Influence of Human Resource Management Practices on Growth of Sacco Societies in Meru County, Kenya

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Abstract: Globally and specifically in Kenya, the Sacco movement has evolved in the past 40 years into a formidable force that has transformed the social and economic well-being of many people. Growth in organizations is important since it contributes to the economic prosperity of any entity. Though growth is considered as top strategic priority in organizations, very few have achieved it and even fewer have been found to sustain it. The study sought to assess the extent to which human resource management practices influence the growth of Sacco Societies in Meru County. The study was guided by the following objectives; to determine the extent to which staffing, reward system, job design, and performance management influence the growth of Sacco societies in Meru County. The research was based on the goal setting theory and expectancy theory. Descriptive research design was used. The study was carried out in Meru County the Eastern Region of Kenya. Ten (10) Sacco societies were considered in the study where 9 of them were used for actual study and one Sacco society was used for piloting. The target population of this study consisted of 122 management team in the 9 Sacco societies that operate in Meru County. Probability sampling was used. A Cochran correction formula was used to obtain the required sample size of 92 in relation to the target population. The close ended questionnaires were used as the research instruments. Descriptive and inferential statistics were used to analyze data. It was found that all the variables significantly influence growth of SACCO’s. Based on study findings, the researcher recommends the use of HRM practices for one to achieve growth in organization although other factors contributing to growth should also be considered. Area for Further Research, Since the HRM practices studied contributed to growth on average other factors that contribute to growth should be studied to determine their contribution too.

Keywords: Influence, Human Resource Management Practices, Growth of Sacco Societies

1. Introduction

According to Pfeffer (1994), the increasing pressures from the rapid changes that are occurring in the business environment have led to a variety of responses among industrial organizations. Globalization of production and markets, the rate of technological innovation and fluctuation in consumer demand are among the factors that have increased the dynamism of the competitive environment to which organizations must respond. Over the last decade, much research has been conducted in the field of human resource management (HRM) and its associations with firm performance. HRM refers to the management of work and people towards desired ends (Boxall, Purcell & Wright, 2007). Prior studies have found substantial positive evidence for statistical associations between HRM practices and improved firm performance. For firms to survive in a global economy today, they need to exploit all the available resources as a means of achieving competitive advantage (Lado & Wilson, 1994).

One resource recognized as providing a source of competitive advantage is the human resources of the firm. In support of this, many scholars have reiterated that the increasing interest in human resources is due to the assumptions that employees and the way they are managed are critical to the success of a firm (Kamoche and Mueller, 1996). They continue to assert that, an effective and competitive human resource is the key to the strength of organizations in facing the challenges of business today. Hence, the importance of having a competitive human resource will produce quality and productive individuals that can eventually minimize the problems that are related to human resource such as job dissatisfaction, absenteeism, or turnover of employees.

In Kenya, the Sacco movement has evolved in the past 40 years into a formidable force for the social and economic transformation of Kenyan people, (Africa Sacco Regulatory Framework Workshop, 2011). They have been having a drastic growth that can be based on the fact that for some period now they have been offering cheap loans at manageable interest rates to their members and also they have been able to penetrate in rural areas that are considered unattractive in rendering their services unlike the banks. This gesture has attracted a shift of clients from the formal financial institutions such as banks to seek for their, services (ACCOSCA 2011). Through fund mobilization, Sacco’s are also able to offer deposit and saving facility, front office services and cheque clearing services (microfinance house ltd, 2006). In Meru County, Sacco Societies have been noticed to expand tremendously as evidenced by opening of new branches across the county.

2. Statement of the Problem

Globally and specifically in Kenya, the Sacco movement has evolved in the past 40 years into a formidable force that has transformed the social and economic well-being of many people. Growth in organizations is important since it contributes to the economic prosperity of any entity Giuca and Barrette, (2011). Though growth is considered as top strategic priority in organizations, very few have achieved it and even fewer have been found to sustain it. Sacco’s are...
having a drastic growth that can be based on the fact that for some period now they have been offering cheap loans at manageable interest rates to their members and also they have been able to penetrate in rural areas that are considered unattractive in rendering their services unlike the banks. This gesture has attracted a shift of clients from the formal financial institutions such as banks to seek for their services (Baum and Wally, 2003; Zooka and Allen, 2003). In Meru County, Sacco Societies have been noticed to expand tremendously as evidenced by opening of new branches across the county. This issue attracted researcher’s attention to research on some of HRM practices and how they have influenced the growth of Sacco societies in Meru County. According to Brewster, (2004); Cardon & Stevens (2004); Givord and Maurin, (2004); Zhu (2004), indicate that some of these HRM practices may have a positive influence on organizational growth although more conceptual and empirical work is required. Consequently, it is worth establishing the influence of HRM practices on organization performance in a developing country, such as Kenya, as opposed to developed countries. However, Guest, (1997) show that it is important to examine HRM practices in as many settings as possible to justify the results.

3. Objectives of the Study

1) To determine the extent to which staffing influences the growth of Sacco societies in Meru County.

2) To examine the extent to which reward system influences growth of Sacco societies in Meru County.

3) To establish the extent to which job design influences growth of Sacco societies in Meru County.

4) To establish the extent to which performance management influences growth of Sacco societies in Meru County.

4. Research Questions

1) To what extent does Staffing of employees influence the growth of Sacco societies?

2) To what extent does reward system of employees influence the growth of Sacco societies?

3) To what extent does job design influence the growth of Sacco societies?

4) To what extent does performance management influence the growth of Sacco societies?

5. Limitations and Delimitation

Due to the nature of the job of the managers at the Sacco it was not easy to meet each of them. The researcher made prior arrangement with the respondents before going to the field in order to ensure they were available. Some respondents were not willing to fill in the questionnaire simply because they thought it was time wastage. The researcher addressed the limitation by informing the respondents on the benefits and purpose of the research.

6. Literature Review

Staffing and growth of Sacco’s

Huselid (1995) defined staffing as, a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that man power in adequate numbers to facilitate effective selection of an efficient workforce. This practice of Staffing can ensure that the right people, with the desirable characteristics and knowledge, are in the right place, so that they fit in the culture and the climate of the organization. Coming up with the right employees would lower the cost of employees’ education and development (Vlachos, 2009).

On the study carried out by Belal, Kalfi, Bahaudin & Mujtaba (2010) concluded that education and experience have impact on the performance of individuals. Workers perform relatively better with the increase in experience but in education it is otherwise. When these factors increase greatly the performance is found to decline even more (Bharagava, Kotu & Anbazhagan 2014). An experienced worker makes a good leader; his experience gives him an expert power (Andrew 2009). The educated and wise people in the organization are responsible of creating wealth in their organization (Gaicya-meca & Martinez 2005).

Reward System and growth of Sacco’s

Increasingly, organizations are realizing that they have to establish an equitable balance between employee’s contribution to the organization and the organization’s contribution to the employee. Establishing this balance is one of the main reasons to reward employees. Therefore, for organizations to achieve this balance they need a reward system that will address these four areas: compensation, benefits, recognition and appreciation (Pratheeprakhan, 2011). Where compensation comprises three major components: pay level (base wage or salary), pay increases, and incentives (cash bonuses) Gerhart & Ryne (2003).

Compensation should be legal and ethical, adequate, motivating, fair and equitable, cost effective, and able to provide employment security (Cherrington 2000). Compensation includes all forms of monetary returns and allied services provided to employees (Milkovich & Newman, 2009). A comprehensive compensation mix augmented by an effective system of disbursement plays an effective role in attracting the best candidates, shaping employees, behavior and performance outcome, and facilitates retention of talents.

A reward strategy should enhance commitment and engagement and provide more opportunities for the contributions of people to be valued and recognized (Katua, Mukulu and Gachunga, 2014). Employees receive extrinsic or intrinsic rewards (Goel, 2008). Extrinsic rewards includes, pay bonuses, promotions, time off, special assignments, office fixtures, awards and verbal praise are externally administered (Dessler, 2007). Intrinsic rewards are self-administered (Dessler, 2007). Employees feel motivated when praised or recognized at their place of work and so tends to put more effort into achieving the organizational goals.
Job Design and growth of Sacco’s

Job design is the function of arranging task, duties and responsibilities in to an organizational unit of work (Opatha, 2002). Through job design, job specification is created which elicits a form of motivation in employees and also bring out their best performance (Mensa-Bonsu, 2012). Regarding this, Aswathappa (2006) explained the various job design as; Job Rotation, Job simplification, Job Enlargement, and Job Enrichment. In the view of Garg & Rastogi (2006) on Model of Job Design: Motivating Employees New Performance, the research concluded that well designed jobs can have a positive impact on both employee satisfaction and quality of performance. The research also concluded that perceived work demands, job control and social support through job design leads to high productivity. The performance of employees on different jobs in close coordination is needed for the success of the unit (Bruce 2003)

A study of call Centre workers by Bond (2010) found that a relatively small increase in autonomy led to a significant increase in motivation, alongside a decrease in absenteeism and mental distress. Wrzniewski & Dutton (2001) studied hospital cleaning staff, and found that those given more autonomy to interact with patients, visitors and others were more satisfied than their counterparts, and felt they were playing a more important role. Garg & Rastogi, (2006), identified that job designs that provide for high levels of employee control also provide increased opportunities for the development and exercise of skill. They concluded that perceived work demands, job control and social support through job design leads to high productivity.

Performance Management and growth of Sacco’s

According to Briscoe and Claus (2008), performance management is the system through which organizations set goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and developments needs and distribute rewards. Performance in organizational development can be thought of as actual results versus desired results and incase of any difference where actual is lower than the desired, this could constitute to the performance improvement zone. Performance management and improvement can also be thought of as a cycle that is performance planning where goals and objectives are established, performance coaching where a manager intervenes to give feedback and adjust performance and performance appraisal where individual performance is formally documented and feedback delivered.

Management is the judgment of an employee's performance in a job, based on considerations other than productivity alone. Cherrington (2005) illustrates how performance managements serve several purposes, including: guiding human resource actions such as hiring, firing, and promoting; rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; identifying job design needs in order to improve the individual's performance on the job; and providing job related data useful in human resource planning. When building the performance measures.

8. Discussion, Presentation and Conclusions

The questionnaires were used to collect data for the study. 92 questionnaires were administered to Sacco management team where 89 (96.7 %) questionnaires were returned and 3 (3.3 %) questionnaires were not returned.

Staffing and Sacco Societies Growth

The study sought to determine the extent to which staffing influences the growth of Sacco societies in Meru County. The four indicators of staffing (age, experience, expertise and education) explains that 61.2 % of new membership in
the Sacco societies as indicated by $R^2$. Contributes to 61.2% of the new membership in the Sacco societies. The four independent variables (age, experience, expertise and education) in the model explain 53.3% of total loans given to members as indicated by $R^2$. This means that the four indicators contribute 53.3% to the total loans given to the members. The four independent variables (age, experience, expertise and education) in the model explain 42.6% of total assets owned by the Sacco society as indicated by $R^2$. This means that the four indicators contribute 42.6% to the total assets owned by the Sacco societies.

**Reward System and Sacco Societies Growth**

The study sought to examine the extent to which reward system influences growth of Sacco societies in Meru County. The four independent variables (Employee compensation, individual benefits and performance recognition) in the model explain 76.4% of total assets owned by the Sacco society as indicated by $R^2$. This means that the four indicators contribute 76.4% to the new membership in the Sacco societies. The four independent variables (Employee compensation, individual benefits and performance recognition) in the model explain 47.5% of total assets in the Sacco society as indicated by $R^2$. This means that the four indicators contribute 47.5% to the total assets in the Sacco societies. The four independent variables (Employee compensation, individual benefits and performance recognition) in the model explain 41.5% of total assets in the Sacco society as indicated by $R^2$. This means that the four indicators contribute 41.5% to the total assets in the Sacco society. The four independent variables (Employee compensation, individual benefits and performance recognition) in the model explain 45.4% of deposits as indicated by $R^2$. This means that the four indicators contribute 45.4% to the deposits given to the Sacco society. The four independent variables (Employee compensation, individual benefits and performance recognition) in the model explain 44% of total assets owned by Sacco’s as indicated by $R^2$. This means that the four indicators contribute 44% to the total assets owned by Sacco’s.

**Job Design and Sacco Societies Growth**

The study sought to establish the extent to which job design influences growth of Sacco societies in Meru County. The four independent variables (Job rotation, job simplification, job enlargement and job enrichment) in the model explain 53.3% of new membership as indicated by $R^2$. This means that the four indicators contribute 53.3% to the new membership in the Sacco societies. The four independent variables (Job rotation, job simplification, job enlargement and job enrichment) in the model explain 56% of deposits as indicated by $R^2$. This means that the four indicators contribute 56% to the total deposits in the Sacco society. The four independent variables (Job rotation, job simplification, job enlargement and job enrichment) in the model explain 53.4% of total loans given to members as indicated by $R^2$. This means that the four indicators contribute 53.4% to the total loans given to members by the Sacco societies.

**Performance Management and Sacco Societies Growth**

The study sought to establish the extent to which performance management influences growth of Sacco societies in Meru County. The four independent indicators (Goal setting, performance standards, assigning and evaluating work and performance feedback) in the model explain 57.2% of new members as indicated by $R^2$. This means that the four indicators contribute 57.2% to the new membership in the Sacco society. The four independent indicators (Goal setting, performance standards, assigning and evaluating work and performance feedback) in the model explain 47.1% of deposits by members as indicated by $R^2$. This means that the four indicators contribute 47.1% to the deposit by membership in the Sacco society. The four independent indicators (Goal setting, performance standards, assigning and evaluating work and performance feedback) in the model explain 44% of total assets owned by Sacco’s as indicated by $R^2$. This means that the four indicators contribute 44% to the total assets owned by Sacco’s.

**9. Conclusion of the study**

From the study finding, membership in Sacco’s was influenced by all HRM practices studied (reward system, staffing, performance management and job design) where all the indicators contributed above average. Job design contributed slightly above average to total assets owned by Sacco’s where all other HRM practices were below average. Loans given to members by Sacco’s were contributed slightly above average by all HRM practices except performance management which was slightly below average. Finally, job design contributed slightly above average to deposits made by members to the bank where the other HRM practices studied were below average.

**10. Recommendations**

Based on study findings, the researcher recommends the use of HRM practices for one to achieve growth in organization although other factors contributing to growth should also be considered.

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