Frontiers in Health Informatics
ISSN-Online: 2676-7104
www.healthinformaticsjournal.com
2024; Vol 13: Issue 8
Open Access

The Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness in the BFSI Sector

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Cite this paper as: Ms. Jolly Joseph, Dr. Mahendra Sharma, Dr. Suraj Shah, (2024) The Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness in the BFSI Sector. *Frontiers in Health Informatics, 13* (8),2199-2206

Abstract
Data-driven decision-making improves the effectiveness of HR analytics which is very essential for the dynamic and competitive BFSI sector. HR functions are transformed by adopting advanced analytics tools and data insights which in turn enables strategic recruitment, workforce planning, and employee engagement. Predictive models and real-time analytics help to improve employee performance, and fill the skill gaps. This empowers HR professionals to make informed and proactive decisions. There is a significant role of data-driven practices that fosters compliance, improves diversity and inclusion, and mitigate operational risks. Data analytics enhances cost efficiency, productivity, and talent retention when aligned with HR strategies and organizational goals. The complex regulatory and operational environment of BFSI sector highlights the necessity of adopting a data-centric approach for sustained competitiveness. Study survey was conducted among 300 people from banking, finance and insurance sector to know the "Role of data-driven decision-making in enhancing HR analytics effectiveness in the BFSI sector" and concludes that there is significant Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness.
Keywords: *Data-Driven Decision-Making HR Analytics BFSI Sector* HR strategies data analytics

Introduction
Data-driven decision-making enhances HR analytics by providing actionable insights into talent management, workforce optimization, and employee performance. It becomes very easy for the HR teams to make informed decisions on recruitment, retention, and training, driving better business outcomes by adopting these tools. In talent acquisition, one of the significant applications of AI is chatbot that automates nearly 80% of the recruitment activities. Time-intensive tasks such as sourcing, screening, and messaging are all streamlined by the use of these tools (Balachandar and Kulkarni, 2018). It is helpful while screening the candidates, their qualification, interview

scheduling, answering FAQs, gathering feedback on experiences, and responding to unsuccessful applicants. Chatbots are able to automate resume screening and serve as front-end communication tools. They enhance candidate engagement through websites, mobile platforms, and social media via messages or dialogue interfaces. Not only in the process of recruitments, adoption of AI is becoming very popular in customer service, education, healthcare, financial services, insurance, retail, travel, and communications sectors. There are number of definitions of AI but in simple words it can be understood as the simulation of human intelligence in machines (Huang and Rust, 2018). For an HR management system, it is very tough to retain high-performing employees and for this the HR managers implement strategies like "offering challenging work, competitive compensation, future skills training, timely feedback, and recognition through awards." Technology is used to enhance the HR process by integrating AI- and TM-based cloud applications. These tools provide Predictive analytics that gives early warnings and enable HR managers to anticipate employee attrition. These systems are able to work in conventional manner but for that they require human cognition like interpreting and learning from external data which in turn utilized to execute tasks through adaptive mechanisms (Tambe et al., 2019; Kaplan and Haenlein, 2019).

Gamification is now becoming a valuable tool that helps in employee training, offering objective evaluations and also helps to keep the workforce more engaged. Continuous performance monitoring, timely feedback, helping employees understand their current skill levels and explore potential career paths within the organization are all possible with the help of AI-powered software. For a virtual work environment, there are numerous collaborative technologies like "file-sharing platforms, project management tools, and wikis" which helps in team work and also keep the employees engaged and more informed about the project progress (Gaonkar et al., 2022). Members of the HR department of bank and insurance sectors must know about the advantages and potential risks of AI tools while designing and assessing AI solutions. There are numerous opportunities offered by HR analytics that help to optimize recruitment and talent management strategies. Businesses and organizations are able to attract and retain top talent, resulting in a more skilled and engaged workforce with the help of this data-driven approach. Beside these advantages, it is very important that decision-makers must ensure that AI systems are designed to minimize biases and discrimination risks (Shrestha et al., 2019). It is very essential to have continuous monitoring of AI solution in order to ensure ethical functionality and prevent unintentional penalties.

In today's world of big data analysis, the organization providing finance and insurance related services use data tools to enhance employee development and performance. Data from performance evaluations, training programs, and career development opportunities are analysed through data tools (Eden, Chisom & Adeniyi, 2024) to identify active participation of their employees in training programs and career advancement opportunities. These understandings help the organization to improve employee skills and capabilities by creating personalized development plans and implement targeted training to improve employee skills and capabilities. HR analytics supports organization in identifying high-performing employees as it is easy to analyze performance data through data tools. Firms use HR analytics to recognize top talent in their company and then plan accordingly to refine talent management strategies. It is quick and easy to predict employee turnover through analytics that forecast turnover trends, enable organizations to take proactive measures like offering competitive compensation or professional development opportunities, to retain top performers. These strategic use of HR analytics improves organizational performance by developing more capable and motivated workforce.

HR analytics covers a huge range of functions in HR management, such as "recruitment, training and development, performance evaluation, talent management, compensation and benefits, and employee satisfaction analysis." Organizations adopt data analysis tools and techniques to make

more informed and targeted decisions in managing their staffs and workers. Data collection, its processing followed by analysis process gives vision and understanding of trends, patterns and relations that influence the performance of the workforce and overall organizational effectiveness (Sousa, 2019). HR analytics and data tools comes with numerous benefits and advantages like enhancing employee engagement. Data-driven decision making enhances the effectiveness of HR analytics to give better understanding and improved employee engagement which enable them to improves job satisfaction, work-life balance, and career development opportunities. It is important to improve training and development process in the BFSI sector to improve the performance and greater organizational success and this requires more training or skill enhancement. Effective HR analytics strengthen HR practices and leads to better decision-making. This approach contributes in long-term organizational growth. It is essential to reduce bias in performance appraisals. The evaluation and analysis based on data-driven performance helps to reduce subjectivity, improve perceptions of fairness and accuracy and in turn pushes employee motivation and productivity.

In the insurance sector, a vital role is played by employee performance which shows direct relation with company's overall performance and output. This is the reason why insurance companies emphasize to have better HR practices that help to improve performance of the workforce. Since, there are number of challenges for insurance industry of the BFSI sector, it is essential for them to adopt advancements in big data management and help insurers to have better understanding of customer needs and offer them their personalized insurance related products. In their research, Nigam and Thakur (2024) highlights a strong association between "HR practices and employee performance", particularly in the areas like "career planning, performance appraisal, training and development, and workplace environment." The study recommends to provide opportunities for decision-making, effective training and development programs, fair performance appraisals, and foster employee involvement to improve employee performance.

Literature Review

Stankevičiūtė, Ž. (2024) observed all through the investigation that organizations are now predominantly utilizing descriptive analysis while making their HR management strategies where they mainly focus on HR metrics. The approach is mainly data-driven when they plan for their workforce and employee remuneration decisions. It is also seen that they use less analytics in critical areas like employee selection, recruitment, and training and development. There are several cases where company make decisions guided by the intuition of HR professionals or line managers in spite of using visions and understanding based on data.

Muktamar and Nurnaningsih (2024) revealed that it is important for the organization to use and rely on HR analytics tools to improve the HR management practices and allow themselves to have more informed decision-making. Organizations must deal with the challenges and play with the capabilities of HR analytics to boot the employee satisfaction, performance, and overall success of their company. Today, the business world is using HR analytics and data tools to make their decisions which is very essential to optimize the human capital management. This offers valuable understanding and vison of important areas (employee performance, recruitment patterns, retention strategies, and other aspects of HR management). At the same time, it is real situation that in spite of having numerous benefits, HR analytics throw several challenges while effective incorporation of HR analytics into decision-making frameworks. This highlights the need for a strategic approach to its integration.

Deshpande (2018) found that intelligent automation and data-driven practices has made the process of talent acquisition very smooth. It efficiently gathers the applicant data and present it to talent acquisition teams in a more accessible format for further analysis and process. This acquired

information allows the team to go for swift decision-making process. This is reason why the process to start immediately and provide the applicants with prompt responses. The organization now incorporates AI in HR department to get facilities of identifying high-potential candidates even before a job specification is finalized or an application is submitted.

Marler and Boudreau (2017) revealed in their study that AI allow the organization to track real-time performance with the help of advanced data analysis. The AI tools help the company to recognize trends in employee performance, highlight areas for improvement, and provide actionable insights. AI helps to automate the performance evaluations and provide continuous feedback and supports employee development. In life insurance organizations, HR feels empowered with AI-driven data analytics where they are able to make informed decisions while dealing with wide datasets. Workforce planning and talent management, contributing to more effective human resource practices and overall organizational success are all easy, quick and smooth with data-centric approach.

Genevieve and Irechukwu (2024) revealed a significant and positive impact of digital transformation on human resource practices. It is also found that there is an important role of digital tools (Human Resource Information Systems (HRIS) and Artificial Intelligence (AI)) in talent acquisition and employee self-service portals. The data-driven tools shapes HR practices to align itself in better way to achieve organizational goals. Accuracy and efficiency of payroll management, time tracking, and recruitment processes are all significantly improved by Human Resource Information Systems which in turn overall workforce management. The incorporation of HRIS and AI in talent acquisition came out as key drivers of better HR performance. In addition, fostering greater transparency and employee autonomy, self-service portals have contributed to the evolution of HR practices.

Nagpal and Mishra (2021) discovered that HR metrics help to address the challenges faced by bank's marketing departments to improve customer experiences. High staff turnover in certain branches is seems to be one of the most important issues faced by many banks. A bank is forced to raise salaries for specific employees to reduce turnover to manage the issue. It is advised to use analytics to identify those turnover issues which shows that managers at high-turnover branches lacks supervisory skills. It is also found that there is inadequate amount of young talent in the banking sector. In order to enhance the effectiveness of current employees, it is essential to optimize the performance. Data mining and analysis help the banks to explore and resolve issues with the help of HR metrics. It is also found that shifting the perception of HR from a cost centre to a valuable partner is done by HR experts where making data-driven decisions are positively influencing the financial performance of bank.

Objective

1. To know the Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness in the BFSI Sector

Methodology

Mixed-methods approach is used in present study by the investigator to analyze the "Role of data-driven decision-making in enhancing HR analytics effectiveness in the BFSI sector." Quantitative data of the study is collected from "HR performance metrics, predictive models, and analytics tools used in recruitment, retention, and workforce planning." Qualitative data is collected with the help of survey and interview of HR professionals in the Banking, Finance and Insurance industry. Previous studies and industry reports are reviewed to collect the secondary data. Statistical tools. Study survey was conducted among 300 people from banking, finance and insurance sector and

"Random sampling method" along with "T-test" were used to collect and analyse the data.

Findings

Male contributes 58.7% to total population of study survey and rest 41.3% are females. 30.3% of them are below 32 years, 42.3% comes under the age group of 32-42 years and rest 27.4% are above 42 years of age. 34.3% are from banking sector, 31.0% from finance and rest 34.7% are from insurance sector.

"Table 1 General Details"

"Variables"	"Respondents"	"Percentage"
Gender		
Male	176	58.7
Female	124	41.3
Total	**300**	**100**
Age (years)		
Below 32	91	30.3
32-42	127	42.3
Above 42	82	27.4
Total	**300**	**100**
Sector		
Bank	103	34.3
Finance	93	31.0
Insurance	104	34.7
Total	**300**	**100**

Table 2 The Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness

"S. No."	"Statements"	"Mean Value"	"t value"	"Sig."
1.	Data tools streamline the recruitment process	3.18	3.173	0.001
2.	Data-driven tools help in hiring needs, ensuring optimal workforce strength	3.13	2.306	0.011
3.	Factors affecting employee satisfaction are identified	3.16	2.883	0.002

	through real-time feedback and sentiment analysis			
4.	Data-driven decision making identifies high performers and areas needing improvement	3.12	2.119	0.017
5.	It helps to optimize workforce distribution	3.19	3.410	0.000
6.	Data tools mitigate risks in work force differences and policy violations	3.21	3.705	0.000
7.	Analytics ensures equal opportunities and agreement for employees	3.14	2.493	0.007
8.	Data-driven tools reduce HR-related costs	3.18	3.220	0.001
9.	Data visualization tools provide actionable insights for quick, informed decisions	3.15	2.651	0.004

10.	Facilitates better allocation of HR budgets	3.20	3.597	0.000

Table 2 shows different Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness where there the respondent says that Data tools mitigate risks in work force differences and policy violations with mean value 3.21, Facilitates better allocation of HR budgets (3.20), It helps to optimize workforce distribution (3.19), Data tools streamline the recruitment process and Data-driven tools reduce HR-related costs with mean value 3.18. The respondent says that Factors affecting employee satisfaction are identified through real-time feedback and sentiment analysis with mean value 3.16, Data visualization tools provide actionable insights for quick, informed decisions (3.15), Analytics ensures equal opportunities and agreement for employees (3.14), Data-driven tools help in hiring needs, ensuring optimal workforce strength (3.13), Data-driven decision making identifies high performers and areas needing improvement with mean value 3.12. All statements related to Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness exhibit statistical significance, with p-values below 0.05 following the application of a t-test.

Conclusion

Data-driven decision-making has a very important role in transforming HR analytics and improving its effectiveness in the BFSI sector. Organizations are utilizing these advanced analytics tools and predictive model to streamline their “recruitment, optimize workforce planning, and improve employee engagement.” HR professionals feel empowered with these tools and are able to make better “informed decisions, anticipate workforce trends, and address challenges such as attrition and skill gaps proactively.” Incorporation of data analytics in banking, insurance and finance sector ensures “compliance with regulatory requirements, enhances diversity and inclusion efforts, and mitigates risks associated with HR operations.” Better vision and understanding on which some action can be taken is the result of employee performance metrics which in turn tailor training programs and foster a culture of continuous improvement. These approaches improve individual and organizational performance and at the same time helps to reduce the operational cost. Since, there are dynamic market conditions and regulatory complexities in the BSFI sector, it is essential to use data-driven HR analytics which works as a strategic enabler and help the organization to align the workforce management with business goals. The quickness and accuracy in HR practices help the organization to gain a competitive edge, attract top talent, and drive long-term sustainability and this is reason why there is no any other option to adopt data-centric mindset which became essential for BFSI firms that aims to flourish in today’s rapidly developing landscape.

The study highlights different Roles of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness. Data tools lessen risks in work force differences and policy violations, Facilitates better distribution of HR budgets, optimize workforce distribution, streamline the recruitment process and reduce HR-related costs. The study concludes that there is significant Role of Data-Driven Decision Making in Enhancing HR Analytics Effectiveness.

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