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From Reactive to Proactive Hiring: Leveraging AI-Powered Talent Readiness to Reduce Early Employee Attrition in NBFCs

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Abstract

The rapid expansion of the Non-Banking Financial Company (NBFC) sector in India has intensified the demand for skilled and job ready employees, leading to increasing concerns regarding early employee attrition, particularly within the first year of employment. Many NBFCs continue to rely heavily on reactive hiring practices characterized by last minute recruitment, limited candidate engagement, and inadequate talent readiness mechanisms. Such practices contribute to mismatches between job expectations and employee preparedness, thereby increasing the likelihood of early exits. With advancements in recruitment technologies, Artificial Intelligence (AI) powered hiring tools and predictive analytics have emerged as effective mechanisms for improving candidate readiness, streamlining hiring processes, and predicting attrition risks.

This study aims to examine the transition from reactive to proactive hiring practices by leveraging AI powered talent readiness strategies to reduce early employee attrition in NBFCs. A quantitative research design is adopted using structured questionnaires administered to HR professionals and newly recruited employees across selected NBFCs. Data analysis techniques such as reliability testing, exploratory and confirmatory factor analysis, and Structural Equation Modelling (SEM) are proposed to examine relationships among reactive hiring, talent readiness, AI adoption, and early attrition outcomes..

Introduction

2.1 Background of the Study

The NBFC sector in India plays a key role in financial inclusion and economic growth, leading to rising demand for a skilled and adaptable workforce due to rapid expansion and technological change. However, intense competition across financial institutions has made talent acquisition and retention increasingly challenging, with organizations competing on employer branding, career growth, and engagement.

Despite aggressive hiring, NBFCs continue to face high early attrition within the first 6 - 12 months, often caused by poor job readiness, unclear expectations, and weak pre joining engagement. Reactive hiring practices further worsen the issue by limiting time for proper selection and onboarding.

This early attrition leads to financial losses, reduced productivity, operational delays, and lower employee morale. It also impacts service quality and organizational culture, highlighting the need for proactive, structured hiring supported by talent readiness strategies to ensure workforce stability and efficiency.

2.2 Problem Statement

The rapid expansion of the NBFC sector has intensified the demand for skilled manpower; however, continued reliance on reactive hiring practices often leads to compressed recruitment timelines, skill mismatches, and early job dissatisfaction. The absence of structured talent readiness pipelines, along with limited pre joining engagement and inadequate role clarity, constrains effective organizational adjustment among new hires. Furthermore, inconsistent adoption of AI enabled recruitment tools reduces the efficiency and accuracy of hiring processes. Collectively, these gaps contribute to elevated early attrition risks, workforce instability, and increased operational costs, underscoring the necessity for proactive and AI supported hiring frameworks.

2.3 Research Gap

- Traditional attrition factors dominate existing research focus.

- Limited evidence on AI driven recruitment and talent readiness integration.
- Weak linkage between AI readiness models and early attrition reduction in NBFCs.
- Greater emphasis on post joining rather than pre joining interventions.
- Pre joining engagement strategies remain insufficiently studied.
- Predictive hiring and attrition forecasting models lack empirical depth.
- Significant gap for NBFCs needing proactive, fast-cycle hiring strategies.

2.4 Research Objectives

The primary objectives of this study are as follows:

1. To examine the impact of reactive hiring practices on early employee attrition in NBFCs.
2. To assess the role of AI powered talent readiness in improving hiring efficiency.
3. To evaluate the relationship between proactive hiring strategies and early employee retention.

2.5 Research Questions

The study is guided by the following research questions:

1. How does reactive hiring contribute to early employee attrition in NBFCs?
2. What role does AI powered hiring play in improving talent readiness and workforce readiness?
3. Can proactive hiring strategies significantly reduce early stage employee attrition within NBFC organizations?

3. Literature Review

The transformation of recruitment practices from traditional reactive approaches to proactive, technology enabled talent acquisition has become a central theme in contemporary human resource management research. The increasing integration of Artificial Intelligence (AI) into recruitment processes has created new opportunities for improving talent readiness, predicting employee behaviour, and reducing early employee attrition. This section reviews the relevant literature on reactive and proactive hiring practices, early employee attrition, talent readiness frameworks, AI driven recruitment technologies, and the theoretical foundations supporting the proposed research model.

3.1 Reactive vs Proactive Hiring Practices

Recruitment has traditionally followed a reactive approach, where hiring begins only after vacancies arise or operational needs increase. Such practices are often marked by short hiring timelines, limited workforce planning, and heavy reliance on external recruitment sources. This urgency can lead to rushed decisions, inadequate candidate evaluation, and mismatches between job requirements and employee capabilities. Overdependence on job portals, consultants, and walk-in drives may provide a large candidate pool but often lacks structured screening for long term organizational fit, contributing to higher early attrition and reduced engagement.

In contrast, proactive hiring focuses on building talent pipelines in advance through workforce forecasting and continuous engagement with potential candidates. Pre-qualified talent pools help reduce hiring delays and improve readiness levels. Additionally, proactive hiring includes pre joining engagement initiatives such as training and role clarity sessions, enabling candidates to better understand expectations and organizational culture, thereby improving retention and reducing early employee attrition.

3.2 Early Employee Attrition

Employee attrition continues to be a major concern for organizations across industries, with early employee attrition often termed infant attrition being particularly challenging. It refers to employees voluntarily leaving within the first six to twelve months of employment, usually before reaching full productivity. This early exit is commonly driven by job role mismatch, unmet expectations, limited organizational support, and inadequate early engagement. Many employees who resign within the first year report dissatisfaction related to unclear roles, workload pressures, and workplace culture.

From an organizational viewpoint, early attrition leads to significant direct costs such as recruitment, training, and administrative expenses, along with indirect losses like reduced productivity, disrupted teamwork, and lower morale. Measuring early attrition through metrics such as early resignation rates and probation outcomes helps organizations identify patterns. Effective expectation management, including realistic job previews and structured pre joining communication, plays a crucial role in reducing early employee attrition.

3.3 Talent Readiness Framework

Talent readiness refers to the degree to which newly hired employees possess the necessary knowledge, skills, and psychological preparedness to perform their roles effectively from the very start. In recent years, this concept has gained prominence due to its strong influence on workforce productivity and employee retention. A vital element of talent readiness is candidate preparedness, which involves understanding job expectations, acquiring required competencies, and adapting to organizational culture.

Pre joining engagement programs play an important role in strengthening preparedness. These initiatives often include orientation content, virtual learning sessions, role based simulations, and organizational briefings conducted before the joining date. Continuous engagement between offer acceptance and joining helps

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reduce uncertainty, build commitment, and enhance motivation among candidates.

Onboarding readiness is another essential component, ensuring that systems, resources, and training support are available from day one. Clear communication about roles, expectations, and career growth further improves trust, reduces confusion, and supports higher retention and performance outcomes.

3.4 Artificial Intelligence in Recruitment

Artificial Intelligence (AI) has significantly reshaped recruitment by enabling automation, predictive analytics, and data driven decision making. AI tools are widely used to speed up resume screening, reduce manual effort, and improve accuracy in identifying suitable candidates. Automated systems can process large volumes of applications quickly while minimizing bias and ensuring consistent selection outcomes.

AI powered chatbots and virtual assistants further enhance recruitment by handling candidate queries, scheduling interviews, and maintaining continuous communication. Predictive analytics helps organizations analysed past hiring data to forecast candidate success and attrition risks, supporting better workforce planning. Despite these advantages, concerns related to data privacy, bias, and technology adoption continue to challenge effective AI implementation.

3.5 Theoretical Foundations

The present study is supported by multiple theoretical frameworks that explain employee behaviour, organizational relationships, and technology adoption. **Human Capital Theory** highlights the value of investing in employee readiness and skill development to improve performance and reduce turnover. **Person Organization Fit Theory** emphasizes aligning individual values with organizational culture to strengthen commitment. **Social Exchange Theory** explains how organizational support through engagement and communication builds loyalty and retention. The **Technology Acceptance Model (TAM)** explains the adoption of AI based recruitment tools based on their usefulness and ease of use. Collectively, these frameworks provide a strong foundation for examining hiring practices, AI adoption, talent readiness, and early employee attrition.

3.6 Development of Hypotheses

Based on the reviewed literature and theoretical foundations, the following hypotheses are proposed to examine relationships among key constructs in the study.

- **H1:** Reactive hiring practices have a significant positive relationship with early employee attrition.
- **H2:** AI-powered talent readiness has a significant negative relationship with early employee attrition.
- **H3:** Proactive hiring mediates the relationship between AI adoption and employee retention.
- **H4:** Talent readiness positively influences early employee retention.

4. Conceptual Framework

The conceptual framework of this study integrates proactive hiring theory, talent readiness models, and AI driven recruitment to examine the shift from reactive to proactive hiring in NBFCs. It positions reactive hiring and AI adoption as key drivers of workforce outcomes. While reactive hiring marked by last minute recruitment and limited planning often leads to poor role alignment and higher early attrition, AI enabled recruitment tools such as predictive analytics and digital engagement platforms support structured, accurate hiring decisions.

Talent readiness and candidate engagement act as critical mediators, ensuring candidates are well prepared, informed, and connected before joining. Early employee attrition, defined as exits within the first year, is the primary outcome variable, influenced by factors such as organizational size, hiring volume, and role complexity.

Grounded in Human Capital, Person Organization Fit, Social Exchange, and Technology Acceptance theories, the framework highlights that AI supported proactive hiring strengthens readiness and engagement, ultimately reducing early attrition and improving long term workforce stability.

Conceptual Model Structure (Variables Summary)

Independent Variables:

- Reactive Hiring Practices
- AI Adoption in Recruitment

Mediating Variables:

- Talent Readiness
- Candidate Engagement

Dependent Variable:

- Early Employee Attrition

Conceptual Model Flow

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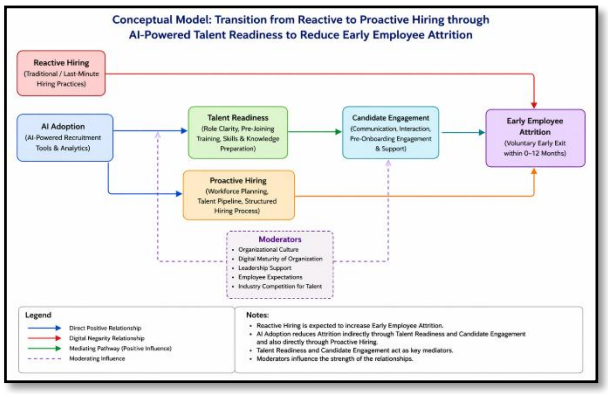

5. Research Methodology

This study adopts a systematic research methodology to examine the transition from reactive hiring to proactive hiring through AI powered talent readiness mechanisms and its impact on early employee attrition in the Non-Banking Financial Company (NBFC) sector in India.

5.1 Research Design

The study adopts a **quantitative, explanatory research design** to examine causal relationships among reactive hiring, AI adoption, talent readiness, and early employee attrition. This approach enables statistical analysis, hypothesis testing, and validation of a conceptual model explaining how AI supported proactive hiring reduces early attrition. Additionally, limited qualitative insights through semi structured HR interviews may be included to enhance contextual understanding and practical relevance.

5.2 Population and Sample

The target population for this study comprises employees and Human Resource (HR) professionals working in NBFC organizations operating within India. The inclusion of both newly recruited employees and HR practitioners enables the study to capture perspectives related to recruitment processes, readiness practices, and attrition experiences.

The recommended sample size for this study ranges between **200 and 500 respondents**, which is considered appropriate for Structural Equation Modelling (SEM) analysis. This sample size aligns with statistical recommendations that suggest a minimum of 5 - 10 responses per measurement item to ensure model stability and reliability.

5.3 Data Collection Methods

Data for the study will be collected using both primary and secondary sources to enhance data accuracy and analytical robustness.

Primary Data Collection

Primary data will be collected using a **structured questionnaire** designed to measure constructs related to reactive hiring practices, AI adoption, talent readiness, candidate engagement, and early employee attrition. The questionnaire will include closed ended questions based on Likert scale measurements to facilitate statistical analysis.

Secondary Data Collection

Secondary data sources will include:

- Organizational HR records related to hiring timelines and attrition patterns
- Industry attrition reports
- Recruitment analytics dashboards
- Published industry publications and government workforce reports

5.4 Measurement of Variables

The study operationalizes key constructs based on established literature and validated measurement frameworks. All variables will be measured using a **five point Likert scale**, where:

1 = Strongly Disagree
2 = Disagree
3 = Neutral
4 = Agree
5 = Strongly Agree

Measurement Constructs

Reactive Hiring Practices

Reactive hiring practices will be measured using indicators reflecting urgency driven recruitment behaviour.

Example indicators include:

- Hiring decisions are often made under time pressure.
- Recruitment begins only after vacancies arise.
- The organization heavily depends on external sourcing channels.
- There is limited availability of pre - qualified candidates.
- Workforce planning is rarely conducted in advance.

AI Adoption in Recruitment

AI adoption will be measured using indicators reflecting the extent of technology utilization in hiring processes.

Example indicators include:

- AI tools are used for resume screening.
- Predictive analytics supports hiring decisions.
- Automated systems are used for candidate communication.
- Recruitment data analytics is used for decision - making.
- AI tools improve recruitment efficiency.

Talent Readiness

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Talent readiness reflects candidate preparedness prior to joining the organization.

Example indicators include:

- Candidates receive pre joining communication and guidance.
- Role expectations are clearly communicated before joining.
- Skill readiness programs are provided before onboarding.
- Candidates receive organizational orientation materials.
- Pre joining engagement improves confidence levels.

Candidate Engagement

Candidate engagement reflects the level of interaction and connection during the pre-joining phase.

Example indicators include:

- Recruiters maintain regular communication with candidates.
- Candidates receive timely updates regarding joining processes.
- Digital engagement tools are used to interact with candidates.
- Candidates feel connected to the organization before joining.
- Engagement initiatives reduce uncertainty.

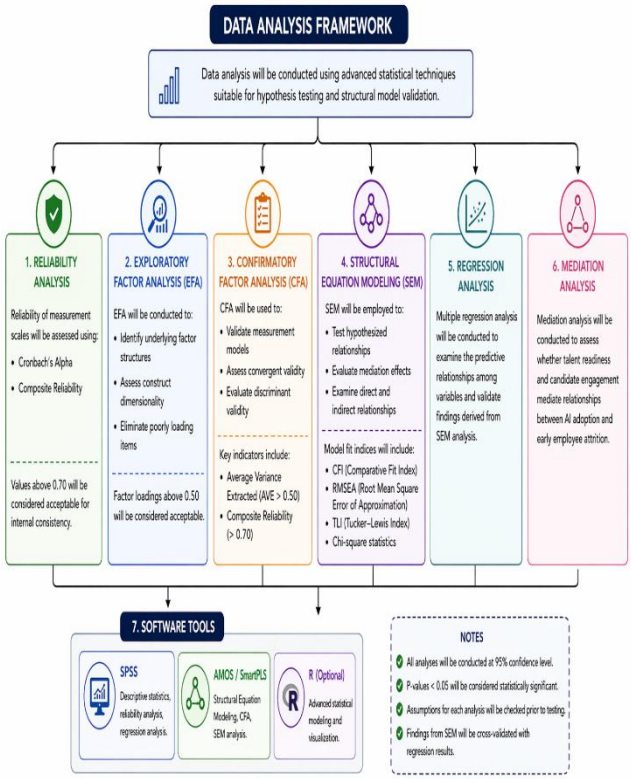
Early Employee Attrition

Early employee attrition will be measured based on early exit indicators.

Example indicators include:

- Employees leave within the first six months of joining.
- Employees leave within the first twelve months of joining.
- Early exits occur due to unmet job expectations.
- Employees express dissatisfaction during probation.
- Attrition rates are higher among newly hired employees.

5.5 Data Analysis Techniques



6. Results and Findings

The empirical results of the study examining the relationships among reactive hiring practices, Artificial Intelligence (AI) adoption, talent readiness, candidate engagement, and early employee attrition in the Non-Banking Financial Company (NBFC) sector in India. The findings are organized into respondent demographics, reliability and validity assessments, hypothesis testing results, and key analytical insights derived from Structural Equation Modelling (SEM).

6.1 Key Findings

Based on statistical analysis and hypothesis testing, several significant findings emerged from the study.

- Reactive hiring significantly increases early attrition
- AI based talent readiness improves retention probability
- Proactive hiring reduces offer-to-join dropouts
- Talent readiness is a critical mediator
- Candidate engagement strengthens retention outcomes

7. Discussion

The purpose of this study was to examine the transition from reactive hiring to proactive hiring through AI powered talent readiness mechanisms and its impact on early employee attrition in the Non-Banking Financial Company (NBFC) sector in India. The findings provide empirical support for the proposed conceptual framework and offer valuable insights into the role of structured recruitment readiness and technological

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integration in workforce retention. This section interprets the findings in relation to prior literature, theoretical foundations, and practical HR strategies.

7.1 Interpretation of Findings

The findings reveal a strong positive link between reactive hiring practices and early employee attrition, confirming that last minute recruitment contributes to workforce instability. Limited time for candidate evaluation, role clarity, and organizational familiarization often results in confusion, poor preparation, and unmet expectations, leading new hires to leave early. This highlights that reactive hiring negatively impacts both recruitment efficiency and early retention.

Conversely, AI driven recruitment significantly reduces early attrition by improving candidate readiness and decision accuracy. Tools like predictive analytics, automated screening, and digital engagement platforms create more structured hiring processes and better align candidate skills with job requirements, lowering turnover risks.

The study also identifies talent readiness and candidate engagement as key mediators. Structured pre-joining communication, clear role expectations, and readiness support enhance employee confidence and commitment, effectively translating AI adoption into improved retention outcomes.

7.2 Comparison with Prior Studies

The study aligns with earlier research highlighting the drawbacks of reactive hiring, showing that last minute recruitment leads to higher errors and early employee turnover. It supports workforce planning literature that stresses the need for proactive hiring and structured talent pipelines. The findings also reinforce prior studies on AI driven recruitment, confirming that technologies like predictive analytics improve hiring accuracy and efficiency while reducing early attrition. Additionally, the mediating role of talent readiness is consistent with research emphasizing pre joining engagement and onboarding. Employees who receive clear expectations and early exposure tend to be more committed, strengthening the link between readiness practices and improved retention outcomes.

7.3 Theoretical Contribution

The findings of this study contribute to several established theoretical frameworks within human resource management and organizational behaviour.

From the perspective of **Human Capital Theory**, the results emphasize the importance of investing in workforce readiness as a means of enhancing organizational productivity and reducing turnover risk. AI-powered readiness tools represent a form of strategic investment that improves employee performance potential and reduces resource wastage associated with early attrition.

The findings also support **Person–Organization Fit Theory**, which suggests that employee retention improves when individuals perceive alignment between personal competencies and organizational expectations. Proactive hiring supported by AI enables more accurate matching of candidate skills and job requirements, thereby improving fit and reducing attrition probability.

In relation to **Social Exchange Theory**, the study demonstrates that structured pre-joining engagement strengthens psychological bonds between employees and organizations. When candidates receive timely communication, training support, and role clarity, they perceive organizational investment in their development, which fosters commitment and loyalty.

Additionally, the results provide empirical support for the **Technology Acceptance Model (TAM)** by demonstrating that AI adoption in recruitment generates measurable organizational benefits. HR professionals are more likely to accept AI-driven tools when they perceive improvements in recruitment accuracy and retention outcomes.

7.4 Industry Implications

The study highlights key implications for HR leaders in the NBFC sector. It stresses the need to shift from reactive, last-minute hiring to proactive, structured recruitment to avoid instability and high costs. Adopting AI powered tools, such as predictive analytics, can improve candidate selection, readiness, and reduce attrition risks. The findings also emphasize implementing structured pre-joining engagement programs to enhance role clarity, confidence, and retention. Additionally, HR strategies should align with organizational growth, using scalable, technology-driven hiring approaches to support expansion while maintaining workforce stability.

7.5 Why AI Powered Talent Readiness Works

AI powered talent readiness improves hiring by analysing large datasets to identify patterns linked to success and attrition, enabling better decisions and resource use. It also enhances candidate communication through automated, continuous engagement, reducing uncertainty and building trust before joining. Additionally, AI enables personalized pre joining training, allowing candidates to develop role specific skills in advance, which shortens learning time and improves early job performance.

7.6 Linkage to Strategic HR Transformation

The shift from reactive to proactive hiring reflects a broader move toward strategic, data driven HR practices focused on readiness and long-term retention rather than just filling vacancies. Integrating AI into recruitment enables better decision making through predictive insights and continuous workforce monitoring. AI powered talent readiness frameworks also support integrated talent management, linking hiring, training, and performance. Overall, proactive, AI supported

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hiring improves workforce stability and reduces early attrition, making predictive technologies increasingly vital for future HR management.

8. Practical Implications

The study offers key practical insights for HR professionals, leaders, and policymakers in India's NBFC sector. It highlights that shifting from reactive to proactive hiring, supported by AI driven talent readiness frameworks, can improve workforce stability, lower recruitment costs, and enhance employee retention. These findings point to actionable strategies for strengthening hiring practices and reducing early attrition.

8.1 Development of AI Driven Candidate Readiness Dashboards

A key application of this study is the use of AI driven candidate readiness dashboards that give HR teams real time insights into candidate preparedness, engagement, and joining status. By combining recruitment data, communication history, and skill assessments, these tools help track progress throughout hiring. They also identify gaps such as low participation or delayed responses serving as early signals of reduced commitment. This allows organizations to address issues proactively and minimize offer dropouts.

8.2 Use of Predictive Analytics for Dropout Risk Detection

Predictive analytics is a key practical takeaway, enabling organizations to use past hiring and attrition data to identify candidates at risk of early dropout or resignation. By analysing factors like engagement, responsiveness, and skill readiness, HR teams can detect warning signs early. This allows targeted interventions such as personalized engagement, extra training, or career guidance to boost candidate confidence and reduce early exits, ultimately improving retention outcomes.

8.3 Implementation of Pre Onboarding Engagement Automation

The study emphasizes structured pre joining engagement programs to improve talent readiness. AI driven tools can automate pre-onboarding by providing candidates with role specific content, updates, and continuous communication, strengthening engagement and commitment. Features like virtual orientations, digital welcome kits, policy briefings, and simulations help candidates understand organizational expectations before joining. Such automated systems support smoother onboarding and help reduce early attrition.

8.4 Establishment of Structured Talent Pipeline Development Strategies

The findings highlight the need for structured talent pipelines to enable proactive hiring. Organizations should maintain centralized pools of pre-screened and engaged candidates to reduce reliance on urgent recruitment and fill vacancies more efficiently. These pipelines can be built through partnerships with educational institutions, professional networks, and digital platforms. Continuous engagement with potential candidates ensures a consistent supply of job ready talent and helps HR teams better forecast workforce needs and align hiring with organizational growth.

8.5 Integration of AI into Workforce Planning and Recruitment Strategy

Integrating AI into recruitment must align with overall workforce planning strategies. Organizations should embed AI tools such as automated screening, predictive planning systems, and digital communication platforms into hiring processes to improve accuracy and efficiency. Effective use also depends on training HR professionals to interpret data driven insights for better decisions. In addition, clear governance frameworks are needed to ensure ethical AI use, including protections against bias and data privacy issues.

8.6 Strengthening Employer Branding through Proactive Engagement

AI-supported proactive hiring and continuous candidate engagement strengthen employer branding by creating positive perceptions of organizational culture and professionalism. Transparent communication and structured readiness support help attract quality candidates and build long term relationships. Employer branding can be further improved through digital storytelling, employee testimonials, virtual tours, and interactive platforms, enhancing pre joining experience and sense of belonging. Overall, strong employer branding reduces recruitment costs by increasing candidate loyalty and lowering withdrawal rates.

8.7 Development of Role Specific Readiness Programs

The study highlights the need for role specific readiness programs to improve employee preparedness. Organizations should offer tailored digital learning modules, supported by AI, focusing on job skills, compliance, and performance expectations. This is especially important in NBFCs, where regulatory and service standards are critical. Such structured training helps employees enter with required knowledge and skills, reducing adjustment time and enhancing early performance.

8.8 Strategic HR Transformation through Data Driven Decision Making

Shifting from reactive to proactive hiring requires a broader move toward data driven HR practices. Organizations should implement centralized HR analytics systems to track recruitment, engagement, and retention data, helping identify early attrition patterns and workforce trends. This enables continuous improvement of hiring and engagement strategies through regular analysis of HR metrics. Overall, a data

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driven approach strengthens recruitment effectiveness, improves retention, and enhances long term workforce sustainability and organizational resilience.

9. Theoretical Contributions

This study advances HRM and organizational behaviour literature by linking AI driven recruitment with workforce readiness and retention theories. It extends existing frameworks by examining how AI enabled talent readiness supports the shift from reactive to proactive hiring and offers new insights into managing early employee attrition in India's NBFC sector.

9.1 Extension of Person Organization Fit Theory

This study extends Person Organization Fit Theory by incorporating AI driven recruitment tools that improve alignment between candidate attributes and organizational expectations. It shows that AI powered predictive analytics and structured communication enhance candidate selection accuracy and readiness, improving job fit and retention. The findings also suggest that fit is not only determined during selection but can be developed through pre joining engagement and readiness programs. Thus, technological readiness and digital engagement are introduced as key factors in strengthening Person Organization alignment and improving retention outcomes.

9.2 Integration of Human Capital Theory with AI Driven Readiness

The study extends Human Capital Theory by highlighting the importance of investing in employee readiness before formal joining. Unlike the traditional focus on post joining training, it introduces pre-employment readiness as an early investment that enhances long term productivity. AI driven systems support personalized pre joining learning, helping candidates build job specific skills in advance, which reduces adjustment time, improves performance, and boosts retention. The findings show that such readiness systems increase returns on human capital investment by reducing losses from early attrition, thereby updating Human Capital Theory for modern, AI enabled recruitment contexts.

9.3 Contribution to Social Exchange Theory

This study extends Social Exchange Theory by showing that pre joining engagement reflects early organizational support that builds trust and commitment. AI enabled communication tools enable continuous interaction during recruitment, strengthening psychological attachment even before joining. Candidates who receive consistent updates and readiness support perceive stronger organizational intent, leading to higher commitment and lower attrition. The study broadens Social Exchange Theory by suggesting that exchange relationships begin in the recruitment phase and influence long term employee behaviour.

9.4 Advancement of Technology Acceptance Model (TAM) in HR Context

The study extends the Technology Acceptance Model by applying it to AI based recruitment and talent readiness systems. It confirms that AI adoption improves hiring efficiency and reduces early attrition, supporting its perceived usefulness in HR functions. Beyond operational benefits, the findings show that AI also enhances workforce stability, highlighting its strategic value. The study further introduces AI driven talent readiness as an outcome of successful technology adoption, linking TAM to human capital development and employee retention outcomes.

9.5 Development of an Integrated Proactive Hiring Framework

This study contributes a unified proactive hiring framework that integrates recruitment practices, talent readiness, and AI adoption. Unlike existing theories that separate hiring efficiency and retention, it shows that recruitment readiness directly affects early employee retention. Reactive hiring is identified as a risk factor for attrition, while AI supported proactive hiring acts as a preventive approach. By including mediators like talent readiness and candidate engagement, the framework explains how recruitment processes influence retention outcomes. It advances proactive hiring literature and supports the shift toward data driven HR strategies, providing a basis for future research in workforce readiness and HR analytics.

9.6 Contribution to Attrition Management Literature

The study advances attrition literature by focusing on pre-employment readiness rather than post joining retention factors like job satisfaction or leadership. It highlights the importance of recruitment stage interventions in preventing early employee exits and shows that talent readiness plays a key mediating role in reducing attrition. This shifts attrition management toward a proactive, preventive approach aligned with modern HR practices. The study also adds value to sector specific research by offering insights relevant to fast-growing industries like NBFCs, improving the contextual relevance of its findings.

10. Limitations of the Study

- The study is limited to the NBFC sector in India, reducing its generalizability to other industries like banking, insurance, or fintech.
- It relies on self-reported survey data, which may be affected by bias or inaccurate recall.
- The geographical scope is limited, so regional differences in recruitment practices and technology use may not be fully captured.
- Varying levels of AI adoption across organizations may influence the consistency and strength of the findings.

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11. Future Research Directions

Future research can extend this study by comparing sectors like banking, insurance, and fintech to assess whether AI driven proactive hiring yields similar retention outcomes. Cross country studies may also offer insights into cultural differences in recruitment and technology adoption. Longitudinal research is recommended to examine the long term effects of proactive hiring on retention and career growth, helping establish causal links. Further studies could explore advanced technologies like Generative AI and automation in improving candidate engagement and personalized learning. Additionally, examining factors such as leadership style, digital maturity, and organizational culture may reveal how they influence the effectiveness of AI based recruitment systems.

12. Conclusion

This study explores the shift from reactive to proactive hiring using AI powered talent readiness and its impact on early employee attrition in India's NBFC sector. It finds that reactive hiring increases early attrition due to poor preparation, weak engagement, and limited planning, while AI-enabled proactive hiring improves readiness, engagement, and job fit. Talent readiness and pre-joining engagement are key mediators in reducing attrition. AI tools like predictive analytics and automated communication help anticipate workforce needs and manage attrition risks effectively. Overall, the study highlights the need for digital transformation in HR, showing that AI-driven proactive hiring enhances workforce stability, reduces costs, and supports sustainable HR management.

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