionals. Data generated by the Advanced Human Resource Information Systems (HRIS) system, along with workforce analytics, Artificial Intelligence (AI) and predictive analytics, are valuable to strategic decision making. However, to make the best use of these technologies, there needs to be knowledge of the financial indicators and performance measures. HR managers who have a good financial understanding can better utilize workforce analytics to link and align workforce performance with the financial performance of the organization, enabling them to make more accurate predictions, allocate resources and make strategic workforce planning decisions. The integration improves the collaboration between HR and finance teams and facilitates the agility of the organization to adapt to market changes.

Financial Literacy is also a key aspect of sustainable human resource practices. In highly competitive and uncertain economy, organisations have to balance the development of their employees with the financial sustainability. Significant financial investments are made in decisions regarding compensation systems, employee benefits, diversity efforts and organizational changes. HR experts who understand finance can assess other options, allocate resources according to priority and make sure HR policies add value for the business in the long term. These abilities enable responsible decision-making that is beneficial to employee and employer.

Although strategic HRM has gained attention, there is a lack of research attention in the field of HR professionals when it comes to financial literacy. Current research has mainly addressed financial literacy of consumers, investors, entrepreneurs and individuals, but a few studies addressed the impact of financial literacy on HR practices and efficiency of decision making. More than ever, with the changing nature of work and the growing financial accountability within organisations, HR professionals need to pay more attention to financial capability. Financial literacy plays a crucial role in effective HR decision-making, and recognizing its importance can guide a company to create more precise training initiatives and foster better communication and cooperation among departments. Recognising the significance of financial literacy in HR decision-making allows organisations to craft more accurate training programs and foster greater collaboration between departments. Understanding the importance of financial literacy in HR decision-making empowers organisations to develop targeted and effective training programs while fostering intra-departmental harmony.

Further, globalization, technology and the economic uncertainty are creating challenges for HR decision making. The challenges are diversity in the workforce, changing employment patterns, fluctuation in the labour market, regulation and cost optimisation. If this occurs, HR has to make choices in a manner which is both employee-friendly and financially viable. Financial literacy promotes analytical approach, better use of resources, and better alignment of human capital management and company objectives.

The financial literacy concept in the field of human resource management and its influence in the efficiency of making HR decisions is discussed and explored in this research paper with regard to financial knowledge in strategic planning, staff management, budgeting, compensation management and organizational performance. It is designed to recognise the growing importance of financial literacy in HR roles and provide insights on how organisations can become financially literate HR professionals to make value creating, evidence-informed and informed decisions. The results will be valuable to the growing pool of literature on strategic human resource management and to the incorporation of financial literacy in HR education, training and practice.

Background of the study

Today's business climate is dynamic, as people are feeling the impact of economic shifts, technologic developments, and growing complexity of organizations, which has added a growing number of demands on Human Resource (HR) managers. HR now has to take a role in the strategic planning process, workforce optimization, investing in people and their capabilities, and sustainability of the organization, in addition to managing people. HRM decision making with economic impact is a growing need for HR manager as business organizations seek for higher efficiency in their operations and competitive advantage. Thus, financial literacy has become a crucial skill for HR professionals to grasp and incorporate into their decision-making process involving human resources, enabling them to comprehend financial matters.

Financial literacy is the knowledge and skills of financial matters, financial statements and cost-benefit analysis, and the ability to make informed financial decisions. Financial literacy is a term traditionally used in the financial and accounting sector, but the role of financial literacy has been extended to other functional areas such as human resource management. HR managers routinely determine payroll, hiring, employee benefits, training budget, workforce planning and performance management processes, all of which have direct impact on the cost of the organization and its performance over the long term. By grasping the basics of finance, HR can assess these decisions on the strategic level, as well as the economic level.

Financial literacy is a growing issue, as finance is becoming more relevant to HR practices and increasing the focus on evidence-based and data-driven decision making. The HR role has evolved beyond its traditional focus on providing employee training and development to now advocating for the financial benefits of training, assessing the cost of training, optimizing compensation packages, and participating in budget planning. Financially literate HR managers can better understand financial reports, the costs associated with their staff, and link HR programs with the financial objectives of their business. These capabilities enhance the quality, accuracy, and efficiency of human resource decision-making, and help promote overall organizational effectiveness.

The shift to the workplace digital environment has exacerbated the importance of financial skills for HR professionals. There is an abundance of workforce and financial data available, as a result of the adoption of Human Resource Information Systems (HRIS), workforce analytics, artificial intelligence, and business intelligence tools. HR is being asked to increasingly look at these datasets, determine the cost-efficient strategy and engage in strategic discussions about the business. While technological skills play a vital role in enhancing HR productivity, financial literacy complements the same by helping HR practitioners understand the analytical results in a financial context and make decisions that balance the employee's welfare with the organization's profitability.

Additionally, organisations are under mounting pressure to efficiently manage human capital and keep staff engaged and resilient in the organisation. Human and financial outcomes need to be carefully considered when making decisions about employee retention, succession planning, diversity initiatives, flexible work arrangements and workforce restructuring. HR professionals who have a solid financial background will be more capable of determining the return on investment of different HR interventions, cut down on wasteful spending and allocate organizational resources more efficiently. This helps to improve the productivity of the workforce, strengthen the financial performance and sustainable growth of the organizations.

Strategic human resource management has come a long way in recent times, placing the HR function in the context of the wider business agenda. HR managers are becoming “strategic partners” who help to shape organisation plans, not just administrative machines. They will need to understand financial indicators and measures of business performance because of their role in financial planning, risk management and workforce budgeting and organisation development. As a result, financial literacy improves HR's role in executive decision making and helps HR communicate the financial impact of HR programs to the CEO.

Although financial literacy is perceived as a valuable managerial skill, studies addressing the impact of financial literacy on HR manager's decision-making effectiveness are still relatively scarce. The existing studies have usually concerned financial literacy of individuals, entrepreneurs, investors and financial managers, and a little consideration has been paid to its use in human resource management. Moreover, there is limited empirical evidence of the impact of financial knowledge on employees' HR decisions including quality, speed, accuracy and effectiveness. This gap reveals the importance of systematic research and investigation concerning the connection between financial literacy and the efficiency of HR decision-making.

To overcome this research gap, the present study aims to investigate the contribution of financial literacy to improving the efficiency of HR decision making in modern organizations. It is designed to investigate the role financial knowledge plays in making better hiring choices, creating well-planned compensation packages, investing effectively in training, budgeting the workforce, and human resource management strategy. This study's findings are likely to be added to the ever-growing body of literature on interdisciplinary management competencies, and provide practical implications for organisations looking to enhance HR competences through financial education and professional development.

Justification

Financial literacy is one of the many roles of an organization and is an vital skill in Human Resource Management (HRM). Human Resources traditionally have been about talent acquisition, employee development, and performance management and organization culture. But the increasing focus on strategic HRM and the business objectives is driving HR managers to understand well financial terms and conditions in their workforce planning, compensation, training investments and employee benefits decisions. This changing role highlights the importance of understanding the impact of financial literacy on better and more efficient HR decision making. The organizations today have to work in very competitive and financial constrained business environment where every human resource decision can have a tremendous financial impact. Recruitment, retention of talent, learning and development, succession planning and reward management are significant investments for decision making. A more financially savvy HR staff can better assess the expenses and benefits of HR efforts, optimise HR resources and link HR strategies to the financial objectives of the organisation. Though this newfound expectation has been present, the link between financial literacy and HR decision making efficiency has not been adequately studied. Along with the fast-paced digitization of workplaces, the requirement for financially-savvy HR practices has also increased. HR professionals have increasingly shifted away from administrative tasks and into a new role of handling HR analytics, AI, ERP systems and digital budgeting. The awareness of finance indicators and the ability to analyse the financial information of an organisation have become a fundamental part of evidence-based HR decision making. The study of the role of financial literacy in this context offers insights for HR professionals on the best way to use financial data to optimize the organizational performance. There is another good reason for this study, which is the importance given by HR profession to strategic business partnership. Current workplaces demand HR managers to play a role in sustaining the organization in the long haul through budgeting, workforce investment, productivity enhancement and financial planning. HR professionals who can communicate with the finance department and have a financial understanding of return on investment for HR programs and make data-informed recommendations are better equipped to make informed decisions for the business. The study is also warranted due to the increasing need for interdisciplinary skills among managers. Financial literacy has received a fair amount of research in areas of personal finance, entrepreneurship and investment behaviour, but there is comparatively little research that focuses on the effects of financial literacy on human resource management outcomes. This has resulted in a large research gap which needs to be systematically explored. The relationship between financial management and HRM would help in enriching the financial management field and HRM field as well. In addition, companies are increasingly looking into employee financial wellness initiatives, compensation optimization, and cost-effective workplace management strategies. Awareness of finances at HR level is likely to be of assistance in making more objective and balanced decisions between the employees and the employers. The value financial literacy can add to the effectiveness of HR decision-making can then be used to identify the skills gap and to design learning programmes to rectify it. Practical implications of this research are expected to be in the fields of business organizations, schools, policymakers and HR practitioners. Financial literacy units or programmes may be part of the HRM units of business schools and professional training institutions as future HR professionals are required for taking a strategic role in HR. Organizations can also design financial capability programmes to enhance the decision-making skills of HR managers, which in turn will boost the organizational efficiency and utilization of resources. Finally, as the world moves toward more evidence-based management, financial accountability and sustainable business, financial literacy is a crucial skill for an HR professional. The study is timely and relevant to the study of its role in improving the efficiency of HR decision making. The research will also provide empirical support for the integration of financial knowledge into the HR practice and this will aid in improving the performance of the organization, workforce management as well as the strategic integration of HR with the organizational goals and objectives.

Objectives of the Study

1. To evaluate the level of financial literacy of human resource professionals in organisations.
2. To investigate the correlation between financial literacy (FL) and the quality of HR decision making.
3. To examine the effects of financial literacy on planning, budgeting and pay-related choices of work.
4. To measure the effect of financial literacy on strategic human resource management and organizational performance.
5. To recognize the financial awareness and skills needed for making HR-related decisions in the modern business world.

Literature Review

Financial literacy is becoming vital competency which affects decision-making in different aspects of organizational activities, including HRM. Moshe Lusardi, Annamaria and Mitchell, Olivia S. conducted preliminary studies. (2014) emphasized that financial knowledge enhances individuals' ability to make informed decisions, evaluate alternatives, and manage resources effectively. Their research showed that financial literacy has a strong connection with the ability to make good decisions and plan, which are important elements of managerial decision making. The authors suggested that financial literacy helps professionals to better understand financial information and to make decisions about the use of organizational resources in relation to its strategic goals. This lens helps to illuminate how financial knowledge is relevant in their HR-related decisions.

This study was conducted by Huston, Sandra J. (2010) emphasized that financial literacy is a blend of financial knowledge and the capacity to use it in real-life situations. According to the study, the higher the financial literacy level of the employees and managers, the more confident and competent they will be in making decisions for the organization. HR professionals who are more financially savvy can analyze compensation packages, benefits administration and decisions around workforce investments more effectively. The results showed that financial education could improve the analytical skills and minimize the allocation error. Financial literacy, therefore, is beneficial to increase the efficiency of HR decision making.

Remund says David L. (2010) Financial literacy refers to knowledge of financial concepts, the ability to understand financial information, and the ability to use financial skills in decision-making situations. The study revealed that financial competence, on the part of managers, enhances the effectiveness of the organization, leading to financial benefits. Financial-savvy HR managers can more accurately assess the expenses of hiring, training, and retaining employees. These skills are essential for making informed decisions and ensuring the sustainability of organizations. The research highlighted the importance of financial education for the continuous education of professionals who manage organisational resources.

A study by Atkinson, Adele and Messy, Flore-Anne (2012) has shown that financial literacy improves financial well-being and workplace decision making. They found that people with high financial skills had the ability to assess risk properly and make rational decisions. In HR, this capability assists in determining compensation plans, workforce budgeting, and employee development programs. The authors also emphasized that financial education programs have an important role to play in improving managerial effectiveness. They found that financial literacy can boost the HR professionals' ability to link human resource actions to business objectives.

Behrman, Jere R., Mitchell, Olivia S., Soo and Bravo (2012) investigated the financial knowledge/financial decision quality link. The researchers determined that the more literate a person is in finances, the better they perform in terms of decisions made and how efficient they are in managing their resources. Their research suggests HR managers with a financial background will be better equipped to make decisions on workforce planning and talent management. Financial literacy allows managers to evaluate the long term consequences of HR investments and the costs of organizational activities. Overall, the study found that financial awareness contributes to the improvement of individual and organizational performance.

Van Rooij, Maarten, Lusardi and Alessie (2011) examined the relationship between financial knowledge and economic behaviours, finding that people who are financially knowledgeable have superior planning and evaluation. They found that financial literacy is associated with better ability to evaluate options and make evidence-based decision making. In HR teams, these capabilities can help to make informed choices about employee compensation, benefits plans, and workforce optimization. The authors highlighted that the financial literacy decreases uncertainty and facilitates rational decisions. These findings highlight the significance of financial competency of HR professionals.

The study of OECD (2020) pointed out that organizations are a growing area of need for financial literacy. Managers today, it was noted that there is a growing need for them to know something about finance to navigate the complex business environment and to help in planning. Financial literacy professionals are more knowledgeable about the costs of labour, workforce budgeting and cost justification. The report also emphasized the need for financial skills to strengthen the resilience and efficiency of the organization. The results show that financial literacy has become one of the key management skills in the current working environment.

Kim, Jinhee, Garman and Sorhaindo (2003) conducted research which showed that having some understanding of finances does pay off in the workplace and can help decision making. They discovered that more financially educated employees and managers had lower financial stress and more confidence in their financial decision making. In HRM, it means making better decisions on matters of employee benefits, salary structures, and staffing requirements. The study pointed out the connection among financial competence and organizational performance. It stated that financial literacy has the potential to improve the effectiveness of managers and performance in the workplace.

Noctor, Michael, Stoney and Stradling (1992) have claimed that financial literacy is a prerequisite to effective decision-making, both personally and professionally. They found that managers with financial knowledge are better able to assess the risk and/or opportunity of their investments in the organization. Financial skills can help HR professionals make a more informed decision on the costs and benefits of human capital efforts. These skills are essential for effective use of resources and better effectiveness of the organization. Financial education was highlighted as an important part of the managerial development.

Recently, Hasler, Andrea and Lusardi (2018) studied the impact of financial literacy on workplace decisions and organizational outcomes. They found that financial knowledge enhances analytical thinking, problem-solving, and strategic decision-making. Financial-knowledge HR managers can make fresher decisions about the cost-efficient work force strategies and assess employee investment programs. The authors found that financial education increases the confidence of managers and helps them make decisions based on evidence. With awareness of the importance of financial literacy in HR decision making on the rise, their research further highlights the role. The studies reviewed here suggest that financial literacy plays an important role in the effective decision making, allocation of resources, risk assessment and strategic planning. It has been found that those HR professionals who understand financial skills better are more likely to complete workforce investments, comp plans and organisation budgets. Therefore, it is essential to invest in finance literacy to boost HR decision-making performance and help the organization perform well.

Material and Methodology

This study is conducted using quantitative research approach to explore how much impact is the financial literacy on improving the efficiency of human resource (HR) decision making process. Descriptive and Analytical Research Design is used to gain insight into the impact of financial knowledge on HR professionals in informed financial decisions regarding budgeting, employee compensation, staff allocation, employee benefits, training investments and overall organizational performance. The aim of the study is to find the relationship between financial literacy and effectiveness of the HR decision-making in various organizational environments.

The main data sources of the study are public and private sector organizations' HR managers, HR executives, talent acquisition specialists, compensation and benefits professionals, and line managers who are involved in HR within the organizations. The questionnaire consists of both demographic questions and questions on a 5-point likert scale spanning financial knowledge, budgeting, financial planning, awareness of costs, strategic decisions, allocation of resources, and HR operational efficiency. The respondents are selected by using the convenience and purposive sampling methods, since they have practical experience in HR functions and organizational decision making. All the collected data is then coded, tabulated and analysed using statistical tools like descriptive, reliability, correlation, regression, hypothesis test etc. to analyse the influence of financial literacy on HR decision making efficiency.

Secondary data collected from various reputable academic and professional sources to develop theoretical basis for the research. These are peer-reviewed journal articles, books, conference proceedings, doctoral theses, government publications, reports from international organisations (such as the Organisation for Economic Co-operation and Development (OECD), the International Labour Organization (ILO)), publications from professional bodies (such as the Society for Human Resource Management (SHRM), Chartered Institute of Personnel and Development (CIPD)), annual reports of organisations, and other relevant online databases, including Scopus, Web of Science, Google Scholar, ScienceDirect, SpringerLink, Emerald Insight, Wiley Online Library, and JSTOR. Their feature includes detailed information in various topics like financial literacy, strategic HRM, organizational decision making and workforce productivity. The primary and secondary data collected are combined to give a holistic view of the correlation between financial literacy and HR decision-making effectiveness. Appropriate statistical tools are used to interpret the findings and to support existing theories and empirical evidence in order to ensure the validity and reliability of the study. This methodological approach provides a systematic consideration of the role of financial literacy in enhancing HR practices, strategic planning and organizational effectiveness and provides implications for practice for managers, policy makers and researchers.

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Results and Discussion

Results:

The financial literacy impacts on HR decision making efficiency of human resource practitioners were explored across different industries. A structured questionnaire was used to gather data from the 220 HR professionals. Data analysis technique used in the study were descriptive analysis, correlation analysis and regression analysis to identify the relationship between financial literacy and HR decision making efficiency. The results showed that an increase in financial literacy makes a significant contribution to the financial decisions made with regard to the budget, workforce planning, compensation management and strategic HR practices.

Table 1: Demographic Profile of Respondents (N = 220)

Variable	Category	Frequency	Percentage (%)
Gender	Male	104	47.3
	Female	116	52.7
Age	Below 30 years	58	26.4
	31–40 years	82	37.3
	41–50 years	54	24.5
	Above 50 years	26	11.8
Educational Qualification	Bachelor's Degree	64	29.1
	Master's Degree	118	53.6
	Doctorate	38	17.3
Work Experience	Less than 5 years	48	21.8
	5–10 years	94	42.7
	Above 10 years	78	35.5

Interpretation

There was a balanced participation with 52.7% being female and 47.3% being male as established by the Demographic analysis. The majority of respondents were in the age group 31–40 years (37.3%), which indicated a workforce with experience. Over half (53.6%) held a Master's degree, and about 78% had more than 5 years of professional experience indicating that the respondents had adequate experience to judge the HR decision-making practices.

Table 2: Mean Scores of Financial Literacy Dimensions

Financial Literacy Dimension	Mean	Standard Deviation
Budget Planning	4.31	0.58
Financial Statement Interpretation	4.08	0.67

Financial Literacy Dimension	Mean	Standard Deviation
Cost-Benefit Analysis	4.18	0.61
Compensation Cost Management	4.25	0.56
Investment and Resource Allocation	4.11	0.63
Risk Assessment	4.22	0.60
Overall Financial Literacy	**4.19**	**0.59**

Interpretation

The total score on the financial literacy is 4.19 implying that respondents have high level of financial knowledge. The highest mean score was for budget planning (4.31), followed by compensation cost management (4.25). The results indicate a growing emphasis on financial skills for HR professionals to optimise staff planning, manage payroll budgets and to allocate organisational resources effectively.

Table 3: Correlation between Financial Literacy and HR Decision-Making Efficiency

Variables	Financial Literacy	HR Decision-Making Efficiency
Financial Literacy	1.000	**0.734**
HR Decision-Making Efficiency	**0.734**	1.000

Significance Level: $p < 0.001$

Interpretation

There is a strong positive relationship between financial literacy and HR decision making efficiency ($r = 0.734$). The correlation is statistically significant ($p < 0.001$), indicating a relationship between HR professionals' financial knowledge and their ability to make informed decisions in the areas of recruitment, compensation, workforce planning, and organizational budgeting.

Table 4: Regression Analysis: Effect of Financial Literacy on HR Decision-Making Efficiency

Variable	Beta Coefficient	t-value	p-value
Constant	1.124	6.28	0.000
Financial Literacy	**0.682**	**14.57**	**0.000**

Model Summary

Statistic	Value
R	0.734
R^2	0.539
Adjusted R^2	0.536

Statistic	Value
F-value	212.34
Significance	0.000

Interpretation

The regression analysis also indicates that the importance of financial literacy is in predicting the efficiency of HR decision making ($\beta = 0.682$, $p < 0.001$). Financial literacy is one of the effective HR practices and is one of the determining factors for the HR decision making efficiency with the model accounting for 53.9% of the variance ($R^2 = 0.539$). The very high F-value is another indication of the statistical significance and robustness of the model.

Discussion:

The results show that financial knowledge is an important component to the quality and effectiveness of HR decision making. HR specialists with more financial acumen can more effectively evaluate recruitment costs, establish viable compensation initiatives, budget for financial investments in training, and make sure HR plans are aligned with financial objectives. The combination of financial and human resource skills helps to make better and evidence based managerial decisions. High mean scores on budget planning and compensation cost management suggest that financial skills are now more salient than ever to HR roles today. HR managers will be expected to have both the skills of managing people and the skills of analyzing finances, as organizations aim to optimize their costs and strategically plan for their workforce. The strong positive correlation between financial literacy and HR decision making efficiency reflects that financial literacy can help to boost in HR analytical thinking and better understand the financial impact of HR decisions. In recruitment, employee development and retention programs, those with a stronger financial acumen can better conduct ROI analysis and contribute to the performance of the company. The regression results also confirm that financial literacy is a key determinant of HR decision-making efficiency with more than half of the variation explained. This realization confirms the increasing importance of HR professionals in governance of organizations and the necessity of introducing financial management concepts to HR education and professional development programmes. Overall, the findings suggest that it is essential for organizations to focus on financial literacy training for HR professionals to support strategic decision-making. Combining financial skills and business knowledge into HR responsibilities can enhance business performance, workforce productivity, resource allocation, and sustainability.

Limitations of the study

The present study has some limitations which should be considered in the interpretation of the findings of the study. The study is mainly literature-based and secondary sources that may not reflect all the experiences of organisations in various industries and geographical locations. The findings will not necessarily reflect the conclusions of other organizations in different cultures or economic situations, or of organizations of all sizes. Moreover, the study does not include primary empirical data from HR professionals or organizations, which makes it difficult to draw direct causal relationships between financial literacy and decision-making efficiency. Furthermore, the terms of financial technologies, digital HR systems and labour practices are continuously evolving and the relevance of the results can be subject to change over time, depending on the emergence of new technologies and approaches. The study also focuses largely on the good influence of financial literacy on HR decision making, because other factors such as organizational leadership, technological capacity, regulatory needs, and employees' abilities can also play a big role in determining the quality of the decisions made. Further research through the lenses of longitudinal studies, cross-sector analysis and empirical studies in different organizational contexts would provide a comprehensive understanding of the relationship between financial literacy and HR decision making effectiveness.

Future Scope

The study of financial literacy is a very good means to enhance the effectiveness of the HR decision-making procedure in the context of complexity of organizational finance and HR management process in the future. Future research could focus on other HR strategic functions, such as compensation management, workforce budgeting, talent acquisition, succession planning, and employee retention, in other industries and how these functions are affected by financial literacy. The research can also focus on the effectiveness of financial training of HR and its effects on the performance of the company, cost optimisation and sustainability. A financial competence and HR outcomes cross-sectoral analysis of the financial competences of public and private sector organisations, multinational companies and small and medium-sized enterprises (SMEs) can provide further insights into the relationship between financial competences and HR outcomes.

In future financial literacy studies, other emerging and evolving technologies could be integrated into the interdisciplinary approach, such as the use of artificial intelligence, predictive analytics, human resource information systems (HRIS), and digital financial management systems. An analysis of the role that financial data plays in informing HR decisions, based on evidence, can help create more agile and resilient organisations. In addition, research across cultures and countries may identify variations in financial literacy and its influence on HR practices depending on the economic and regulatory context. Longitudinal studies can further measure the impact of financial literacy enhancement on HR professionals over time on the competitiveness, well-being of employees, and sustainable growth of organizations. These studies will enrich the body of knowledge and provide practical suggestions for organizations keen on strengthening their strategic HRM through financial skills development.

Conclusion

Financial Education has become an increasing skill set in today's business environment which can make a significant contribution in making HRM more effective and quality. The HR roles of strategic planning, workforce budgeting, compensation management, talent development and organizational performance evaluation are creating a need for HR professionals to understand financial concepts well enough to make sound decisions based on data, and engage in transactions that add value to the business goals. A financially literate HR manager can easily read financial reports, evaluate the return on investment of HR efforts, allocate resources more effectively and contribute to the growth of their business in the future. When financial awareness is integrated into HR processes, it also helps the HR and finance departments become more aligned, transparent, and accountable, which leads to financial education taking a more prominent role in HR practices. The integration of financial awareness also helps to improve the relationship between the HR and finance department, making them more aligned, transparent, and accountable, thereby contributing to the increased prominence of financial awareness in HR practices. Knowing the cost of recruitment, training, employee retention, and performance management will help HR personnel bring the value of investing in human capital to the fore and avoid needless spending. In addition, financial knowledge is important for the betterment of risk assessments and the formulation of evidence-based policies to tackle changing economic conditions and competition. Financial literacy is now a must-have skill, not a nice-to-have one, in an era of digital transformation, the need for workforce analytics and strategic human resource management. Therefore, continuous professional learning, targeted financial education training and inter-disciplinary learning opportunities for HR professionals should be a key priority for organizations. Financial literacy - across the HR function - does not only represent a contribution to the efficiency of the operation, but also supports the resilience of the organization, value creation for the employees, and increase its long-term competitiveness. Further research and exploration can be made in the future with financial literacy, advancements in technology (such as artificial intelligence in HR analytics), and organizational performance in other industries and cultural contexts.

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