

ABSTRACT

The purpose of the study was to establish the influence of human capital on the performance of insurance firms and commercial banks in Kenya. The study adopted a descriptive cross-sectional survey design and a census survey was carried out on all the 43 licensed commercial banks and 45 insurance firms in Kenya. The target respondents were the Human Resources Managers and the questionnaire was the data collection instrument that was used. Out of the 88 firms that were targeted, 54 responded, constituting a response rate of 61%. Hypothesis was tested using simple linear regression analysis. Descriptive statistics were computed for organizational data and the main characteristics of the study variables. Data was presented in form of tables. The findings revealed that the influence of human capital on non-financial measures of firm performance was statistically significant. These results are consistent with existing literature which points out a positive effect of human capital on firm performance. A firm's human capital is an important source of sustained competitive advantage (Hitt et al., 2001) and therefore investments in the human capital of the workforce may increase employee productivity and financial results (Black and Lynch, 1996; Pfeffer, 1998; Snell and Dean, 1992). This study contributes to understanding the link between human capital and firm performance, while at the same time confirms the findings of previous studies that have found a significant link between human capital and firm performance. Organizations can enhance their human capital by embracing rigorous selection procedures and matching the right people with the right jobs. Academic qualifications and work experience should be considered during selection.