
Strategic Human Capital: The Antecedent for Superior Performance of Deposit Taking SACCOs in Kiambu County, Kenya

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Abstract

Savings and Credit Cooperatives often struggle to keep pace with the rapid changing technological advancement and stiff competition from larger financial institutions like commercial banks. The way in which Deposit Taking, savings and Credit Cooperatives (SACCOs) and financial institutions utilize strategic resources defines their competitive advantage and performance. This study investigated the influence of strategic human resources on performance of deposit taking SACCOs in Kiambu County. The study was hinged on resource-based view theory. Descriptive survey research design was adopted. The target population was 227 management staff consisting of 26 top level, 67 middle level, and 134 lower-level management staff in Kiambu County. Stratified sampling technique was used to select a sample of 14 top level, 36 middle level, and 71 lower-level management staff. Primary data for the study was collected using a semi-structured questionnaire. Drop and pick method was adopted in administering the questionnaire. Face and content validity of the research instrument was tested, while reliability was tested using Cronbach's alpha (α) coefficient. A coefficient of 0.7 or above was considered adequate in the study. R^2 was used to measure the predictive power of the model, while F-statistic was used to determine the fitness of the model. The significance of the study variables in influencing performance of SACCOs was based on the p-values of each variable at 0.05 significance level. Results of the study indicated that strategic human resources were deployed to a moderate extent. Further, a positive correlation existed between performance of DTS and strategic human resources. Strategic human resources predicted performance of DTS in Kiambu County ($p < 0.05$). The study therefore concluded that strategic human resources have significant influence on performance of DTS in Kiambu County. The study recommends that the management of DTS should emphasize on acquiring and optimally utilizing strategic resources since they significantly influence their performance.

Keywords: Deposit Taking SACCOs, Human Capital, Organisation Performance, Skills Development, Strategic Human Resources, Kenya.

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INTRODUCTION

Deposit Taking Savings and Credit Cooperatives (SACCOs) have been instrumental in economic growth and development, particularly, in the developing

world since their inception in the 19th century (Nwachukwu & Chladkova, 2019). However, the performance of SACCOs has gone through a major shift in the past two decades (Feather & Meme, 2018). SACCOs

operate in an ever-fluctuating environment and ought to always change for them to preserve their competitive position within the industry. For this reason, it is inevitable for them to identify, obtain, and configure strategic resources at their disposal (Feather & Meme, 2018). According to Feather and Meme (2018), strategic resources include financial resources, human capital, intellectual capital and physical resources.

Organisations that obtain strategic resources, gain competitive advantage manifested in higher profitability, larger market share, advanced technology, and customer loyalty. Resources are said to be strategic if they are valuable, rare, difficult to imitate, and non-substitutable (VRIN) (Mecagn, 2015). Resources are valuable if it has the capacity to enable the firm to ward off threats and at the same time maximise on available opportunities. On the other hand, resources are rare if the firm controls them and can monopolise them. Inimitable resources are those that competitors find difficult to imitate or duplicate due to their unique and sophisticated nature. Finally, resources are strategic where they are non-substitutable such that competitors cannot find alternative ways to gain the benefits that such a resource provides (Nwachukwu & Chladkova, 2019). Consequently, strategic resources are the source of competitive advantage for any organisation.

As outlined by Feather and Meme (2018), human capital is among the key strategic resources that drive firm performance. Sirmon *et al.* (2011) suggested that human resources include all the experience, knowledge, judgement, risk taking propensity, and wisdom individuals associated with the firm. In addition, Lazear (2009) observed that the staff's knowledge, skills and experience can create superior performance in a firm if

fruitfully used to add value through learning and making decisions superior to competitors. The entire human resources have a direct positive relationship with superior performance of an organisation since they are directly involved in the production of services (Nyberg *et al.*, 2014). It should be noted that human resources are developed through training and development practices in the organisation. Wernerfelt (2011) concluded that human capital and technology are a formidable foundation for generating superior performance. That's why strategic human resources are considered an antecedent to superior performance in the company.

The establishment of the Lumbwa Cooperative Society by the British in 1908 was the onset of the development of SACCOs in Kenya. SACCOs are currently accredited worldwide to improve the socio-economic status of nations. They have gradually responded to the dynamic and competitive economic setting. In Kenya, the SACCOs movement controls approximately Ksh. 490 billion in the form of savings and assets, this can be equated to 35 percent of the domestic budget. The World Council of Credit Unions WOCCU mentioned that SACCOs in Kenya are growing very fast in the world. A WOCCU report in 2013 identified that the growth of SACCOs is on top in Africa and globally it is in position seven (WOCCU, 2018).

In recent years, there has been growing concern that a trend has emerged in which markets around the world are becoming more concentrated and less competitive. This is sometimes attributed to the increasingly digital and globalised nature of many markets and the firms that operate within them. In this regard, SACCOs are identifying and applying growth strategies that can help them achieve a competitive advantage in today's ever-growing financial market. Moreover, these

strategies tend to affect the factors influencing the SACCOs performance allowing them to achieve the mission and goals. SACCOs can adopt diversification in response to the changing environment to develop personalised loan products, meet changing needs of members, generate more revenue and enhance competitiveness. Studies show that performance of SACCOs is largely dependent on the strategic organisational resources. Unlike in other jurisdictions, SACCOs in Kenya are categorised into two primary classifications: Deposit Taking SACCOs (DT-SACCOs) and Non-Deposit Taking SACCOs (Non-DT- SACCOs) (Anania *et al.*, 2015). In the financial space, DT-SACCOs are permitted to accept deposits and thus provide services similar to those offered by banks that can be withdrawn from savings accounts. However, DT-SACCOs are facing direct competition from banks and financial institutions in providing loans and credit facilities. In this regard, SACCOs can adopt the following strategies to meet their members' demands and become more innovative in their ways of approaching the changing environment: (i) Developing good operational policies; (ii) Offering new products and services new types of loans, insurances, flexibility in applying and repaying loans, and processing loan applications; (iii) adopt policies and procedures that enhances efficiency and product diversification; and (iv) Expanding the target market (Kaningu *et al.*, 2017).

Currently, SACCOs registered under Kenya's Societies Act are 6,000 out of this 1,955 are fully operational (KUSCO, 2018). There are 535 SASRA registered deposit taking (SASRA 2019). Among these, Kiambu County has 55 registered in the following areas: Juja, Thika, and Kiambu towns, and some areas in Kikuyu town. The

distribution of these members is in numerous proportions among the 176 DT-SACCOs, which were licensed and operational in the country (SASRA 2019). Similarly, the capacity of DTS to handle hazards, implement leading agreements, and decrease loan delivery transaction costs has been decreased by adopting fresh methods.

The Resource-Based View (RBV) affirms the fact that proper configuration of strategic human resources can help the organisation achieve better performance. The theory states that organisational performance is a function of the different resources owned and controlled by the firm (Campbell & Park, 2017). The focus of the theory is on the attention put by the managers on the firm's internal resources with an aim of identifying assets capabilities that can help the firm achieve better performance. Further, according to Barney (2014), for resources to be effective as bases of sustainable performance, they ought to be valuable, rare, imperfectly imitable, and non-substitutable.

Previous scholars have also delved into the relevance of strategic human resources in influencing various attributes of the firm. For instance, while studying HRM impact on performance in competitive concerns, Vivares *et al.* (2016) found no significant association between HRM practices and performance in competitive concerns. Based on human capital theory, the study surveyed a sample of medium and large manufacturing firms in the Colombian coffee region. In the study, regression analysis was carried out to test the null hypotheses. Based on these results, the study recommended that organisations should properly align individual employee characteristics, job satisfaction and employee performance with operations strategy to improve company performance. The study was however based

on data obtained from large and medium sized manufacturing firms engaged in coffee processing, while the current study was grounded on DT savings and credit cooperatives operating in Kiambu County.

Semiring (2016) in a study to establish the impact of HR knowledge and skills on SMEs performance in Medan City, Indonesia, revealed that practices of human resources like recruiting and selecting, training, appraisals, and remuneration have a significant association with performance in the university. It was thus recommended that for universities to increase their performance they should emphasize more on remuneration, recruitment, and selection. Additionally, on appraisals, training and development, and improved needs should be done to improve their effectiveness on performance in the university. However, the study was inclined towards a case study of an academic institution whose operational environment is significantly different from the savings and credit cooperatives as envisaged in this current study.

Odhon'g and Omolo (2015) studied how investment in human capital affects pharmaceutical firms' performance in Kenya. Anchored on human capital, skills acquisition, and sustainable resources theories, the study revealed that a positive link existed between investment in employees and firm performance. However, the study concentrated on human capital investment but not showed how the human capital that was strategic in nature influenced performance. Further the study was anchored in the pharmaceutical firms while this study was based on financial firms.

Although numerous studies have been conducted on the study variables, a majority focused on organisational resources as opposed to strategic organisational resources

as envisaged in this study. Other studies have focused on individual assets such as physical resources and financial resources. Further, the literature shows that most of the studies are based on the non-financial sectors of the economy. This study seeks to determine the influence of strategic human resources on performance deposit taking SACCOs in Kiambu County. Specifically, the question is asked: what is the influence of strategic human resources on performance of deposit taking SACCOs in Kiambu County?

METHODOLOGY

The study adopted descriptive research design. The study was carried out in Kiambu County because of its proximity to Nairobi which has made it attractive to many SACCOs. The target population comprised of 227 management staff comprising of 26 top management staff comprising CEOs and managing directors, 67 middle managers such as human resource managers, operations managers, and finance managers as well as 134 lower-level management staff representing branch and departmental heads drawn from 55-DT- SACCOs in Kiambu County. Stratified sampling technique was used to select a sample of 14 top level, 36 middle level and 71 lower-level staff of deposit taking SACCOs in Kiambu County forming a total sample of 121 respondents.

Primary data collected using a semi-structured questionnaire was utilized. The questionnaire collected data on elements of strategic human capital such as expertise, commitment, learning capacity, and decision-making skills. Collected data was analysed using descriptive and inferential statistics. The inferential analysis was carried out through Pearson's correlation coefficient as well as multiple regression analysis.

Regression analysis was carried out in line with recommendations of Hayes (2017)

to demonstrate the relationship of the independent and dependent variables. Decision on significance of the coefficient was based on the significance level at 0.05. The model's predictive power was evaluated using R-squared (R^2). F-statistic in Variance Analysis (ANOVA) was used to ascertain the fitness model. Finally, student t-testing was conducted to find out the significance of strategic human capital, strategic financial resources, strategic intellectual property, and strategic physical resources in predicting performance of deposit taking SACCOs. Significance of independent variables was based on the P-value at 0.05 significance level.

RESULTS AND DISCUSSION

Out of the 121 questionnaires distributed, 81 questionnaires were duly filled resulting in a 66.9% response rate, which is deemed adequate to allow data analysis to proceed (see Mugenda and Mugenda 2003). Descriptive results are presented first followed by inferential analysis results.

SACCOs performance in relation to human resource influence.

The respondents were asked to state the level to which strategic human resources influence performance of their SACCO. Table 1 is a representation of the findings.

Table 1: Extent that strategic human resources influence performance

	Freq.	%
Little extent	5	6.2
Moderate extent	12	14.8
Great extent	38	46.9
Very great extent	26	32.1
Total	81	100.0

Source: Research Data (2021)

The results in Table 1 point out that majority (46.9%) of employees suggested that to a great extent strategic HR influenced

performance of their SACCO, 32.1% indicated that strategic human resources influence performance of their SACCO to a very great extent, 14.8% to a moderate extent while only to a little extent by 6.2%. As a result, all respondents agreed that strategic human resources had some influence on performance of their SACCO. Results obtained in this section were like conclusions made by Pfeffer (1995) who suggested that human resources are among the most crucial resources in the firm because they interact with all other resources of the firm. Similarly, Vivares *et al.* (2016) alluded that HRM highly impacts on the performance of the firm and therefore appropriate HRM practices must be put in place if the firm will achieve better performance.

Respondents were also requested to indicate their level of agreement with some statements regarding strategic human resources in their SACCO. Table 2 is a presentation of the results.

Descriptive findings in Table 2 indicated that HR attributes were stressed to a moderate extent among SACCOs as indicated by an overall mean score of 3.40. The low standard deviation of 0.882 suggests that there was general agreement among respondents. Notably, most SACCOs emphasised on personnel expertise during the recruitment process with a mean score of 4.79 (std dev. = 0.607) suggesting a general agreement among respondents. However, the study established that the least practiced element was involvement of employees at all levels in decision making with a mean score of 1.83 (std. dev. = 0.848) showing that it is emphasised only to a low extent. Cascio (2015) who stated that human capital is the backbone of the firm because it interacts with all other departments also underscored the significance of human capital. At the same time, the relevance of human resources in driving firm performance was showcased by Sembiring (2016) who concluded that employees have a significant influence on business performance and should therefore be emphasised through proper recruitment

and selection, training as well as development.

Table 2: Descriptive Statistics for Strategic Human Resources

	n	Min	Max	Mean	S.D.
Our company emphasise on personnel expertise during recruitment	81	2	5	4.79	.607
Employees are always motivated to improve their commitment to organisation goals	81	2	5	4.42	.849
We endeavour to internally recruit to make our staff to be committed	81	1	5	4.14	1.058
We emphasise on decision making capability among our employees	81	2	5	3.98	.880
We continuously train our staff on organisation goals, products and process to improve their decision-making skills	81	2	5	3.96	.914
We encourage our staff to freely share knowledge among themselves to improve learning of new skills	81	2	5	3.69	.944
To be promoted to higher ranks employees must possess the required skills	81	2	5	3.16	.968
Among the key attributes emphasised during recruitment is the ability of the employee to learn	81	1	5	2.05	.960
We encourage our staff to go for further on-job training to improve on their skills	81	1	3	1.93	.787
Involvement in decision making at all levels is emphasized to improve employee commitment	81	1	4	1.83	.848
Overall				3.40	.882

Source: Research Data (2021)

Otherwise, most SACCOs are largely motivated and recruited internally to make their employees committed to organisational goals as demonstrated by a mean of 4.42 and 4.14 and standard deviations of 0.849 and 1.058. It was also noted that to a large extent there was emphasis on decision making capability coupled with continuous training of staff on organisation goals, products, and process to improve their decision-making skills with a mean of 3.98 and 3.96 and a standard deviation of 0.880 and 0.914 in that order. Similarly, staff were largely encouraged to freely share knowledge among them to improve learning of new skills

demonstrated by (mean = 3.69) and (std. dev. = 0.944).

However, possession of required skills to be promoted was only moderately emphasised in the SACCOs with (mean = 3.16) and (std. dev. = 0.968). Equally, employee ability to learn was emphasised to a moderate extent during recruitment with (mean = 2.05) and (std. dev. = 0.960) while employees were encouraged to go for on-job training to improve their skills with (mean = 1.93) and (std. dev. = 0.787).

Correlation analysis results

The study aimed to establish the kind of relationship existing between the variables in the study. To achieve this, the Pearson's moment correlation coefficient was used to conduct a correlation analysis. According to Taylor *et al.* (2015), correlation coefficients

< 0.5 indicates a weak correlation while a coefficient of 0.5 or more indicates a strong correlation. On the other hand, a coefficient below zero (< 0) indicates negative correlation while a coefficient greater than zero indicates there is a positive correlation. Table 5 is a presentation of the results.

Table 5: Correlations Results

		Performance of DTS
Strategic human resources	R	0.470
	Sig. (2-tailed)	0.013
	N	81

*. Significant level 0.05 (2-tailed). Source: Research Data (2021)

From Table 5, it was observed that the correlation coefficient values of performance of DTS and strategic human resources, was 0.470. Therefore, there was a positive correlation between performance and human resources. Results also showed that p-values for the correlation coefficients were below 0.05 indicating that it was statistically significant. The results were consistent with the results of Sembiring (2016) who revealed a positive link between HR and university performance. However, Vivares *et al.* (2016) and Feng *et al.* (2019) found there is a non-significant link between human resource and physical resources and performance.

Hypotheses Testing Results

Hypotheses testing was based on simple regression analysis results. This test was done to determine if strategic human resources significantly influence performance of DTS in Kiambu County. The decision on the significance of the variables was based on P-value at 0.05 significance level of the variable coefficients as recommended by Field (2013). In doing so, performance was regressed on strategic human resources. Table 6 shows the model summary.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.834 ^a	0.696	0.692	0.53471

a. Predictors: (Constant), Strategic Human Resources. Source: Research Data (2021)

The model summary in Table 6 indicates that the adjusted R-squared was 0.692 indicating that strategic organisational resources predicted 69.2% of all variations in performance of DT-SACCOs in Kiambu County. Results also indicated that 30.8% of all performance of DTS variations was described by other variables other than those discussed in this study. There was a

significant positive correlation between human resources strategies and organizational performance. The implication of the weak correlation between strategic human resource and performance of DTS would include decreased productivity, lower profitability, and increased employee turnover rate. The study shows that human resources indicators including staff, skills,

and experience tend to affect the deposit taking SACCOs in Kiambu County. The effect of empowering human resource in an organization and its influence in the development of organization strategies are becoming more obvious in all types of firms today.

As indicated in this model fit, the r-squared for the relationship between strategic human resource and performance of deposit taking SACCOs in Kiambu County was

0.696. This shows that human capital can explain 69.6.0% of the performance of deposit taking SACCOs in Kiambu County. This implies that 30.4% of the performance of deposit taking SACCOs in Kiambu County is accounted for by other factors not considered in the model.

The study also conducted ANOVA to determine if the model as constituted was fit. Table 7 shows the results.

Table 7: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	51.659	1	51.659	180.682	0.000 ^b
Residual	22.587	79	0.286		
Total	74.246	80			

Dependent Variable: Performance of DTS; Predictors: (Constant), Strategic Human Resources. Source: Research Data (2021)

From the findings in Table 7 indicates that the F-statistic for the model was $180.682 > (1, 79=3.9619)$ F critical indicating that the model was fit. The findings also showed that the F-statistic p-value was $0.000 < 0.05$ indicating that it was statistically significant.

Further, the study conducted a student t-test to establish the significance of the variables in influencing performance. The p-value 0.05 level of significance was used to make the decision on the significance. Table 8 shows the results.

Table 8: Coefficients^a Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.230	1.051		2.122	0.037
Strategic human resources	0.342	0.127	0.123	2.693	0.009

a. Dependent Variable: Performance of DTS

The findings in Table 8 indicated that the constant was 2.230 suggesting that if strategic human resources was held constant at zero, performance would be equal to 2.230. Similarly, it was observed that the strategic human resources beta was 0.342 suggesting that when all other factors are held constant and increasing strategic human resources by a unit would result in a 0.342

rise in performance of DT-SACCOs in Kiambu County. Strategic human resources (p-value = 0.009) which was less than the 0.05 significance level. Therefore, the null hypothesis was rejected, and the study concluded that strategic human resources had a statistically significant influence on performance of DT-SACCOs in Kiambu County.

Table 9: Coefficients Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.840	1.776		2.162	.034
Strategic human resources	.297	.127	.286	2.339	.022

a. Dependent Variable: Performance of DTS

The findings in table 9 indicated that 3.840 was the constant suggesting that if all the independent variables were absent, performance would be equal to 3.840. Similarly, it was observed that the strategic human resources beta was 0.297 suggesting that when each factor is held constant an increasing strategic HR by a unit would result in a 0.297 rise in performance. The model was summarized as follows:

$$FP = 3.840 + 0.297SHR + \varepsilon$$

Where:

FP = Financial Performance

SHR = Strategic Human Resources

ε = Error Term

From these results it was established that strategic human resources had the highest influence on performance of DT-SACCOs in Kiambu County.

The obtained results concurred with the conclusion reached by Odhon'g and Omolo (2015) who revealed that a significant link does exist between human capital investment and firm performance. Similarly, Sembiring (2016) noted that HR practices significantly affect the performance of universities. However, reported results contradicted the postulation of Vivares *et al.* (2016) who stated that HRM practices have no significant influence on performance of a business.

Influence of strategic human resources on performance

The first study objective was to establish the influence of strategic human resources on performance of DT-SACCOs in Kiambu County. The associated hypothesis was that

strategic human resources have no significant influence on performance of DT-SACCOs. Table 9 shows the multiple regression findings, it was observed that strategic human resources (p-value = 0.022) which was less than the 0.05 significance level. Therefore, the null hypothesis was rejected, and the study concluded that strategic HR had a statistically significant influence on performance of DT-SACCOs in Kiambu County.

These results concurrent with the descriptive results which showed that the majority of the respondents believed that strategic human resources influenced performance of their SACCO to a great extent. Descriptive findings further showed that human resource attributes were emphasised to a moderate extent among SACCOs indicating the relevance of strategic human resources in influencing financial performance deposit taking SACCOs in Kiambu County. Empirical studies by Sembiring (2016) points that HR practices significantly affect performance. The results also concurred with the conclusion reached by Munjuri *et al.* (2015) who revealed that human capital statistically significantly affects firm performance. The obtained results also concurred with the conclusion reached by Odhon'g and Omolo (2015) who revealed that a significant link does exist between human capital investment and firm performance.

CONCLUSION

The study established a strong positive correlation between strategic human resources and performance and those strategic human resources had a statistically significant influence on performance of

Deposit Taking SACCOs in Kiambu County. This implies that if SACCOs adopt diversification in terms of strategic human resources, it will enhance and sustain its competitive advantage in today's dynamic financial market. Therefore, it is vital to ensure that employees have the required skills and experiences they would be able to execute their tasks better leading to better performance. Furthermore, motivated employees are likely to perform better than those that are not motivated.

The study only focused on strategic human resources as the most appropriate strategic resources affecting performance of SACCOs. It is thus recommended that further research should be done to identify whether there are other strategic resources not covered in this study that may significantly influence performance of deposit taking SACCOs.

Study limitations

The following limitations were experienced. First, the study obtained data from the management employees of deposit taking SACCOs in Kiambu County. The respondents had busy schedules and finding time to respond to the questionnaire was hard. This made data collection exercise tedious and time consuming. Secondly, the conclusions made in the study were based on data collected from deposit taking SACCOs only. This implies that the findings can only be inferred on such a population but may not be used on larger institutions such as international commercial banks or very small microfinance institutions. Similarly, the findings can only be inferred on SACCOs with similar environmental factors as those in Kiambu County.

In this study strategic resources were conceptualised into human resources. The results of the study were therefore limited to the manner in which strategic resources are operationalized as it were in this study. The study utilised data for a five-year period. As such the study findings can only be generalised in the short run and may not be adopted to make inferences in the long term.

RECOMMENDATION FOR POLICY

It is recommended that the management of SACCOs and other financial institutions should acquire and optimally utilise their strategic resources such as human resources as well as emphasise more on identification and investment in their human capital as this would significantly improve on their performance. This may be achieved by emphasising more on expertise during recruitment and promotion, decision making capability and motivating employees.

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