
Influence of Staff Recruitment and Development on Performance of Saccos in Meru County, Kenya

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ABSTRACT

The Savings and Credit Co-operative (SACCO) subsector is critical to Kenya's economic growth, since it provides a distinct and crucial role in financial services. Despite this, most SACCOS continue to suffer significant losses, with some even folding, raising questions about the procedures put in place to ensure continuing success. SACCOS in Meru County, in particular, have been plagued by financial scandals and employee-related issues, resulting in poor performance, raising questions about the role of human resource practices in easing these problems. The purpose of the study was to determine the influence of human resource management practices on performance of SACCOS in Meru County, Kenya. The specific objectives were to assess the influence of staff welfare practices and employee development practices on the performance of SACCOS in Meru County, Kenya. The study was anchored on Contingency Theory. A descriptive research design was followed by the study. The research was conducted on 24 SACCOS in Meru County, with the target population consisting of SACCO managers, auditors, human resource directors, and operations managers. Questionnaires were used to gather data for the study, which were then analyzed using descriptive and inferential statistics. From the descriptive analysis, it was revealed that the human resource management practices including Staff recruitment practices ($\bar{x}=4.46$), Employee development practices ($\bar{x}=4.40$) were adopted to a very large extent in the Saccos. The correlation analysis showed that all the research variables including Staff recruitment practices ($r=0.276$) and Employee development practices ($r=0.535$) had a positive effect on the performance of Saccos in Meru County, Kenya. The study recommends that Saccos to engage human resource practitioners' offices or employee experts in recruiting if they are to meet their objectives. The study recommends that the organizations should undertake job training for their employees, and employee training techniques should be in line with available resources, organizational structure, and organizational culture.

Key Words: *Staff Recruitment, Staff Development, SACCO Performance*

DOI 10.35942/jbmed.v4i3.288

Cite this Article:

Raiji, R., & Lumwagi, N. (2022). Influence of Staff Recruitment and Development on Performance of Saccos in Meru County, Kenya. *International Journal of Business Management, Entrepreneurship and Innovation*, 4(3), 29-38. <https://doi.org/10.35942/jbmed.v4i3.288>

1.0 Introduction

Human Resources Management (HRM) methods in firms have shifted dramatically in recent years hence forming a main performance determinant and indicator (Gure, & Karugu, 2018; Agusioma, 2019). According to Resource-Based Theory arguments, increased efficiency in a firm affects



human management resources not only in terms of deploying them in a specific competitive position, but it may also contribute to increased production. In this regard, successful HRM strategies always likely foster the organizations to be smart and flexible as compared to their rival firms by using well laid out practices and policies (Wachira, & Anyieni, 2017; Melekwe, & Agusioma, 2022). Firms have shifted to Human Resource Management (HRM) in order to adopt tactical patterns or decisions linked with the management of employee relations, owing to the aforementioned benefits (Fahim, 2018; Agusioma, Nyakwara & Mwititi, 2018; Njugi & Agusioma, 2014). There is a growing understanding that diverse competences are produced via highly developed personnel skills, distinct corporate cultures, management procedures, and systems (Mulunda, 2019; Melekwe, & Agusioma, 2022). In contrast to the traditional emphasis on transferrable resources such as equipment, this is a new approach. A high-quality workforce is increasingly acknowledged as a competitive advantage through improved operations (Nagery, 2019; Obwogi, 2019).

Globalization and fast evolving technology have created a virtual global village as a result of today's extremely dynamic market trends leading to an increased recognition of the role played by Saccos in promoting financial inclusion (Muraga, 2016). The cooperative movement may be traced back to the Rockdale Society of Equitable Pioneers, which was formed in Manchester, England in 1844 (SASRA, 2019). Within these countries, the credit union movement was quite diverse. This portrays the many economic, cultural, and historical contexts in which cooperative groups function. In Africa, Ghana was the first country to establish a SACCO organization in 1959. Ghana's business sector, like that of other less developed nations, has been fragmented, with many enterprises utilizing varied techniques to supply services to various clientele. Regionally, while the financial results of the majority of the SACCOS studied do not appear to be worrisome, a number of difficulties may jeopardize their financial viability in the future. Many SACCOS, particularly smaller ones, are overly reliant on government subsidies (Distler & Schmidt, 2018). In most developing countries, inadequate finances force SACCOS to seek loans from other Microfinance organizations and banks in order to build their capital base, resulting in a debt load for the SACCOS and its members in the long term.

Many SACCOS are severely undercapitalized and rely on governmental giveaways, donor help, and other external resources (Masika, 2019). However, it should be noted that such a financial shortfall may be the result of a bad saving culture, poor loan recovery, and misuse of SACCOS money from internal or foreign sources. SACCO members are also denied access to numerous education and training programs that would assist them improve their capabilities. In many Tanzanian SACCOS, for example, the Board of Directors and staff members profit more from education and training than the rest of the members (Anania, et al., 2015). For cooperatives in developing nations, the financial uncertainty has brought a variety of constraints, obstacles, and possibilities, emphasizing the significance of having an adequate working team. Kenyan cooperatives, in particular, must realign their HRM so as to compete globally. Though the SACCO sub-sector in Kenya records a general increase in penetration, SASRA, (2019) argues returns of the sector continues to fluctuate.

1.1 SACCOS in Meru County, Kenya

The history of Saccos in Kenya is traced from 1908 which has been growing. The first Sacco was established in 1908 followed by a dairy cooperative in 1931 which was a government first conventional contribution. The co-operative movement has remained mostly agrarian in nature



over time. Cooperatives, on the other hand, have seen tremendous diversification and expansion throughout time, and have delved into savings and credit. By the end of 2019, the number has climbed to over 7 million members (CMA, 2017), demonstrating a significant growth in Sacco membership among the general public.

Most SACCOs in Meru County are agriculturally based, with tea, coffee, and dairy farmers joining together to save and borrow from the cooperatives. Teachers, healthcare employees, business people in organizations such as the transportation sector, and university students are among the other groups. Various groups pool their resources to save and obtain funding for school fees, business, health, and other economic endeavors. There are now 24 Saccos active in the region, according to the Sacco Societies Regulatory Authority (2021). The number of SACCOs in Meru has increased over time, resulting in fierce rivalry and a significant impact on loan performance (SASRA, 2017). This implies that the majority of SACCOs are fighting to stay afloat, and some are considering closing down since they are unable to pay their staff and cover their living expenses. Meru County SACCOs have studied a variety of strategies to improve their organizational effectiveness, but issues remain (Kiringa, *et al.*, 2017). Furthermore, loan defaults have increased by up to 48 percent in Meru which is damaging to the group's success.

1.2 Objectives of the Study

- i. To assess the effect of staff recruitment practices on the performance of SACCOS in Meru County, Kenya.
- ii. To examine the effect of employee development practices on the performance of SACCOS in Meru County, Kenya.

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Contingency Theory

Fred Edward Fiedler created and expanded the concept of contingency theory (1978). According to the theory, an organization's internal and external environment determines its activities. Positive influence on organizational performance will thus be achieved only when the contextual elements and organizational settings are balanced. Factors such as technology and environment have been established to cause the difference in operations of the organization. The essence of contingency theory is that the optimal practices are determined by the circumstances of a given scenario (Northouse, 2015). The theory makes the assumption that the organization's decisions are made in a way that is appropriate for its conditions.

A company's capacity to succeed will be determined by how well it understands and diagnoses certain contextual elements (Fiedler, 1978). The thought that one size fits all in a company is deemed inappropriate if the establishment is to successfully manage the HR role and ensure that the staff of the establishment are able to meet the company objectives. This theory will form the main theory to the study and it postulates that not a single standard approach exists in doing things and it is key to combine various human resource management strategies in order to maximize the wealth of the establishment.

The theory makes the suggestion that in a bid for HRM to be effective, it is key that management skills be in consistency with the internal and the peripheral environment. The theory is therefore



key in the investigation as it brings out the concept that HRM has a myriad of unrealized significance and there is a lot of potential in unlocking such potential in a bid to enhance the performance of an organization (Nagery, 2019; Agusioma;2019, Melekwe, & Agusioma, 2022).

2.2 Empirical Literature

2.2.1 Staff Recruitment Practices and Performance

According to Singanto (2013), using an external source to avoid nepotism in the recruiting and selection process is one technique to avoid nepotism in the South African environment. Although most organizations perform their own recruiting, the majority also utilize recruitment agencies to fill specific roles. This compares to a study by Rafaeli, Hadomi, and Simons (2015) and Singanto (2013) who established that there is need to prevent nepotism during the recruitment stage. Afande (2016) on the other hand found out that in every firm, finding suitable employees is critical. When it comes to hiring people for various essential positions, businesses have several alternatives. Outsourcing, contingent employees, professional employer groups, and employee leasing are all alternatives to recruiting.

Pfeffer (2018) looked at mental models to figure out what the most essential task in HR is. He discovered throughout his research that a very rigorous, effective, and sophisticated selection procedure was in place, and that it selected the suitable applicant with the ability to meet objectives. Employees were shown to have a high feeling of lack of objectivity, higher performance expectations, and a sense of significance as a result of this selection criteria. Changing attraction strategies, modifying inducements presented to candidates, and exploring current sources of candidates are all strategic approaches to recruiting.

The goal of HRM resourcing strategies, according to Al Khajeh (2018), is founded on the assumption that poor organizational performance can be caused by a failure to attract and choose the right individuals. Recruitment, as argued by Johnson, Scholes, and Whittington (2021), is a significant strategy of enhancing an organization's success. People should be put in places that are a good match for them. Comparably, Janes (2017) showed that business characteristics impact the link between recruitment, selection, retention, and performance results to some extent.

Njenga (2018) discovered that training and development procedures and employee relations strategies had an impact on business performance, whereas remuneration and recruiting policies had no impact. The study concluded that, in order to achieve improved performance, insurance company management should place a larger focus on training and development programs. This relates to a study by Dessler and Varkkey (2019) who also concluded the same.

Nagery (2019) investigated the impact of HRM on SGS Kenya's performance. This study was conducted at Société Générale De Surveillance (SGS) Kenya and used a case study methodology. During the researcher's interview procedure, data was captured in the form of notes. The research discovered that the organization has used HRM to generate important HR skills by formulating and implementing HR strategy and plans. It was proven that the institution is devoted to utilizing HRM, as seen by strategic recruiting and selection of the establishment's workforce, as well as the adoption of numerous HRM methods. Similarly, Mutuku et al. (2021) found that human resource management techniques, including teaching staff recruitment and selection, were revealed to be a key component that impacts academic achievement in the study.

2.2.2 Employee Development Practices and Performance

Training and employee development, according to Malaola and Ogbuabor (2013), have increased their efficiency and output. In a similar manner, employee development and employee performance was concluded to have a link and a strong association by Asfaw, Argaw, and Bayissa (2015). Muraga (2016) studied HRM and performance of Parastatals in Kenya. The investigation with a focus on understanding the relationship between performance and training, recruitment performance management in an establishment as well as the capabilities of the HR department. The investigation noted in the problem statement that most of the studies on HRM have been done with a focus on international establishments with a minimal focus on the Kenyan firms. Furthermore, the analysis discovered that remuneration and establishment performance are inextricably linked. This concurs with Shafiq and Hamza (2017) who looked at the impact of training in a Ugandan telecommunications business and discovered that training had a beneficial impact on performance. This is in line with Cheron, (2017) who conclude a positive impact of staff development on performance with a focus on Unilever Kenya Limited in Kericho County.

Leseiyo and Ngui (2019) revealed that staff training was relevant to the development of employee abilities, with the end goal of boosting organizational performance. Furthermore, the data demonstrated that pay has a considerable impact on employees' attitudes, which in turn has an impact on their performance, which increases organizational performance. Career development was also found to be important in ensuring that employees progressed in their professions. This relates to Obwogi (2019) who established that several HR operations, such as performance feedback and training/coaching recommendations, are effective. The research and publication opportunities for university teaching employees are inadequate. As a result, it is critical to address human resource shortfalls and encourage teachers to continue their professional development. Concurrently, increased training spending lessens the likelihood of an organization going down, as per Collier et al (2021).

Ibi, et al. (2021) conducted research in Maiduguri metropolitan Secondary Schools on the link between staff development, staff performance, and students' academic success in SSCE. A questionnaire was employed to get information from the teaching staff, while a proforma was used to collect data on students' SSCE academic achievement from 2010 to 2012. Experts from the Education Department verified the instrument. Growth and performance of teaching personnel had a substantial positive association with students' academic success as per the results of the study.

2.3 Conceptual Framework

Figure 1 shows the framework adopted by the study.

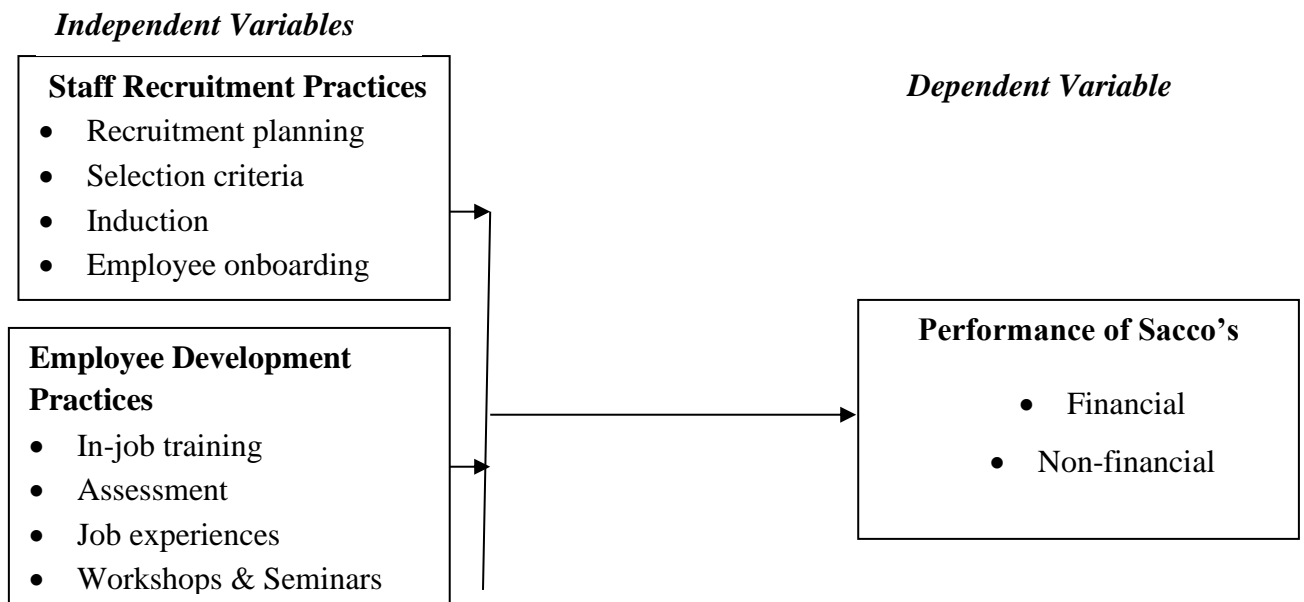


Figure 1: Conceptual Framework

3.0 Research Methods

A descriptive research approach was adopted in the study. According to Kaplan and Maxwell, (2015) a descriptive research approach is used during characterization of people, organizations, places, or occurrences. The design includes the proper safeguards for optimum dependability and bias prevention hence relevancy for the study since it employed a pre-planned design for analysis. All the 24 Saccos licensed by the SASRA in Meru County as per appendix I formed the target population. The respondents included the Sacco managers, auditors, human resource directors and the operation managers from the respective SACCOs.

Census sampling was used covering all the 24 SACCOs operating in Meru County. This is a method of sampling that involves the comprehensive enumeration of all objects in a population. Creswell and Creswell (2017) propose using a census sample strategy when the research population is small and manageable, stating that the complete population should be employed to ensure equitable representation of the study items. As such four respondents were selected randomly from each of the 24 SACCOs totalling to 96 respondents. Data for this study were gathered using questionnaires. The use of a questionnaire for data collection has the benefits of diversity, speed, and cost effectiveness. Depending on the objectives of the study, several sections of the questionnaire were created. The responses from the respondents were scored using a Likert scale. In this study, a drop-and-pick administration was used, in which the researcher visited the location to present the study before leaving the questionnaires with the participants. Following receipt, the questionnaires were categorized, counted, and checked for completeness. Coding made the information more consistent, and readable while also facilitating data flow to the machine. The following regression model was used to investigate the relationship between strategic human resource practices and performance:

$$Y = \beta_0 + B_1X_1 + B_2X_2 + \epsilon \quad \text{Equation (1)}$$



Where Y is the Performance of SACCOs; β_0 = constant (coefficient of intercept); X_1 =Staff Recruitment; X_2 = Employee Development Practices; ε =Error Term; B_1, B_2, B_3, B_4 = regression coefficient of four variables.

4.0 Data Analysis Results

Human resource management practices were investigated including staff recruitment practices, employee development practices, staff welfare practices and dispute resolutions practices.

4.1 Staff Recruitment Practices

The study sought to determine the extent of adoption of staff recruitment practices among the Saccos. Table 1 represents the findings obtained.

Table 1 Staff Recruitment Practices

Statement	Mean	Std. Dev
Recruitment planning	4.42	0.881
Recruitment advertising	4.57	0.653
Recruitment policies	4.45	0.777
Equality in the recruitment process	4.58	0.736
Recruitment based on merit purposes	4.10	0.807
Uniformity in the selection criteria	4.49	0.699
Induction process	4.61	0.647
Average Meanscore	4.46	0.743

As per Table 1, a large extent was indicated on equality in the recruitment process, recruitment based on merit purposes, uniformity in the selection criteria and induction process as indicated by means of 4.58, 4.10, 4.49 and 4.61 respectively. A large extent was also noted on recruitment planning, recruitment advertising and recruitment policies having means of 4.42, 4.57 and 4.45 respectively. From the descriptive statistics results, it was deduced that many respondents strongly agreed with the statements on staff recruitment practices among the Saccos implying a very large extent of adoption as indicated by an overall mean of (\bar{x} =4.46).

4.2 Employee development practices

The study sought to determine the extent of adoption of employment development practices among the Saccos. Table 2 represents the findings obtained.

Table 2 Employee development practices

Statement	Mean	Std. Dev
In-job trainings	4.39	0.647
Assessment of employees	4.52	0.584
Job experiences and motivations	4.49	0.740



Statement	Mean	Std. Dev
Seminars and conferences	4.46	0.558
Benchmarking programs	4.50	0.611
Task/job rotations	4.25	0.673
Coaching	4.13	0.906
Mentoring	4.49	0.633
Average Meanscore	4.40	0.669

The results revealed that the respondents agreed to a very large extent on there being job experiences and motivations, seminars and conferences, benchmarking programs and task/job rotations among the Saccos having means of 4.49, 4.46, 4.50 and 4.25 respectively. A very large extent was also indicated on there being in-job trainings, assessment of employees, coaching and mentoring with means of 4.39, 4.52, 4.13 and 4.49 respectively. From the descriptive statistics results, it was deduced that many respondents strongly agreed with the statements on employment development among the Saccos implying a very large extent of adoption as indicated by an overall mean of (\bar{x} =4.40).

4.3 Correlation Analysis

The findings of the Correlation Analysis are presented in Table 4.10.

Table 4. 1 Correlation Analysis

		Performance	Staff recruitment practices	Employee development practices
Staff recruitment practices	Pearson Correlation	.276*	1	
	Sig. (2-tailed)	.000		
Employee development practices	Pearson Correlation	.535**	.411**	1
	Sig. (2-tailed)	.000	.000	

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

From the Pearson Coefficient, all the research variables including Staff recruitment practices ($r=0.276$) and employee development practices ($r=0.535$) had a positive effect on the performance of Saccos in Meru County, Kenya.



5.0 Conclusions and Recommendations

5.1 Conclusion

The study found out that staff recruitment practices and employee development practices positively affected the performance of the Saccos in Meru County, Kenya. The study thus concludes that these practices can severely enhance, hamper or interfere with the performance of these firms. The study also found out that the effect of these practices on performance was significant. In this regard, the study concludes that staff recruitment and development strategies have the potential of improving not only the performance of the employees but also the overall firm competitiveness and profitability.

5.2 Recommendations

The study recommends that Saccos to engage human resource offices or employee experts in recruiting if they are to meet their objectives; and that they conduct research on the best techniques of recruitment used by the most successful organizations in order to stay current. Firms could also engage recruiting and selection consultants to advise their teams on how to do it effectively so that the organization benefits substantially from it, as well as conduct training for its selection and recruitment officers to get more knowledge and skills for the business's advantage. Furthermore, they are recommended to use employee selection specialists in order to conduct effective employee selection employing modern employee selection approaches.

The study recommends that the organizations should undertake job training for their employees, and employee training techniques should be in line with available resources, organizational structure, and organizational culture. To boost productivity and performance, Saccos should invest more in mentoring and training new staff. Participation and delegation can be investigated at other times, but firms should not devote significant effort and money on them. Participation and delegation are more important for personal success than improving organizational effectiveness. Employee mentoring efforts should be supported by the organization in order to promote employee career development.

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