Journal of
Risk and Financial Management

Systematic Review

The Impact of Human Resource Management on Financial Performance: A Systematic Review in Cooperative Enterprises

Birhanu Daba Chali [1,*] and Vilmos Lakatos [2]

1 Faculty of Economics and Business, Doctoral School of Management and Business, University of Debrecen, 4032 Debrecen, Hungary
2 Faculty of Economics and Business, Institute of Accounting and Finance, University of Debrecen, 4032 Debrecen, Hungary; lakatos.vilmos@econ.unideb.hu
* Correspondence: chali.birhanu@econ.unideb.hu

Abstract: This paper presents a systematic review that examines the influence of human resource management (HRM) on financial performance in cooperative enterprises, utilizing the PRISMA approach. To gather relevant resources, we formulated a search strategy using predefined keywords such as "HRM", "Financial Performance", and "Cooperative". After applying the inclusion criteria (full articles, online accessibility, English language, and relevance to the topic), 26 articles were selected for review. The findings of this analysis reveal a positive relationship between HRM practices and financial performance, with HRM driving both efficiency and profitability. High-performing HRM functions enhance employee productivity while ensuring personnel welfare and improving the organizational climate. Modern HRM practices are crucial in increasing employee engagement, fostering innovative cultures, and improving operational efficiency. These practices directly affect financial performance by linking employee engagement with product quality, profitability, and retention. Based on the studies reviewed, this paper contributes significantly to the existing literature and offers key conclusions that can be drawn from the findings.

Keywords: HRM; financial performance; cooperative enterprises; employee participation; HRM practices

check for updates

Citation: Chali, Birhanu Daba, and Vilmos Lakatos. 2024. The Impact of Human Resource Management on Financial Performance: A Systematic Review in Cooperative Enterprises. *Journal of Risk and Financial Management* 17: 439. https://doi.org/10.3390/jrfm17100439

Academic Editor: Thanasis Stengos

Received: 9 August 2024
Revised: 16 September 2024
Accepted: 26 September 2024
Published: 30 September 2024

1. Introduction

In the contemporary business landscape, the strategic management of human resources has emerged as a critical determinant of firm success and sustainability. Human resource management (HRM) is a stream of managerial practices comprising activities such as hiring, selection, training and development, performance management, compensation, and engagement; these practices also play a major role in shaping workers' skill level and motivation within organizations (Singh and Kassa 2016). We can treat the inclusion of the latest HRM practices in cooperative enterprises as a strategic opportunity to ensure coordinated investment in human capital, aiming to achieve organizational goals and performance (Sacchetti et al. 2016). Modern HRM practices in cooperatives can enhance worker engagement, foster an innovative culture, and boost operational effectiveness, which are crucial for success in today's highly dynamic business environment (Martinia et al. 2017).

The member ownership model, a unique corporate governance model based on democratic decision making and community development, distinguishes cooperative enterprises from ordinary businesses. Despite being unique to the cooperative identity, these namesake concepts also contribute to specific difficulties in the organization and strategy formulation domains. We can divide conventional member-based HRM practices into several groups, such as appraising employee participation, monitoring activities, and adhering strictly to cooperative ideals (Aryal and Singh 2023). Though cooperative societies venture into liberal market systems and technological evolution, the need for HRM practice reform becomes unarguably necessary because this will add to their competitiveness, which in turn will rebuild their resilient systems (Shakir et al. 2020).

In today's highly competitive business environment, cooperatives are likely to face significant pressure to produce high-quality results, ensuring the continuation of growth and competitiveness (Shakir et al. 2020). Nowadays, HRM policies serve as the main pillars of many companies, shaping the future of industry outcomes. Recently, Aryal and Singh (2023) recognized the critical role of HRM in an organization's success. Various studies conducted by Chinyamurindi et al. (2021), Ramos-Torres (2017), and Priyadharshini et al. (2015) have proven the crucial importance of HRM in the success of organizations.

Some researchers have found that high-performance work practices can have a significant impact on staff turnover, productivity, and corporate financial performance (Meier et al. 2021; Ramos-Torres 2017). Other scholars also noted the reverse causal effect of financial performance on HRM practices (Byarugaba et al. 2022; Khan et al. 2020). Additionally, Mulolli and Boskovska (2020) have highlighted the significant role of HRM in enhancing financial efficiency and profit. The organizations now zeroed in on the strategic aspect of human managerial resources with increasing recognition (Meier et al. 2021). Thus, an understanding of the effect of HRM practices on financial performance becomes critical. These findings collectively underscore the importance of effective HRM in driving financial success.

Despite the importance of HRM practices in enhancing organizational performance, there is limited systematic evidence on how these practices specifically influence financial outcomes in cooperative enterprises, which operate under unique governance and organizational structures. The paper aims to bridge the gap in the current literature by presenting evidence of the relationship between HRM practices and financial performance through a systematic review using the PRISMA approach. In addition to stressing the value of strategic HRM for cooperative businesses, the review also shows how a successful HRM can promote innovative cultures, increase operational efficiency, and increase employee involvement; all of these are key factors in organizational success. The purpose of this paper is to offer cooperatives insights that will help them enhance their HRM procedures to boost their overall financial and operational performance.

Hence, this systematic review, conducted in accordance with the PRISMA protocol, presents a clear picture by evaluating existing studies; the reviewer understands the context of HRM and performance in cooperatives. This review also aims to accumulate authentic generalizations on the relationship between HRM and financial performance in cooperatives, which can be practically useful for business practitioners and policymakers. This review aims to systematically analyze the literature in the domain of HRM and its influence on business performance in cooperative enterprises.

Theoretical Background

It has been widely accepted that the role of human resource management (HRM) in a firm enhances the firm's financial performance. Based on several theories, this literature review seeks to examine the important theoretical perspectives of HRM and its relationship to financial performance.

The resource-based theory view concentrates upon the firm's robust and physician resources as the pillars that promote the successful performance of the firm. According to this view, HRM practices, like any other unique, valuable, and hard-to-imitate resources, also contribute to the long-term competitive advantage of an organization and aids its ability to achieve better financial results (Gerhart and Feng 2021). Additionally, Ahmed et al. (2018) argued that, when organizations have such high-quality HRM, they can attract, hire, train, and retain the right talent, resulting in increased productivity and innovation and therefore better financial results.

Human capital theory emphasizes the importance of rigorous efforts toward human capital, specifically education, training, and skills, as a means of generating economic benefits for organizations. From this perspective, HRM techniques are tools for improving the human potential of employees, which in turn enhances their efficiency and contributions to the organization (Rompho 2017). This view also holds that those businesses that commit resources to training, education, and other HRM practices are more productive as human resources acquire and offer more knowledge and skills for the benefit of business profits.

In social exchange theory, employees and other parties related to organizations enter the relationship to some degree with the notion of reciprocity, so long as the exchange is primarily about social exchange. However, in the context of HRM practices, they explain that, when organizations treat their employees well, provide growth opportunities, and pay them decent salaries, employees will act differently, with more positivity, as opposed to making hollow efforts (Ahmed et al. 2018). Organizations that emphasize positive social exchanges do so, and they even improve employee performance, employee satisfaction, and eventually financial performance (Mohammad et al. 2021).

In the context of organizational behavior and practices, the Institutional Theory highlights the influence that societal norms, values, and institutions have on them (Ming-Chu 2017). Within the context of HRM practices, there are also powerful institutional forces that pressure organizations from the outside, including regulators, industry groups, and broad societal expectations, which affect the organizations' HRM practices. Organizations can adopt HRM practices not only to enhance their financial performance but also to comply with institutional pressures. Ming-Chu (2017) found that institutional influences, which account for the variance in other organizational processes, may explain why there is no strong relationship between some HRM practices and financial performance.

The contingency theory suggests that achieving organizational effectiveness requires a thorough assessment of both the internal organizational structure and the external environment. Similarly, when it comes to HRM practices, this perspective asserts that the connection between these practices and financial outcomes can only materialize when other organizations and environmental factors, such as the organization's size, industry structure, and technology, exist (April Chang and Huang 2005). To maximize financial outcomes, companies are required to tailor their HRM policies and practices to the needs of the organization and industry.

In conclusion, we can analyze the interrelations between HRM practices and financial performance from a variety of theoretical perspectives. Although scholars adopting one or another theoretical perspective may focus on some particulars of this link, in general, all of them stress the importance of strategic HRM practices for organizational and financial performance. Drawing on the theoretical frameworks advanced above, scholars can understand the rationale behind any HRM practices and strategies quite easily and quickly, to increase organizational performance in the modern socioeconomic environment, characterized by volatile business conditions.

2. Methods

To address a research question, a systematic review compiles all pertinent data that meet the predetermined eligibility requirements. The need for a methodical and rigorous research approach drives the use of systematic reviews, especially the PRISMA approach (Purnomo et al. 2022). Based on a methodical, transparent, and explicit step-by-step iterative process, this approach can assist researchers in synthesizing an existing body of the literature (Bakator et al. 2019). Furthermore, besides the PRISMA methodology, additional techniques such as forward and backward snowballing were used to guarantee miscellaneous writing. Backward snowballing has the component of studying references from the papers that have been included to identify the studies that are relevant in a chronological manner, having been published before the included studies (Wohlin 2014). These approaches assist in locating previously overlooked older studies, as well as the more recent literature, that may not have been recovered during the initial database search (Wohlin 2014). This improves the robustness of a review, and in this paper, the relationship between HRM practices and financial performance in cooperatives has accordingly been explored more comprehensively.

The PRISMA model is becoming more and more popular in fields other than evidence-based medicine. Despite its diffusion in management studies, systematic reviews of finance literature have already used the model (Shakir et al. 2020; Alkhowaiter 2020; Khan et al. 2022). The four steps in our PRISMA flow diagram serve as its foundation.

During the identification stage, investigators pinpoint the research question and look for pertinent papers. There should be distinct inclusion and exclusion criteria, and the search procedure should be methodical and thorough. In the screening stage, researchers evaluate the studies they found in the first phase based on their applicability to the research question and the inclusion and exclusion criteria. Typically, this stage involves screening the studies' titles and abstracts, followed by a full-text review for those that meet the inclusion criteria. Researchers evaluate the eligibility of studies that have passed the screening stage. This assessment also evaluates the quality of the studies and their relevance to the research question. The systematic review includes studies that meet the eligibility criteria. We extract and analyze the data, synthesize the findings, and report them.

In the first stage, we devised a strategy to evaluate pertinent materials by defining precise inclusion and exclusion criteria. We created a search expression using predefined keywords such as "HRM" AND "Financial Performance" OR "Cooperative" to find the necessary resources. We developed a set of inclusion criteria that encompassed elements such as full articles, online accessibility, English writing, and relevance to the study. Next, we outlined the exclusion criteria in Table 1, which includes books, conference reports, editorials, articles written in languages other than English, and grey literature (reports from the non-academic industry, government documents, or materials that do not meet the inclusion criteria). By the PRISMA checklist, we considered the pertinent factors listed in Table 1.

Table 1. The PRISMA approach for systematic literature reviews.

Study design	The study employs a systematic literature review to condense the body of existing research.
Review protocol	To reduce the possibility of "biased post hoc decisions in review methods" (Purnomo et al. 2022), the search criteria and related keywords have already been determined by reviewers.
Eligibility criteria and publication type included	Only articles published in peer-reviewed journals were deemed eligible. Peer-reviewed publications from the electronic databases Google Scholar, Scopus, and Web of Science were located.
Publication time frame	2006–2024
Language	English
Search strategy	Selected the codes to 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.

In the second stage, the study proceeded with a systematic literature review following the PRISMA protocol. We collected materials from the chosen search databases using the search expressions derived from the selected keywords. This analysis is limited to pertinent empirical literature published between 2006 and June 2024. This timeframe limitation ensures that the study analyzes the most complete and current research available at the time of the analysis, despite its aim to capture the most recent research on organizational financial performance. We removed duplicates, non-English articles, and non-academic documents from the 72 documents the search yielded. This process yielded a final sample size of 26. We carefully examined the abstracts of these articles to identify those that contained information relevant to the study's scope. The literature screening and selection process adhered to the PRISMA model, as depicted in Table 1 and Figure 1.

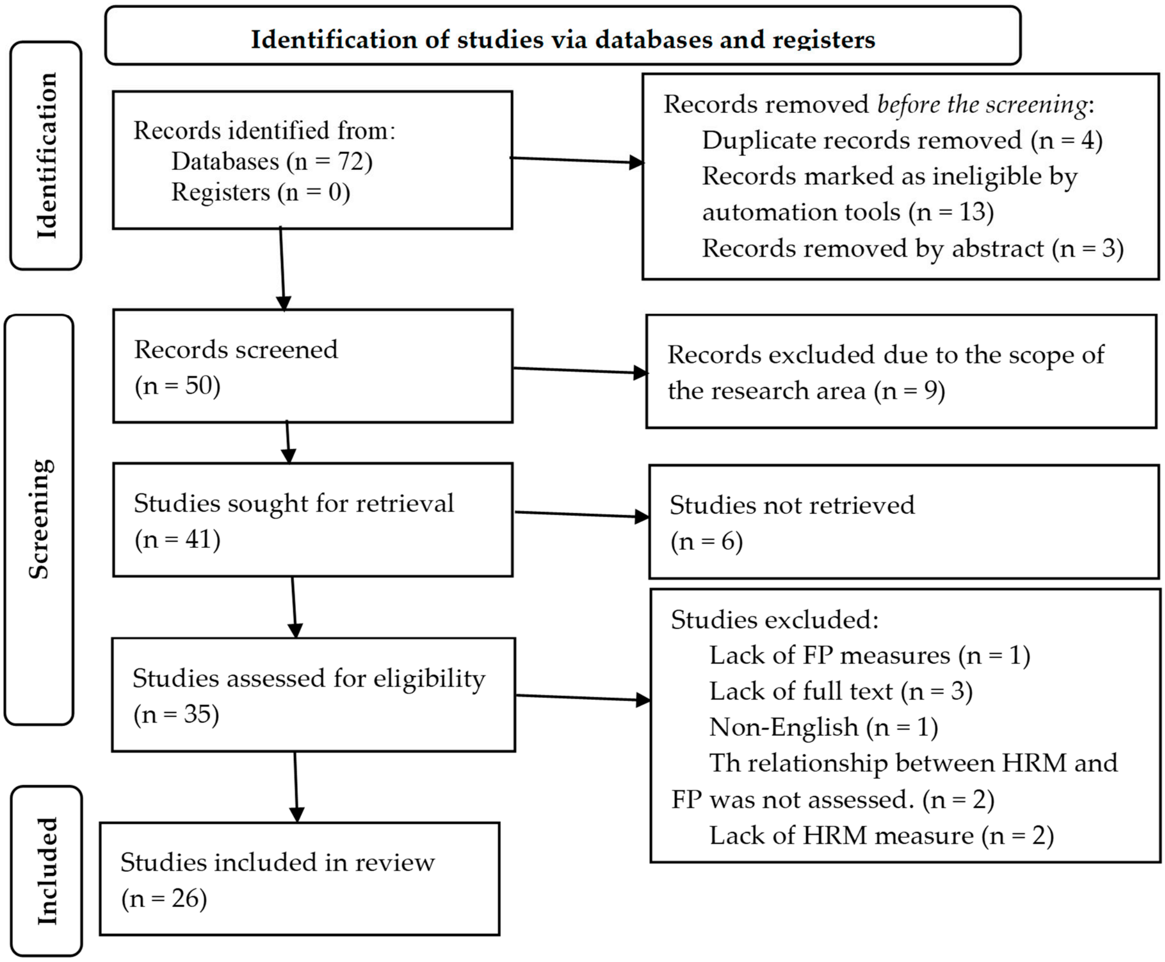

Figure 1. PRISMA flowchart of the review process (Purnomo et al. 2022).

3. Result

This section presents the findings of the frequency analysis and the categorization of these papers into distinct groups according to the previously discussed structural dimensions.

The distribution of the reviewed articles over time includes 26 papers published between 2006 and 2024. Since then, there have been more papers about the impact of HRM on financial performance (see Figure 2 for paper distribution per year).

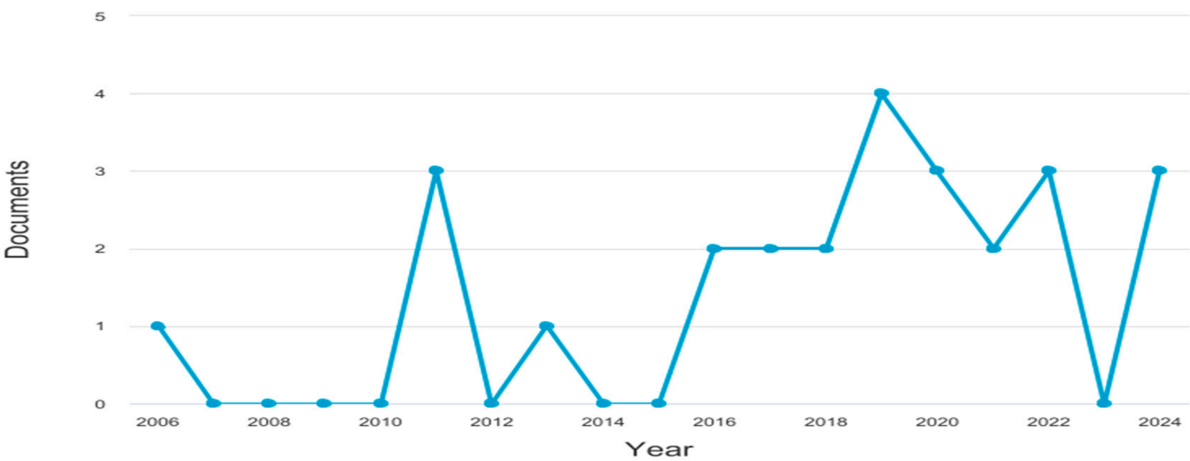

Figure 2. Article distribution over time.

The distribution of the reviewed articles varies by country. Figure 3 explains countries that have published two or more articles about the impact of HRM on a company's performance. The outcomes and results indicate that mostly the research institutes working on the performance of SEs are based in India (4), Malaysia (4), the United States (3), Australia (2), Canada (2), China (2), Oman (2), Spain (2), and the United Kingdom (2) (see Figure 3).

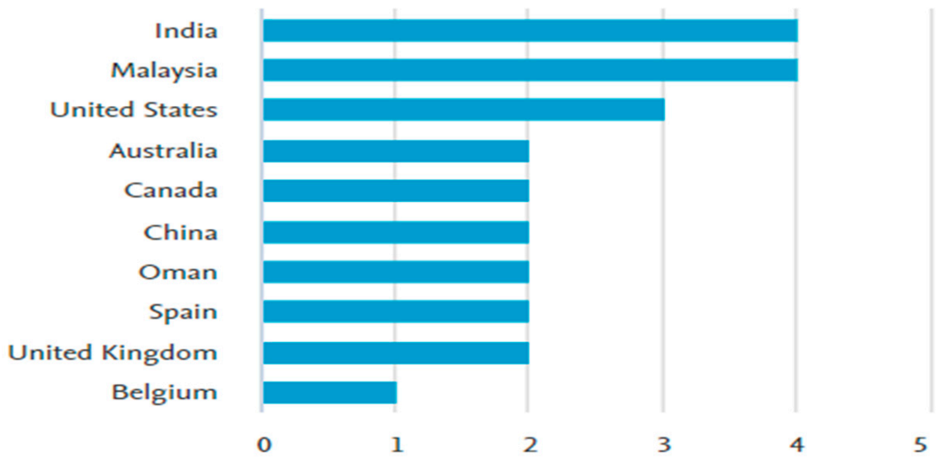

Figure 3. Article distribution according to publishing countries.

We consulted reputable journals as primary sources for this evaluation of articles on HRM. We searched for articles on the Google Scholar and Scopus websites. We also considered articles published as meta-analyses or systematic review papers. We also disregarded the journal issue, volume, and number, as they did not influence the discovered results. We excluded articles from unreputable sources and eliminated duplicates in this manner. We used the terms "financial performance", "human resource management", and "cooperative" in the search process. We obtained data for this systematic review from the individual included articles. The information in Table 2 shows the authors' names, methodologies, and main findings for the individual studies.

Table 2. Systematic literature review.

Author	Methodology	Main Finding
Hijazi et al. (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.
Byarugaba et al. (2022)	Cross-sectional survey design of 401 owners–managers of the small business operating in South Africa.	Human resource management practices, psychological capital, and financial performance are positively correlated to one another.
Nguyena et al. (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.
Chinyamurindi et al. (2021)	A questionnaire was filled in by 401 small businesses.	The results confirm that a direct relationship exists between HRM strategy and financial performance.
Khan et al. (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.
Meier et al. (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.

Table 2. *Cont.*

Author	Methodology	Main Finding
Papaioannou et al. (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.
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.
Bakator et al. (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.
Saridakis et al. (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.
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.
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.
Shakir et al. (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.
Priyadharshini et al. (2015)	A content analysis of annual reports and a regression analysis was conducted.	HRM practices significantly impact firm financial performance, and market capitalization positively influences human resource management practices.
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.
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.
Mutua et al. (2012)	A comprehensive analysis was conducted.	Develops a conceptual framework that links human resource management practices and firms' performance.
Morrison (2011)	Qualitative interviews and case studies were conducted.	Showed that democratic HRM practices promote a culture of openness that fosters innovation and creativity in teams, resulting in better financial outcomes.
Bakker et al. (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.
Lambooij et al. (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.

Source: Developed from the literature review.

4. Discussion

Studies have shown mixed results when it comes to the empirical examination of how human resource management (HRM) practices affect financial performance levels at firms due to various factors, including complexity and context dependency around this relationship. Given these findings, the present study seeks to synthesize important recent research works that provide insights into evidence supporting different parts of this relationship.

The success of any cooperative depends on their bringing individuals on board who share their visions and aspirations. HRM ensures this by aligning recruitment with those priorities, looking out for candidates with not just relevant skills but also a commitment to the cooperative's values (Shakir et al. 2020). Through the selection process, HR contributes to building one workforce that is united behind common causes, aiming to promote a collectively beneficial vision within co-operatives.

It is important to invest in training and development programs that enhance the competence and flexibility of workers. HRM can design training schemes that will enable employees to gain the skills needed to navigate through the intricacies of cooperative management and provide services (Voo et al. 2018). HRM fosters a learning atmosphere that generates new ideas, enhancing companies' responsiveness to members' changing needs and competitiveness (Shakir et al. 2020).

According to Bakator et al.'s (2019) study, there exists a medium–strong but statistically significant relationship between training efficiency on the one hand and financial performance indicators such as ROI or market capitalization on the other hand. Furthermore, Martinia et al. (2017) discovered that companies that invest in employee development programs have higher levels of productivity, leading to increased innovation and, consequently, improved market share profitability.

The essential elements of a performance management system that ensure the full commitment of staff and link their objectives to organizational goals are the right basis for the maximum realization of staff contribution. HRM sets standard performance metrics that match both financial and non-financial elements as a reflection of a worthwhile performance-oriented cooperative system, giving the employees a clear sense of expectations and clear feedback (Sacchetti et al. 2016). HR managers can reward and acknowledge the team's accomplishments, fostering an organizational culture of excellence and accountability that will ultimately enhance financial performance.

In a best-case scenario, an examination can show how performance management systems affect the financial performance of companies, but it may not be consistent with other cases. Research on the link between financial results and performance appraisal systems has come up with different conclusions. For instance, Aryal and Singh (2023) have highlighted the challenge of measuring performance management against financial outcomes due to various confounders, including personal judgment in awarding performance marks.

To attract and retain talent, cooperatives must offer fair and just compensation. HRM ensures that payment rates are competitive enough by setting remuneration systems that are fairer than those used by rivals at higher levels within an organization. Furthermore, cooperatives can motivate their employees by providing good salaries, incentives, and benefits packages, while still ensuring financial sustainability through proper utilization of cooperative resources (Anwar and Abdullah 2021). Long-term research consistently demonstrates that aligning strategic compensation and benefits practices with the organization's profitability leads to financial success. According to Wright et al.'s (2004) research on topical issues, cooperatives that receive high incentive-based compensation will benefit from increased worker productivity and profitability. For instance, Anwar and Abdullah (2021), Voo et al. (2018), and Martinia et al. (2017) were able to prove that companies with incentive payment processes like profit-sharing and gain-sharing programs have better financial results than companies using a traditional form of compensation.

Positive employee relations are essential in creating a supportive work environment that encourages collaboration and engagement. HRM is a method of human management that encourages open communication, information transparency, and trust between management and employees, who feel a duty to deliver their ideas and comments (Voo et al. 2018). By addressing employees' concerns and promoting a cooperative's culture of respect and inclusivity, HRM enhances the social capital of the cooperative, thereby boosting employee morale and productivity (Aryal and Singh 2023).

Democratic HR governance involves participatory decision-making processes and putting in place transparency, accountability, and stakeholder engagement that enhance financial performance. It increases employee participation and productivity, enhances stakeholder confidence, and improves risk management (Aryal and Singh 2023). At the same time, democratic HR governance slows down decision-making efficiency and requires huge investment before implementation. Factors such as industry type, company size, and cultural context may affect the relationship between democratic governance and financial performance (Morrison 2011). To obtain the best results, cooperatives should adopt a balanced approach to this by upholding democratic principles without compromising efficiency. Ghosh and Chaudhury's (2019) research demonstrates that democratic HR governance significantly enhances corporate finance, particularly in terms of stakeholder trust and employee involvement. However, it also poses challenges that necessitate careful management (Aryal and Singh 2023). Different moderating factors determine how effective this can be; hence, firms need to take a subtle path depending on their specific circumstances.

According to a review by Bakator et al. (2019), employee engagement has a very high correlation with a variety of financial performance indicators, such as product quality, profitability, and employee retention. Firstly, in 2004, Wright et al. found that organizations with high employee engagement levels had lower absenteeism rates and increased customer loyalty. This ultimately enhances the financial performance of a company.

5. Impact on Financial Performance

Human resource management practices can have a positive impact on a firm's profitability if used effectively. More and more companies are discovering that human resource practices can improve an organization's effectiveness and ultimately lead to bottom-line profits. There are many ways in which effective implementation of HRM practices can directly affect financial performance within cooperatives. Firstly, by recruiting and retaining skilled and dedicated employees, cooperatives can enhance operational efficiency, improve service delivery, and ultimately increase member satisfaction and loyalty (Anwar and Abdullah 2021). Secondly, investing in staff training programs creates room for adaptation among cooperatives, thus enabling them to innovate new ventures while at the same time diversifying income sources to respond adequately to market changes surrounding them (Voo et al. 2018). Thirdly, by aligning individual performance with a firm's goals, HRM fosters a sense of ownership and accountability among employees, driving improvements in productivity and financial outcomes (Martinia et al. 2017).

Numerous studies have explored the relationship between HRM practices and financial performance. A study by Hijazi et al. (2024) showed that effective implementation of HRM practices can directly affect financial performance. With strategic HRM investment in place, organizations can note significant improvement in important financial issues such as profit margins and ROI (Aryal and Singh 2023). According to a review by Bakator et al. (2019), employee engagement, on the other hand, has a very high correlation with a variety of financial performance indicators such as product quality, profitability, and employee retention. Firstly, in 2004, Wright et al. found that organizations with high employee engagement levels had lower absenteeism rates and increased customer loyalty. This ultimately enhances the performance of a company. Another study by Mutua (2019), which found that having a formal HR department leads to better resourcing of human capital and improved performance, confirmed these conclusions. Nguyena et al. (2020) and Chinyamurindi et al. (2021) assert that the recruitment and retention of skilled and dedicated employees can enhance operational efficiency, improve service delivery, and ultimately increase member satisfaction and loyalty. On the other hand, Mulolli and

Boskovska (2020) show that investing in staff training programs creates room for adaptation among employees, thus enabling them to innovate new ventures while at the same time diversifying income sources to respond adequately to market changes surrounding them.

Thus, by aligning individual performance with the company's goals, HRM fosters a sense of ownership and accountability among employees, driving improvements in productivity and financial outcomes. Hameed et al. (2020) presented a different perspective, suggesting that a firm's behavior might not be the only factor accounting for the relationship between HRM and performance, thereby urging further inquiry into this area (see Figure 4).

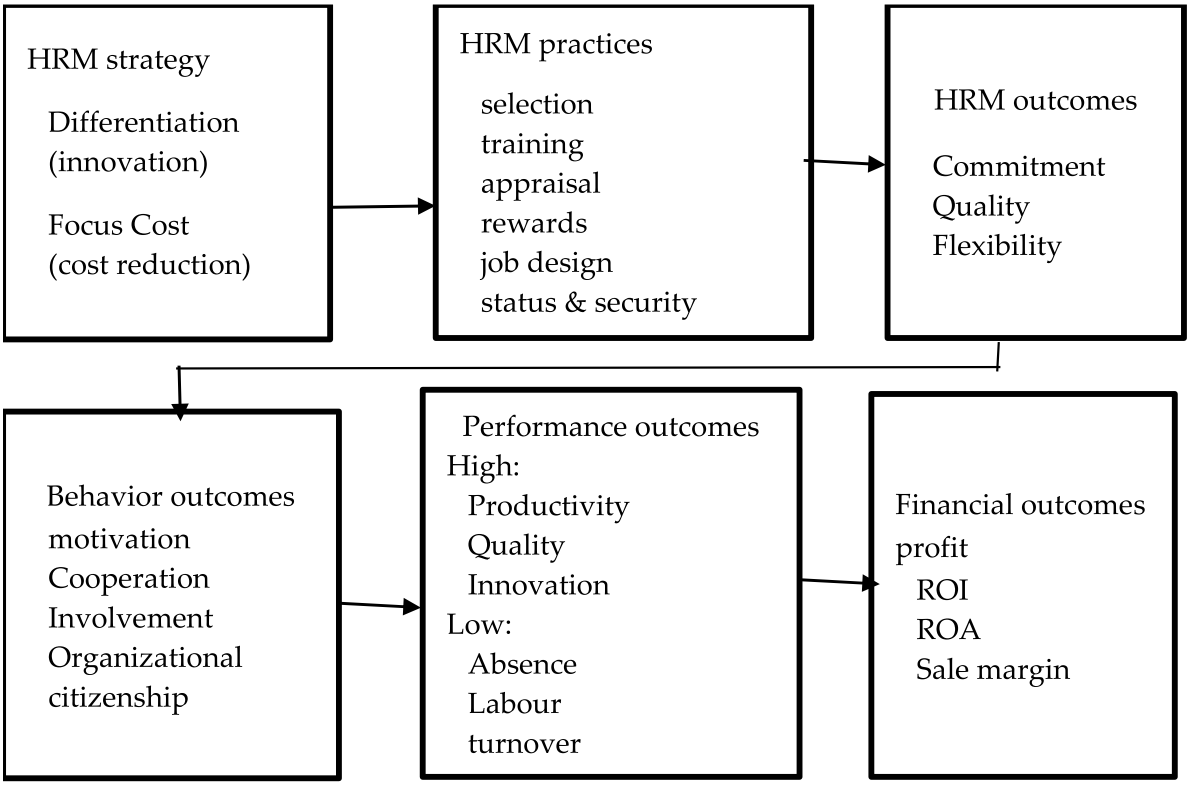

Figure 4. Summary of the influence of HRM on Financial performance. Developed from a literature review and Guest's (1997) model.

6. Conclusions

In conclusion, HRM shapes financial performance by attracting human capital that matches their values and objectives. Therefore, investing in effective HRM strategies remains vital for survival in complex current business environments. By enhancing recruitment, training, performance management, compensation, and employee relations, the company can build a staff cohort who are not only competent but also motivated towards achieving joint goals. When employees experience a positive working environment, turnover will decrease, and satisfaction will increase. This will result in higher productivity and efficiency. This means that human resources practices do indeed have an impact on a firm's profitability, but certain practices may have a more profound impact than others, depending on the firm's specific strategy. Singh and Kassa (2016) identify HR as a valuable source of competitive advantage for companies. Although they do not bring in money directly, HR practices improve the overall efficiency of an organization. One can always view investing in people as a strategic long-term optimization, rather than a cost consideration (Papaioannou et al. 2024). The success or failure of a company is probably not solely dependent on whether they practice effective HRM; however, these practices are likely to play an important role (Anca-Ioana 2013). In conclusion, various factors influence the impact of HRM practices on profitability.

7. Limitations and Future Directions

We recognize the potential weaknesses of our study, such as the selection bias which is liable to occur in any systematic review. Moreover, our interest in the subject of cooperative enterprises may not allow for the transferability of the results to other companies. Future research could address the cultural or geographical aspects of HRM's efficiency and determine which concrete HRM instruments contribute the most to financial success. Further directions would include the combination of HRM with CSR and sustainability, evaluation of factors besides financial ones, such as employee health, and the use of HRM in crises. Additionally, future studies can explore the relationship between the "Member Ownership Model," HRM practices, and financial performance in cooperatives. Last, exploring leadership's influence on HRM success and the reverse causality of financial performance affecting HRM practices could further refine the understanding of HRM in cooperatives.

Author Contributions: Both authors have made significant contributions to this review. B.D.C. conceptualized the study, and literature review, designed the methodology, and discussion and analysis. V.L. contributed to the literature review, provided critical revisions, and assisted with the interpretation of the results. Both authors participated in the drafting of the manuscript and reviewed and approved the final version for submission. All authors have read and agreed to the published version of the manuscript.

Funding: The APC of this study is financed by the Faculty of Economics and Business, University of Debrecen, Hungary.

Acknowledgments: The authors thank the editors of the journal and reviewers for their relevant contributions. Additionally, we would like to express our sincere gratitude to Sebastian Odunga (PhD candidate) for his invaluable assistance with the English-language editing of this manuscript. Finally, I would like to express my gratitude to the University of Debrecen Library, and Faculty of Business and Economics (University of Debrecen) for their support in funding my publication.

Conflicts of Interest: The authors declare that there are no conflicts of interest regarding the publication of this manuscript.

References

Ahmed, Ammar, Faiz Muhammad Khuwaja, Noor Ahmed Brohi, I. Othman, and L. Bin. 2018. Organizational factors and organizational performance: A resource-based view and social exchange theory viewpoint. *International Journal of Academic Research in Business and Social Sciences* 8: 579–99. [CrossRef] [PubMed]

Alkhowaiter, Wassan Abdullah. 2020. Digital payment and banking adoption research in Gulf countries: A systematic literature review. *International Journal of Information Management* 53: 102102. [CrossRef]

Anca-Ioana, Munteanu. 2013. New Approaches to the Concepts of Human Resources, Human Resource Management, and Strategic Human Resource Management. *Annals of the University of Oradea, Economic Science Series* 22: 1520–25.

Anwar, Govand, and Nabaz Nawzad Abdullah. 2021. The impact of Human resource management practice on Organizational performance. *International Journal of Engineering, Business and Management* 5: 35–47. [CrossRef]

April Chang, Wan-Jing, and Tung Chun Huang. 2005. Relationship between strategic human resource management and firm performance: A contingency perspective. *International Journal of Manpower* 26: 434–49. [CrossRef]

Aryal, Narayan Prasad, and Gobind Kumar Singh. 2023. Human Resource Planning on Organization Performance in Cooperatives Sector. *Journal of Development Review* 8: 114–24. [CrossRef]

Bakator, Mihalj, Nikola Petrović, Slađana Borić, and Nataša Đalić. 2019. Impact of Human Resource Management on Business Performance: A Review of Literature Original Scientific Paper. *Journal Of Engineering Management and Competitiveness (JEMC)* 9: 3–13. Available online: http://www.tfzr.uns.ac.rs/jemc (accessed on 25 March 2019). [CrossRef]

Bakker, Arnold, Evangelia Demerouti, and Wilmar Schaufeli. 2009. Work engagement and financial returns: A diary study on the role of job and personal resources. *Journal of Occupational and Organizational Psychology* 82: 183–200.

Byarugaba, Jolly Kabagabe, Samuel Mafabi, MTutuzeli Dywili, Bagorogoza Janatti Kyogabiirwe, and Willie Chinyamurindi. 2022. Mediation of Psychological Capital on Human Resource Management Practices and Firm Financial Performance. *International Journal of Business & Society* 23: 1066–85.

Chinyamurindi, Willie, Janatti Bagorogoza Kyogabiirwe, Jolly Byarugaba Kabagabe, Samuel Mafabi, and MTutuzeli Dywili. 2021. Antecedents of small business financial performance: The role of human resource management practices and strategy. *Employee Relations: The International Journal* 43: 1214–31. [CrossRef]

Gerhart, Barry, and Jie Feng. 2021. The resource-based view of the firm, human resources, and human capital: Progress and prospects. *Journal of Management* 47: 1796–819. [CrossRef]

Guest, David. 1997. Human resource management and performance: A review and research agenda. *International journal of human Resource Management* 8: 263–76. [CrossRef]

Ghosh, Chandralekha, and Rimita Hom Chaudhury. 2019. Gender gap in case of financial inclusion: An empirical analysis in Indian context. *Economics Bulletin* 39: 2615–30.

Hameed, Zahid, Ikram Ullah Khan, Tahir Islam, Zaryab Sheikh, and Rana Muhammad Naeem. 2020. Do green HRM practices influence employees' environmental performance? *International Journal of Manpower* 41: 1061–79. [CrossRef]

Hijazi, Haitham Ali, Hassan Al-Wahshat, Adnan Taha, Firas Rashed Wahsheh, Salim Naif Alkaraky, Bashar Younis Alkhawaldeh, and Ahmad Y. A. Bani Ahmad. 2024. Exploring the link between human resource management practices and financial performance: The moderating effect of organizational culture. *Supply Chain Management* 12: 1885–902. [CrossRef]

Khan, Falak, Muhammad Ayub Siddiqui, and Salma Imtiaz. 2022. Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda. *Cogent Business & Management* 9: 2034236.

Khan, Umair, Yongan Zhang, and Madiha Salik. 2020. The financial performance of Korean manufacturing SMEs: Influence of human resources management. *The Journal of Asian Finance, Economics and Business* 7: 599–611. [CrossRef]

Kumar, Rajiv, and Jasmindeep Kaur. 2015. Impact of Human Resource Management Practices on the Financial Performance of Haryana State Cooperative Apex Bank. 1 January 2015. *Journal of Commerce & Business Studies*. 2. Available online: https://ssrn.com/abstract=2995394 (accessed on 25 September 2024).

Lambooij, Mattijs, Karin Sanders, Ferry Koster, and Marieke Zwiers. 2006. Human resource practices and organizational performance: Can the HRM-performance linkage be explained by the cooperative behaviors of employees? *Management Review* 17: 223–40.

Martinia, Ida Ayu Oka, Ni Wayan Lasmib, NK Jayac, and Ni Ketut Elly Sutrisni. 2017. Improving Cooperative Performance through Human Resource Development Efforts. *International Journal of Social Sciences and Humanities (IJSSH)* 1: 49. [CrossRef]

Meier, Olivier, Philippe Naccache, and Guillaume Schier. 2021. Exploring the curvature of the relationship between HRM–CSR and corporate financial performance. *Journal of Business Ethics* 170: 857–73. [CrossRef]

Ming-Chu, Yu. 2017. How Can Human Resource Management Practices Lead to Increased Corporate Social Performance? Institutional Theory Perspective. *Management Challenges in a Network Economy*. pp. 17–19. Available online: https://toknowpress.net/ISBN/978-961-6914-21-5/papers/ML17-132.pdf (accessed on 25 September 2024).

Mohammad, Tamara, Tamer K. Darwish, Satwinder Singh, and Osama Khassawneh. 2021. Human resource management and organisational performance: The mediating role of social exchange. *European Management Review* 18: 125–36. [CrossRef]

Morrison, Wayne. 2011. China and the global financial crisis: Implications for the United States. *Journal of Current Issues in Finance, Business and Economics* 4: 151.

Mulolli, Enis, and Diana Boskovska. 2020. The Role of Human Resource Management Practices on Financial Performance in Firms. *International Journal of Multidisciplinary and Current Research* 8.

Mutua, Mbithi. 2019. Linking Human Capital Resourcing Practices and Performance of Financial Cooperatives in Kenya: Does Presence of Formal Human Resource Department Matter? *Management and Labour Studies* 44: 148–67. [CrossRef]

Mutua, Shedrack Mbithi, Kabare Karanja, and G. S. Namusonge. 2012. Role of human resource management practices on performance of financial cooperatives based in Nairobi County, Kenya. *International Journal of Humanities and Social Science* 2: 289–97.

Nguyena, Thi Minh Phuong, Duc Tai Doc Van Toi Dinhb, Thi Hoang Mai, and Thi Hanh Duyen Nguyene Trand. 2020. The impact of human resource management on the financial performance of listed firms in Vietnam. *International Journal of Innovation, Creativity and Change* 12: 26–37.

Papaioannou, Alkistis, Panagiotis Dimitropoulos, Konstantinos Koronios, and Konstantinos Marinakos. 2024. Perceived financial performance in sport services firms: The role of HRM practices and innovation. In *Evidence-Based HRM: A Global Forum for Empirical Scholarship*. Bingley: Emerald Publishing Limited, vol. 12, pp. 1–22.

Priyadharshini, S. K., T. J. Kamalanabhan, and R. Madhumathi. 2015. Human resource management and firm performance. *International Journal of Business Innovation and Research* 9: 229–51. [CrossRef]

Purnomo, Agung, Nur Afia, Yogi Tri Prasetyo, Elsa Rosyidah, Satria Fadil Persada, and Fairuz Iqbal Maulana. 2022. Business Model on M-Business: A Systematic Review. *Procedia Computer Science* 215: 955–62. [CrossRef]

Ramos-Torres, Sonia. 2017. The Impact of Human Resources Management Practices. 8 December 2017. Available online: https://ssrn.com/abstract=3084946 or http://dx.doi.org/10.2139/ssrn.3084946 (accessed on 25 September 2024).

Rompho, Nopadol. 2017. HC and financial performance with two HRM strategies. *International Journal of Productivity and Performance Management* 66: 459–78. [CrossRef]

Sacchetti, Silvia, Ermanno Celeste Tortia, and J. Francisco. 2016. Human resource management practices and organizational performance. The mediator role of immaterial satisfaction in Italian Social Cooperatives. pp. 1–22. Available online: https://ideas.repec.org/p/zar/wpaper/dt2016-02.html (accessed on 25 September 2024).

Saridakis, George, Yanqing Lai, and Cary L. Cooper. 2017. Exploring the relationship between HRM and firm performance: A meta-analysis of longitudinal studies. *Human Resource Management Review* 27: 87–96. [CrossRef]

Shakir, Khairunnisak Ahmad, Azahari Ramli, Buba Musa Pulka, and Faizatul Hasliyanti Ghazali. 2020. The Link Between Human Capital and Cooperatives Performance. *Journal of Entrepreneurship Education* 23: 1–11.

Singh, Nongmaithem Robindro, and Biniam Kassa. 2016. The Impact of Human Resource Management Practice on Organizational Performance—A Study on Debre Brehan University. *International Journal of Recent Advances in Organizational Behaviour & Decision Sciences* 1: 643–62.

Sojka, Ladislav. 2015. Investigation of the relationship between human resource management practices and firm's finance performance. *European Scientific Journal* 11: 87–105.

Voo, Ivana Chandra, Khairiah Soehod, and Sang LongSang Long. 2018. *HRM Practices and Firm Performance: The Mediation of HR Roles*. Bandung: IEOM Society International.

Wohlin, Claes. 2014. Guidelines for snowballing in systematic literature studies and a replication in software engineering. Paper presented at the 18th International Conference on Evaluation and Assessment in Software Engineering, London, UK, May 13–14; pp. 1–10.

Wright, Patrick M., Timothy M. Gardner, Lisa M. Moynihan, and Mathew R. Allen. 2004. The Relationship between HR Practices and Firm Performance: Examining Causal Order. Available online: http://digitalcommons.ilr.cornell.edu/cahrswp/13 (accessed on 9 May 2005).