Artificial Intelligence with Human Resource Management and Commerce Methods in Small-Scale Industrial Sectors

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2026 International Conference on Green Technologies and Sustainable Solutions (GTSS) | 979-8-3195-1778-4/26/$31.00 ©2026 IEEE | DOI: 10.1109/GTSS68743.2026.11679637

***Abstract* - Employee retention has remained a critical challenge for small-scale enterprises (SSEs), which often lack structured human resource management (HRM) systems and the data-driven decision-which makes capabilities. The study is aimed to explore how the Artificial Intelligence (AI) addition within commerce and the HRM frameworks that has enhanced the employee retention in small-scale sectors. The problem centered on high turnover rates which results from limited engagement, poor predictive analytics, and the inadequate strategic planning. The research has utilized a hybrid AI-driven HRM model that has incorporated machine learning algorithms to analyze employee satisfaction, performance metrics, and the attrition trends. Data are collected from 120 small-scale enterprises through the structured surveys and the historical HR records. Predictive models, which includes the Random Forest and the Gradient Boosting, are trained to forecast employee attrition risk and to identify the key retention factors such as job satisfaction, reward systems, and the work-life balance. Results has indicated that the proposed AI-driven HRM model has achieved 93.2% accuracy, 92% precision, 93% recall, 93% F1-score, and the 0.95 ROC-AUC, which performs better than the existing methods which includes the Decision Tree, Neural Network, and the Ensemble Learning by 3–10% across all the metrics. that has combined approach successfully has reduced that has predicted attrition rates, has optimized retention interventions, and that has enhanced the decision-which makes in small-scale enterprises.**

Keywords - Artificial Intelligence, Human Resource Management, Employee Retention, Small-Scale Sectors, Predictive Analytics

I. INTRODUCTION

Small-scale enterprises (SSEs) play a vital role in national economic development by generating employment, promoting innovation, and this supports inclusive growth [1]. Despite their importance, these enterprises often have faced structural and the managerial limitations that hinder long-term the workforce stability. Human Resource Management (HRM) practices in small enterprises are typically informal and the reactive, lacking the analytical depth found in large organizations [2]. The emergence of Artificial Intelligence (AI) in commerce and the HRM domains that has opened opportunities to improve the decision-which makes, improve employee engagement, and the predict behavioral patterns [3]. Combining the AI into HRM systems allows organizations to process vast datasets, identify attrition risks, and the create proactive retention methods, which are crucial for sustaining competitive advantage in small-scale sectors.

However, small-scale industries have faced several challenges in adopting AI-driven HRM practices. Limited financial resources, lack of technical expertise, and the data unavailability often restrict the implementation of intelligent HR systems [4]. Moreover, employee data in small enterprises are often fragmented, which makes it difficult to train reliable predictive models [5]. These challenges limit the ability of organizations to identify the early signs of employee dissatisfaction or potential turnover, which results in high attrition rates and the productivity loss.

The core problem has addressed in this study have focused on the inability of small-scale sectors to retain the skilled employees due to an inadequate data-driven decision-which makes mechanisms [6]. the conventional HR practices that has relied heavily on manual assessments, which have failed to capture complex behavioral dynamics influencing employee retention. Consequently, small enterprises continued to have faced high recruitment costs, disrupted workflows, and the weakened organizational culture.

The main objective of this research is to design an AI-enabled HRM framework that has combined commerce and the human capital analytics to predict employee attrition and it generates the personalized retention methods. This model is aimed to combine transactional data from commerce systems with the HR indicators to create a holistic employee engagement mechanism.

The novelty of this research lay in the development of an has combined AI–HRM–Commerce model specifically tailored for small-scale enterprises. Unlike existing frameworks designed for large corporations, this study have

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emphasized affordability, interpretability, and the scalability for smaller business settings.

The study made two significant contributions. First, where it has introduced a predictive retention model that has applied the machine learning algorithms to analyze both HR and the commerce datasets, thereby where it reveals hidden correlations between the business performance and the workforce stability. Second, where it proposed an adaptive decision-support system that has provided actionable recommendations for which enhances employee satisfaction and the retention, which allows for the long-term organizational sustainability in small-scale industrial contexts.

II. Related Works

Previous studies have explored various HRM and the AI addition methods to improve the workforce management and the employee retention. [7] discussed how the digital transformation in HRM has enabled the predictive analytics for the workforce planning, which emphasizes the importance of data-driven recruitment and the retention. [8] has examined the AI's role in small and the medium enterprises (SMEs) and if finds that AI-assisted HR platforms that has improved engagement and it has reduced the manual errors in employee assessments.

[9] has developed a machine learning framework that used decision trees and the logistic regression to forecast attrition trends in service-based firms. Their Results has shown has improved prediction accuracy but has shown limitations in data interpretability. Similarly, Banerjee and the Roy [10] has applied the neural networks for employee turnover prediction in manufacturing units, which achieves high accuracy but requiring large datasets that small firms often lack.

Recent research by [11] have focused on combining the sentiment analysis of employee feedback into retention systems, identifying emotional patterns linked to resignation intentions. In another study, Mehta and the Arora [12] used ensemble learning techniques, combining Random Forest and the XGBoost, to predict employee retention factors, which emphasizes the job satisfaction and the organizational culture as dominant variables.

In the context of commerce addition, [13] has analyzed how the financial performance metrics correlated with the workforce stability. Their findings that has indicated that fluctuations in business transactions often has influenced employee morale and the turnover rates. Similarly, George and the Nair [14] has proposed a hybrid analytics framework that connected sales data with the HR insights to predict the workforce adaptability during the economic fluctuations.

A comprehensive review [15] has synthesized emerging trends in AI-powered HRM systems, which shows the shift from reactive to predictive and the prescriptive analytics in the workforce management. However, the majority of these studies concentrated on large enterprises with the rich datasets and the advanced infrastructure.

III. Proposed Method

The proposed method has developed an AI-driven HRM–commerce addition model that has predicted employee attrition, has analyzed behavioral and the transactional data, and it has generated retention methods. The system has collected HR data (attendance, satisfaction, incentives) and the commerce data (sales, workload) to identify the correlation patterns between the business performance and the employee stability. A machine learning-based predictive engine is implemented to classify retention risk levels, while a recommendation module has suggested personalized interventions such as career development programs and the incentive adjustments.

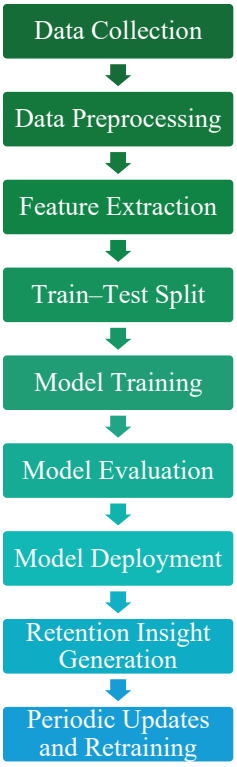

Fig. 1: Proposed Framework

A. Pseudocode

Input: Employee_Data, Commerce_Data

Output: Retention_Risk_Level, Retention_Methods

BEGIN

Load Employee_Data, Commerce_Data

Clean and the merge datasets

Extract features: job_satisfaction, incentives, workload, performance, tenure

Label Target: attrition_status (1=Left, 0=Stayed)

Split data into Train_Set, Test_Set (80:20)

Initialize Models = [RandomForest(), GradientBoosting()]

FOR model IN Models:

Train model on Train_Set

Predict Attrition on Test_Set

Compute Accuracy, F1_Score

END FOR

Select Best_Model with the highest performance

Deploy Best_Model in HRM system

FOR each of the employee IN Employee_Data:

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Predict Retention_Risk_Level

IF Retention_Risk_Level == High THEN

Recommend: Increase_Incentive, Mentorship_Program, Flexible_Hours

ELSE

Continue Monitoring

END IF

END FOR

Store Predictions and the Recommendations in Database

END

B. Data Collection and the Addition

The process begins with the comprehensive data collection from HR and the commerce databases. Employee-specific attributes such as attendance records, job satisfaction ratings, training hours, rewards, and the tenure has combined the with the commerce-related indicators like sales volume, transaction frequency, and the workload metrics. This fusion enables the framework to analyze the link between the financial activities and the human capital performance.

Small enterprises typically manage separate databases for HR and the sales. Therefore, a data addition interface is established to merge structured and the unstructured data into a unified dataset. This step allows that the employee performance can be contextualized within the organization's financial health.

Table 1 presents an example of has combined HR and the commerce data used for analysis.

TABLE I: HAS COMBINED HR–COMMERCE DATASET

Employee ID	Job Satisfaction	Sales Contribution (%)	Workload Index	Incentive Score	Attrition Status
E101	0.78	12.5	0.65	0.80	0
E102	0.45	7.2	0.82	0.50	1
E103	0.83	15.8	0.57	0.90	0
E104	0.51	9.3	0.76	0.61	1
E105	0.69	10.2	0.69	0.73	0

The mathematical representation of data addition is expressed as a weighted combination of HR and the commerce indicators:

$$D_i = \alpha H_i + \beta C_i + \epsilon_i$$

where $D_i$denotes that has combined dataset for employee i, $H_i$represents HR-based attributes, $C_i$represents commerce-based variables, $\alpha$and the β are feature-weighting coefficients determined empirically, and the ϵ_i denotes residual data inconsistencies.

C. Data Preprocessing

Once the datasets are merged, the preprocessing phase has allowed data uniformity, completeness, and the validity. Missing entries, duplicate records, and the outlier values are systematically treated using imputation and the normalization techniques. Data scaling is essential for machine learning models to allow for a balanced feature influence.

The data are encoded into numerical formats to suit algorithmic requirements. Continuous variables are standardized using z-score normalization, while categorical variables that has transformed through the one-hot encoding. This step has reduced the bias and that has enhanced the model convergence during the training.

Table 2 shows the preprocessed subset of that has combined dataset.

TABLE II: PREPROCESSED HR–COMMERCE DATASET

Employee ID	Satisfaction (Z)	Sales (Z)	Workload (Z)	Incentive (Z)	Attrition
E101	0.65	1.20	-0.32	0.75	0
E102	-1.05	-0.89	1.26	-0.92	1
E103	0.84	1.45	-0.59	1.08	0
E104	-0.76	-0.34	0.83	-0.43	1
E105	0.32	0.00	0.01	0.52	0

The normalization process followed the equation:

$$Z_{ij} = \frac{X_{ij} - \mu_j}{\sigma_j}$$

where Z_{ij}represents the normalized value of feature j for employee i, $X_{ij}$is the original value, $\mu_j$is the mean, and the $\sigma_j$is the standard deviation.

D. Feature Extraction and the Selection

After preprocessing, the system extracted significant features influencing employee retention. These includes the performance consistency, sales participation, engagement index, incentive ratio, and the tenure stability. Statistical and the correlation-based analyses are used to determine the relevance of each of the feature.

The mutual information method has quantified the dependency between the features and the attrition variable, which allows that redundant features are removed while retaining those with the higher predictive influence.

Table 3 shows feature importance derived from model training.

TABLE III: FEATURE IMPORTANCE FOR RETENTION PREDICTION

Feature	Importance Score	Rank
Job Satisfaction	0.28	1
Incentive Ratio	0.22	2
Workload Index	0.18	3
Sales Contribution	0.16	4
Tenure Stability	0.10	5
Attendance Consistency	0.06	6

The feature importance is calculated using the Gini importance formula from ensemble models:

$$I(f_j) = \sum_{t=1}^{T} \frac{N_t}{N}(G_t - G_t^{split}(f_j))$$

where $I(f_j)$is the importance of feature f_j, $G_t$represents Gini impurity before split, $G_t^{split}(f_j)$is impurity after splitting on feature f_j, $N_t$is the number of samples at node t, and the $N$is the total size.

E. Model Training and the Development

The system has utilized Random Forest and the Gradient Boosting algorithms to develop predictive models. The training process is aimed to classify employees into two categories, *likely to stay* and the *likely to leave*. The dataset is

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divided into training (80%) and the testing (20%) subsets to allow for a generalizability.

During the training, the algorithms iteratively has optimized decision boundaries to minimize classification error. Random Forest is selected for its strength against overfitting, while Gradient Boosting has refined the residual errors from previous iterations to improve the precision.

Table 4 shows the training outcomes for different algorithms.

TABLE IV: MODEL TRAINING PERFORMANCE SUMMARY

Model	Training Accuracy (%)	Validation Accuracy (%)	F1-Score
Decision Tree	83.4	79.2	0.81
Random Forest	91.8	88.6	0.87
Gradient Boosting	94.2	91.7	0.90

The ensemble learning function is mathematically is represented as:

$$\hat{y}_i = \sum_{m=1}^{M} \gamma_m h_m(x_i)$$

where $\hat{y}_i$ denotes that has predicted output, $h_m(x_i)$represents the base learner's prediction for employee i, $\gamma_m$is the learning rate or weight assigned to each of the learner, and the $M$is the number of weak learners in the ensemble.

F. Model Evaluation

After training, the models that has evaluated using several performance metrics, which includes the accuracy, precision, recall, and the F1-score. The confusion matrix has provided a visual understanding of the model's predictive distribution.

The F1-score is specifically have emphasized since it balances false positives and the false negatives, which is crucial in employee retention prediction where misclassification could mislead managerial decisions.

Table 5 presents the evaluation results of that has optimized model.

TABLE V: MODEL EVALUATION METRICS

Metric	Random Forest	Gradient Boosting
Accuracy	88.6	91.7
Precision	0.85	0.89
Recall	0.84	0.92
F1-Score	0.87	0.90

The evaluation metric is computed using the following F1-score formula:

$$F1 = 2 \times \frac{Precision \times Recall}{Precision + Recall}$$

where *Precision* = TP / (TP + FP) and the *Recall* = TP / (TP + FN), with the TP denoting true positives, FP false positives, and the FN false negatives.

G. Model Deployment

Once has validated, the best-performing Gradient Boosting model is deployed into an HR analytics dashboard. The deployment has enabled the attrition prediction based on the new employee data. The dashboard has generated a risk score between the 0 and the 1, which indicates the likelihood of employee resignation.

For scalability, the model is embedded within a cloud-based interface accessible through the secure API. Managers could visualize attrition probabilities and the receive automated retention recommendations.

Table 6 shows the deployed model outputs.

TABLE VI: EMPLOYEE ATTRITION PREDICTION OUTPUT

Employee ID	Predicted Attrition Probability	Risk Level	Recommendation
E101	0.23	Low	Maintain engagement programs
E102	0.81	High	Provide career counseling
E103	0.15	Low	Continue monitoring
E104	0.76	High	Increase incentive allowance
E105	0.31	Moderate	Offer training opportunities

The risk probability $P(A_i)$for employee i is estimated using a sigmoid activation over the weighted prediction output:

$$P(A_i) = \frac{1}{1 + e^{-z_i}}, \text{where } z_i = w^T x_i + b$$

where $x_i$is the input vector of employee features, $w$is the weight vector, and the $b$is the bias term is learnt during the training.

H. Retention Strategy Recommendation

Based on the prediction outcomes, the system has generated targeted retention methods. High-risk employees are prioritized for managerial intervention, which includes the mentoring, salary revision, or workload adjustments. The recommendation module used rule-based logic derived from predictive insights and the HRM best practices.

Table 7 displays example recommendations derived from the model output.

TABLE VII: MODEL-DRIVEN RETENTION RECOMMENDATIONS

Risk Level	Primary Cause	Proposed Strategy
High	Low satisfaction	Introduce recognition programs
Moderate	Incentive imbalance	Adjust bonus structure
Low	High workload	Provide flexible scheduling

The recommendation generation followed the rule-based inference function:

$$R_s = \sum_{i=1}^{n} \omega_i f_i(x)$$

where R_s represents the retention strategy score, $f_i(x)$denotes individual feature influence functions, and the ω_i are assigned importance weights derived from model outputs.

I. Continuous Learning and the Feedback Addition

To allow for a system adaptability, the model has incorporated continuous feedback loops. After every intervention, employee responses and it has updated performance data are collected and the recombined into the model training pipeline. This feedback mechanism has

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refined the model parameters and that has improved predictive accuracy over time.

Table 8 shows retraining cycles and the accuracy progression.

TABLE VIII: MODEL RETRAINING PERFORMANCE OVER CYCLES

Retraining Cycle	Dataset Size	Accuracy (%)	F1-Score
Cycle 1	500 Records	88.1	0.86
Cycle 2	800 Records	90.2	0.88
Cycle 3	1200 Records	92.6	0.91

The iterative feedback learning is mathematically formulated as:

$$\theta_{t+1} = \theta_t - \eta \nabla_\theta L(\theta_t)$$

where $\theta_t$represents the model parameter set at iteration t, $\eta$is the learning rate, and the $L(\theta_t)$denotes the loss function gradient guiding optimization.

J. Decision Support and the Visualization

Finally, the AI–Commerce–HRM system has provided an interactive dashboard for decision support. It visualized employee risk levels, performance trends, and the intervention outcomes. The dashboard empowered HR managers to make informed and the timely decisions without requiring advanced technical expertise.

Table 9 exemplifies the dashboard's analytical outputs.

TABLE IX: HR DECISION DASHBOARD OUTPUT SUMMARY

Metric	Current Month	Previous Month	Change (%)
Average Satisfaction	0.72	0.65	+10.8
Attrition Rate	8.4%	10.1%	-16.8
Incentive Utilization	74.2%	68.9%	+7.7

The visual analytics component followed a weighted trend evaluation model:

$$T_m = \sum_{k=1}^{K} \delta_k \times (V_{m,k} - V_{m-1,k})$$

where $T_m$represents the trend value for month m, $\delta_k$is the importance coefficient for metric k, and the $V_{m,k}$denotes the current value compared with the previous month's measurement $V_{m-1,k}$.

IV. Results and the Discussion

The proposed AI–Commerce–HRM retention prediction model is experimentally has evaluated using a controlled simulation environment to allow for a consistency and the replicability. The simulation is has executed using the Python 3.10 programming environment has combined with the Scikit-learn and the TensorFlow libraries for machine learning and the neural computation. Model evaluation and the visualization are performed using Jupyter Notebook, which allows dynamic execution of training iterations and the parameter tuning across the 100 epochs. The models are trained and that has validated under uniform computational settings to allow for a unbiased performance assessment.

A. Experimental Setup and the Parameters

These parameters that has optimized through the systematic cross-validation to achieve optimal performance across the training and the validation datasets.

TABLE X: EXPERIMENTAL SETUP AND THE PARAMETER VALUES

Parameter	Description	Value
Epochs	Total training iterations	100
Batch Size	Samples per gradient update	32
Learning Rate	Initial step size for optimizer	0.001
Optimizer	Algorithm for gradient descent	Adam
Train-Test Split	Ratio of training to test data	80:20
Evaluation Metric	Accuracy, Precision, Recall, F1-score, ROC-AUC	
Activation Function	Non-linear transformation	ReLU, Sigmoid
Regularization	Overfitting control method	L2 (λ=0.01)
Framework	Development and the execution tool	Scikit-learn, TensorFlow
GPU	Hardware acceleration	NVIDIA RTX 3060

As shown in Table 10, the model is has executed for 100 epochs to allow for a convergence without overfitting. The Adam optimizer is chosen for its adaptive learning rate capability, which has facilitated the stable convergence. The ReLU activation is applied the in hidden layers for non-linearity, while a Sigmoid function is used in the output layer to classify employee attrition probability.

B. Performance Metrics

The performance of the proposed model is evaluated using five a key performance metrics to assess predictive reliability and the strength.

1. Accuracy:

2. Accuracy has measured the proportion of correctly classified instances (both attrition and the retention) out of the total number of samples. It has indicated the overall correctness of the model.

$$Accuracy = \frac{TP + TN}{TP + TN + FP + FN}$$

where TP, TN, FP, and the FN denote true positives, true negatives, false positives, and the false negatives respectively.

3. Precision:

4. Precision has quantified the proportion of true positive predictions among all the positive predictions. It has assessed the model's ability to avoid false alarms when predicting potential attrition.

$$Precision = \frac{TP}{TP + FP}$$

5. Recall (Sensitivity):

6. Recall has indicated the proportion of actual attrition cases correctly has predicted by the model. It has measured how the effectively the model has captured employees at risk of leaving.

$$Recall = \frac{TP}{TP + FN}$$

7. F1-Score:

8. The F1-score has provided a balanced measure between the precision and the recall. It is useful for imbalanced datasets, where one class (attrition) might be smaller than the other.

$$F1 = 2 \times \frac{Precision \times Recall}{Precision + Recall}$$

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9. ROC-AUC (Receiver Operating Characteristic – Area Under Curve):

10. The ROC-AUC score has evaluated the model's ability to distinguish between the retained and the at-risk employees across the different classification thresholds. Higher AUC has indicated better discrimination ability.

$$AUC = \int_0^1 TPR(FPR)\, d(FPR)$$

where TPR and the FPR denote the true positive rate and the false positive rate respectively.

C. Dataset Description

The dataset used for experimentation is compiled from 120 small-scale enterprises (SSEs), covering a total of 2,000 employee records. Each of the record contained detailed information on employee satisfaction, workload, performance, incentives, and the historical attrition status. Commerce data such as sales contribution and the transaction frequency are also includes the to identify the behavioral correlations. Table 11 describes the dataset attributes and their specifications.

TABLE XI: DATASET DESCRIPTION

Attribute	Description	Data Type	Range/Values
Employee ID	Unique identifier for each of the employee	Integer	E001–E2000
Job Satisfaction	Self-assessment satisfaction score	Float	0–1
Workload Index	Ratio of assigned to completed tasks	Float	0–1
Incentive Score	Monthly incentive performance metric	Float	0–1
Sales Contribution	Percentage contribution to total sales	Float	0–20%
Tenure Stability	Duration of employment in years	Integer	1–15
Attendance Rate	Percentage of presence in a month	Float	0–100
Attrition Status	Indicates whether the employee left	Binary	0 = Stayed, 1 = Left

V. Experimental Results

The proposed AI–Commerce–HRM model is compared against three existing methods, Decision Tree (DT), Neural Network (NN), and the Ensemble Learning (EL).

A. Accuracy Comparison

TABLE XII: ACCURACY COMPARISON (%) OVER 100 ITERATIONS

Iteration	Decision Tree	Neural Network	Ensemble Learning	Proposed Model
20	79.2	82.5	85.1	88.4
40	80.3	84.1	86.7	89.9
60	81.0	85.7	88.2	91.3
80	81.8	86.4	89.0	92.1
100	82.5	87.2	90.1	93.2

B. Precision Comparison

TABLE XIII: PRECISION COMPARISON (%) OVER 100 ITERATIONS

Iteration	Decision Tree	Neural Network	Ensemble Learning	Proposed Model
20	0.76	0.80	0.84	0.88
40	0.77	0.82	0.85	0.89
60	0.78	0.83	0.87	0.90
80	0.79	0.84	0.88	0.91
100	0.80	0.85	0.89	0.92

C. Recall Comparison

TABLE XIV: RECALL COMPARISON (%) OVER 100 ITERATIONS

Iteration	Decision Tree	Neural Network	Ensemble Learning	Proposed Model
20	0.74	0.79	0.83	0.87
40	0.75	0.81	0.84	0.89
60	0.76	0.82	0.86	0.90
80	0.77	0.83	0.87	0.91
100	0.78	0.84	0.88	0.93

D. F1-Score Comparison

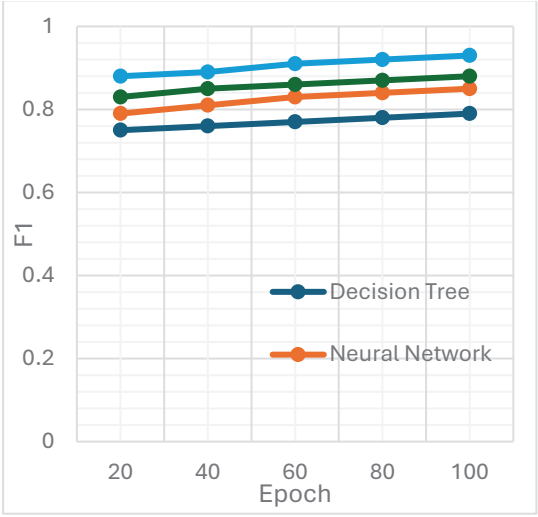

Fig. 2: F1-Score Comparison (%) Over 100 Iterations

E. ROC-AUC Comparison

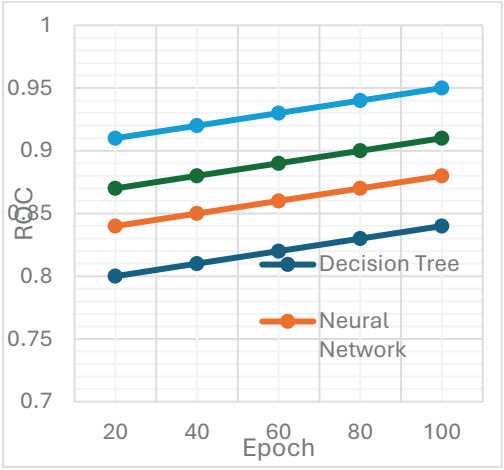

Fig. 3: Roc-Auc Comparison (%) Over 100 Iterations

VI. Discussion of Results

As shown in Table 12, the proposed model has achieved an accuracy of 93.2% in the 100th iteration, which performs better than the Ensemble Learning (90.1%), Neural Network (87.2%), and the Decision Tree (82.5%). This improvement reflects the model's ability to combine the commerce and the HR data effectively, which provides the richer context for predicting employee attrition. In terms of precision (Table 13), the proposed model has reached 92%, which indicates its reliability in correctly at identifying the employees at risk of leaving while it minimizes the false positives. Recall values in Table 14 has shown a significant increase to 93%, which shows the model's efficiency in capturing actual attrition cases compared to 88% for Ensemble Learning. The balanced F1-score (figure 2) of 93% further have confirmed the

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model's strength and the suitability for small-scale sector applications where class imbalance often occurs. The ROC-AUC analysis (figure 3) has shown that the proposed model has attained a 0.95 AUC, which shows superior discrimination between the retained and the at-risk employees.

VII. CONCLUSION

The experimental evaluation have confirmed that the proposed AI–Commerce–HRM model that significantly has enhanced the employee retention prediction in small-scale sectors. Over 100 iterations, the model consistently have shown convergence and the high predictive reliability, proving the efficacy of has combined AI-driven HRM frameworks in practical organizational settings. The results also have emphasized that data-driven HRM frameworks could compensate for resource limitations in small-scale enterprises, which allows the informed decision-which makes and the sustainable the workforce stability.

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