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**ASSESSING THE EFFECTIVENESS OF TABLE BANKING AS A  
FINANCING OPTION FOR WOMEN OWNED MICRO AND SMALL  
ENTERPRISES IN NAIROBI, KENYA**

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**MBA/93378**

**Submitted in partial fulfillment of the requirements for the Degree of Master of  
Business Administration of Strathmore University**

**Strathmore Business School**

**JUNE 2018**

**JUNE 2018**

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Akinyi Veronicah Liza

June 2018

**Approval**

The dissertation of Akinyi Veronicah Liza was reviewed and approved by:

Prof. Ruth Kiraka (Supervisor)  
Dean, School of graduate studies

Date: June 2018



## ABSTRACT

Women enterprises are believed to make a great contribution to economic growth of developing countries with about one in three micro and small enterprises being women-owned. This study assessed table banking as a financing option for women-owned micro and small enterprises in Nairobi County, Kenya. The study objectives sought to investigate the drivers of table banking among women entrepreneurs, to assess the member experience of table banking as a financing option for women owned enterprises and to explore the effect of table banking financing on the performance of women owned enterprises in Kenya. A sample of 400 members of table banking women groups was selected using purposive and simple random sampling methods. Data was collected using a structured researcher-administered questionnaire and analyzed using SPSS and Stata software applying descriptive and inferential techniques. Findings indicate that majority of women running micro and small enterprises in Nairobi are aged 26 – 45 years, are fairly well educated and close to a third of them have more than four people depending on them for livelihood. Women entrepreneurs are pushed to join table banking financing groups to enable them save, raise business capital, to avoid prohibitive requirements and procedures in formal financial institutions and save for their children's school fees. Table banking improves business performance of women owned enterprises but the extent of effect varies by individual attributes of the business owner and group attributes. Moreover, table banking groups are marred by lack of training opportunities, group conflicts, mistrust among members and bad debts. The study recommends that savings and credit cooperative societies, cooperatives, microfinance institutions and commercial banks should develop simple, friendly and practical products targeting women entrepreneurs in table banking groups. Further, national and county governments through Micro and Small Enterprise Authority (MSEA) and development partners should aim to strengthen table banking groups longevity through requisite policies and regulatory frameworks. Development partners should discriminate interventions such as capacity building by duration of membership, age and other relevant individual attributes. Finally, there is need to provide table banking groups with training in conflict resolution and group cohesion.

**Key words:** Table banking, women owned MSEs, MSE financing, women access to finance.

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## LIST OF ABBREVIATIONS

AFC	Agricultural Finance Corporation
EU	European Union
ICDC	Industrial and Commercial Development Corporation
IDB	Industrial Development Bank
ILO	International Labor Organization
JOYWO	Joyful Women Organization
KIE	Kenya Industrial Estates
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
MFI	Microfinance Institution
MSEs	Micro and Small Enterprises
MSEA	Micro and Small Enterprise Authority
NACOSTI	National Council for Science, Technology and Innovation
NBFI	Non-Bank Financial Institutions
NGO	Non-Governmental Organization
ROSCAs	Rotating Savings and Credit Associations
SACCO	Saving and Credit Cooperative
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund



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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction to the Study

It is estimated that over 1.3 billion women globally “operate outside the formal financial system “such as commercial banks, building societies, saving and credit cooperative societies (SACCOs), mortgage finance companies and microfinance institutions (MFIs) (Demirguc-Kunt, Klapper & Singer, 2013: 2). This is cause for concern because it constraints women’s capability to create wealth and employment for themselves and society. Constrained access to finance by women entrepreneurs has been identified as a major barrier to growth and development given that women provide substantial labor force, investment and mobilization of private savings (Noosa, 2015; World Bank, 2014). The International Labor Organization (ILO) (2016) found that women enterprises account for a third of businesses worldwide, making significant contribution to economic growth of developing countries. Moreover, over eight million of all micro, small and medium enterprises in emerging markets are women owned (International Finance Corporation [IFC] and G-20 Global Partnership for Financial Inclusion [GPFI], 2011). Niethammer (2013) reported that the number of female owned enterprises is increasing at a faster rate than that of male owned businesses.

In terms of labor force, the World Bank estimated that 40 percent of the world’s workforce is women who steer sectors “critical for economic growth” in poor countries. Further, a third of Micro and Small Enterprises (MSEs) in emerging markets were female owned with unmet financial needs of US\$260-320 billion annually (World Bank, 2014). Women owned micro and small enterprises (MSEs) are business ventures which may be sole managed or else characterized by few employees and low annual turnover. World Bank (2015) projects that, about 600 million workers will seek jobs by 2030 which 80% of the opportunities will come from emerging markets. Therefore, the growth of small scale enterprises will be critical to labor markets and social economic progress of developing countries.

Although gender differences in access to formal financial institutions are not as large in developed countries and Asia, the gap is manifest in Africa where about 70 percent of women are excluded from formal financing channels (MFW4A, GIZ & New Faces New Voices, 2012). Table 1.1 provides a comparative analysis of countries in East and West Africa in terms of access to formal finance among women populations. The data from CIA and World Bank reveals that, as of 2015 39.4 percent of women in Ghana had accounts at some formal financial institutions. This proportion was 55.1 percent

for Kenya and even lower (at 14 percent) in Malawi. In sum, at least four in ten women had no access to formal finance in Kenya and this poses a threat to women entrepreneurship.

**Table 1.1: Access to finance by women in selected African countries**

Country	Population (Millions)	Women (% of the population)	Women (age 15+ years) with account at formal financial institution
Ghana	27	51.01	39.4%
Kenya	46	50.11	55.1%
Rwanda	12	51.17	35.3%
Tanzania	51	49.99	34.3%
Malawi	17	49.88	14.0%

*Sources: CIA Fact Book, World Bank (2015)*

Access to finance is, therefore, a major constraint facing women owned MSEs globally and this study investigates how table banking may affect business performance in terms of annual turnover business worth, number of employees, assets and liabilities. Table banking is a financing strategy for groups in which members of the group meet regularly to aggregate their savings and loan repayments then lend the money amongst group members and has emerged as an alternative financing model to women owned MSEs.

### 1.1.1 Background to the Study

In Kenya, majority of businesses are micro and small enterprises (MSEs). According to the 2017 Kenya Economic Survey (Kenya National Bureau of Statistics [KNBS], 2017) and the Institute of Economic Affairs (2016), 80 per cent of the 800,000 jobs created were in the informal sector dominated by micro and small enterprises, popularly called ‘jua kali’ sector. The Kenya Revenue Authority (KRA) appreciates the role of MSEs who have a growth rate of 12-14 % annually and employ 50 percent of new non-farm job seekers (Bwisa, 2017).

The Kenya government acknowledges the role of micro and small enterprises (MSEs) in propelling Kenya to the *Vision 2030* of middle income status. Most businesses in the county fall in this category thus the government developed a regulatory policy framework in the Sessional Paper No 2 of 2005 on “*Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction*”. The paper gives direction on the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology and financial services. The *Micro*

*and Small Enterprises (MSE) Act of 2012* provides for promoting, developing and regulating micro and small enterprises. The Act also provides for establishment of the Micro and Small Enterprises Authority. The duties of the MSE authority include to, among others, formulate and review policies and programs for MSEs, monitor and evaluate the implementation of existing policies, mainstream youth, gender and persons with disabilities in MSEs and promote market access by micro and small enterprises. Still within policy and regulatory environment is the *Kenya National Trading Policy* (2015) whose vision is to transform Kenya into a “competitive export led and efficient domestic economy”. The policy identifies various constraints and challenges hampering development of the informal sector where micro and small enterprises largely operate. Such constraints range from inadequate and poorly serviced operating environment to conducive policy and regulatory framework, inadequate market access, poor quality of products, constraints to access to affordable credit, insufficient business skills and cumbersome trade facilitation procedures. The Women Enterprise Fund (WEF, 2009) underscores the need to address institutional, cultural and structural factors which marginalize women from economic participation even though they constitute over 50% of the Kenyan population. There were 156,792 women groups in Kenya benefiting from Uwezo Fund and Women Enterprise Fund (WEF) in 2016 with a membership of 6,297,320 and Ksh 632.4 in group contributions (KNBS, 2017).

Based on a 2015 survey, Table 1.1 shows that 55.1% of women in Kenya had accounts at formal financial institutions including commercial banks (World Bank, 2015). The finding implies that, close to 45% of women aged above fifteen years lack accounts at formal financial institutions, a pattern which Kimta, (2015) attributed to socioeconomic and cultural factors that disadvantage women. The challenge of formal-sector financing among women owned MSEs is so critical that it has triggered a search for very informal and micro financing channels (Sousa dos Santos, 2015) such as merry-go rounds and table banking. Table banking is a group financing strategy in which members of a group meet regularly (usually monthly) to aggregate savings, collect loan repayments ‘*on the table*’ and immediately lend the money to one or some willing members (Njuguna, 2015).

Table banking developed as a form of informal banking along the tenets of Grameen Bank of Bangladesh into a savings and loan scheme where members save and borrow money from the pool of savings “immediately from their savings on a table” [JOYWO] (2014). Table banking emerged as a poverty eradication strategy under the former “Ministry of Planning and Vision 2030”, in response to Millennium Development Goal number 1 on “eradicating abject poverty” especially for the unbanked women in rural Kenya (Njuguna, 2015), but it also has another core objective which is to give

economic empowerment to women in form of financial assistance and capacity building (Murithi, 2014).

Table banking concept is innovative over and above formal financing models in that it does not require members (often women) to provide security when seeking soft loans; otherwise if collateral is needed then it is made flexible enough to include food produce or even live animals (Action Aid, 2017). This means table banking can provide a solution to a host of challenges women entrepreneurs experience in formal financial institutions.

## **1.2 Statement of the Problem**

Entrepreneurship emerges as a powerful means by which women create meaningful livelihood opportunities to improve socioeconomic wellbeing of their families and society (World Bank, 2011). Women owned micro and small enterprises are important because they are a source of income for their households, can contribute to poverty reduction, create employment for the local labor force and are a potential revenue base for governments. Unfortunately, women owned enterprises in Kenya face unique financing challenges which hamper their performance and growth. Moreover, few women own assets that can act as collateral against formal loans (Dinning, 2010; Kanyi, 2014; Kariuki and Ngugi, 2014). The nature of small and micro businesses in Kenya is such that they face operational and market related challenges with many of them stagnating within a few years of set up (Kiveu and Ofafa, 2013; Nyangori, 2010; KIPPRA, 2006; Kiraka, Kobia and Katwalo, 2013).

Women enterprises in particular tend to have unique trade financing challenges as many women entrepreneurs lack collateral to obtain formal business loans (Dinning, 2010; Kanyi, 2014; Kariuki and Ngugi, 2014). They also tend to have many credit sales transactions as well as non-business-related transactions such as use of money in the homes. Other challenges are low financial literacy and lack of women-entrepreneur targeted business financial products. These qualities make it difficult for women to access financing in the mainstream financial institutions which make them result to alternative financing options (World Bank, 2014).

Even though there are a variety of microfinance alternatives such as savings and credit associations, rotating saving schemes and merry-go-rounds, table banking is one of the more popular informal source of microfinance among women operating micro and small enterprises. Table banking group members meet regularly, usually monthly to aggregated savings, loan repayments or other contributions on the table and immediately lend the money to one or more of the group members

(Mwobobia, 2016; Jelagat and Osodo, 2016). Table banking is founded on trust among the women group members who guarantee each other, to the extent that the borrower can secure the loan with her household goods such as utensils, electronics and other household goods. The amount of money borrowed varies but may be even lower than one thousand Kenya shillings (Njuguna, 2015; Lambisia. Ngahuand Wagoki, 2016).

Limited research exists that has assessed effectiveness of table banking financing option for women owned enterprises. This study posed broad questions: granted that there are already other existing informal savings and credit schemes as fore mentioned, why does table banking portend a more prolific alternative among women entrepreneurs? What are the merits and demerits of table banking and what is the effect of table banking financing on the performance of women owned enterprises in Kenya?

### **1.3 Research Objectives**

#### **1.3.1 Main Objective**

The main objective of this study is to assess the effectiveness of table banking as a financing option for women owned micro and small enterprises in Nairobi County, Kenya.

#### **1.3.2 Specific Objectives**

1. To investigate the drivers of table banking among women entrepreneurs in Nairobi County.
2. To assess the member experience of table banking as a financing option for women owned enterprises in Nairobi County.
3. To explore the effect of table banking membership on the performance of women owned enterprises in Nairobi County.

### **1.4 Research Questions**

1. What are the drivers of table banking as a financing model among women entrepreneurs in Nairobi County?
2. What is the member experience of women entrepreneurs who are members of table banking groups in Nairobi County?
3. What is the effect of table banking membership on the performance of women owned enterprises in Nairobi County?



## **1.5 Scope of the Study**

The study was carried out among women entrepreneurs who are members of table banking groups located in Nairobi. Nairobi County was chosen as the study area because it has the highest concentration of informal micro and small enterprises undertaking economic activities such as food merchandizing, hawking, artisanship, clothing and textiles and the service industry (Nairobi County Integrated Development Plan, 2014 and Ngugi, Kipruto & Samoei, 2013). The study targeted 400 respondents who are all women entrepreneurs and members of table banking groups. Research findings were limited to responses obtained from the questionnaires and interviews among women respondents with respect to drivers of table banking, experience with table banking and effects of table banking financing on the growth of women owned enterprises.

## **1.6 Significance of the Study**

For women entrepreneurs, the study may shed light on the benefits of table banking as a financing option for their business. Those who are not members of table banking groups may be motivated to join. Those who are members of table banking groups may be encouraged to scale up their efforts seeing the impact of this financing model on the performance of women owned micro and small business

Formal financial institutions like commercial banks, savings and credit cooperative societies (SACCOs), cooperatives, Microfinance Institutions (MFIs) may be encouraged to develop women MSE targeted products that are simple, friendly and practical. Table banking may promote business performance of women-owned MSEs and hence this financing option can be up scaled for economic empowerment of women by the government, Micro and Small Enterprise Authority (MSEA), Non-Governmental Organizations (NGOs), community-based organizations and other institutions that promote alternative financing models for women. Further, longevity of groups can be used as an inclusion criterion by programs that aim to improve women owned MSEs through table banking groups.

The academia and researchers will find an additional source of literature for reference on factors affecting performance of women owned enterprises in Kenya. The use of the Pecking Order Theory is also indicative that women owners of MSEs view table banking as an internal financing option for capital raising, thus extending utility of this theory.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Overview

Chapter two reviews theoretical and empirical literature based on study research objectives. A summary of literature review is presented with researchable gaps. Finally, the conceptual framework for the study is outlined.

#### 2.2. Conceptual Definition of Micro and Small Enterprises

World Bank defines MSEs as “formally registered business with annual turnover of between Kenya Shillings 8 to 100 million, an asset base of at least Kenya Shillings 4 million and (5) employing between 5 to 150 employees” (Kushnir, 2010). In Kenya, the *Micro and Small Enterprises (MSE) Act of 2012* uses two criteria, namely: the number of employees and company’s annual turnover.

**Table 2.1: Classes of MSEs in Kenya**

Entity	No of employees	Annual turnover limit	Registered capital/assets
Micro enterprise	< 10	Up to Ksh 500,000	Up to Ksh 10 million
Small enterprise	10 – 50	Ksh 500,000 – Ksh 5 million	Ksh 10 – Ksh 50 million

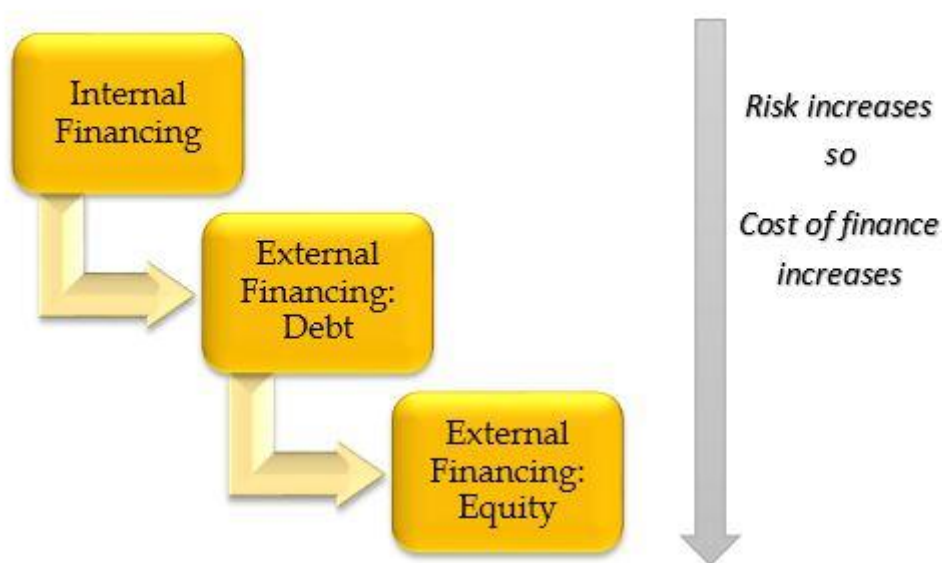
**Source:** *MSE Act, 2012*

The micro and small enterprises play a key role in tackling poverty and economic growth through employment creation, development of rural economy and industry as well as poverty reduction. Kachembere (2011) and Beck (2005) reported that, MSEs play a key role in promoting economic growth in the grassroots and facilitating equitable sustainable development. In high income countries, MSE sector contributes an average of half of the GDP. To provide a working definition, the proposed study considers women owned enterprises to mean any business in which a majority (at least 51%) of share ownership is held by women (National Women’s Business Council, 2012).

#### 2.3 Theoretical Perspective – The Pecking Order Theory

The study is anchored on pecking order theory of corporate finance which argues that firms have a sequence of preference for capital which is used to finance their enterprises whereby, they display a bias for internal funding over external funding and external funding debts over equity (Myers, 1984; Myers and Majluf 1984).

## *Hierarchy for Pecking Order Theory*



**Figure 2.1: An illustration of pecking order theory**

The theory has been used to describe the financial behavior of companies' especially micro and small enterprises. Two empirical implications of the pecking order theory are that internal funds should be the primary source of finance for MSEs and external funds should be a more common choice than equity which should only be used when all other sources have been exhausted. Further research Fazzari, Hubbard, and Petersen (1988), indicate that enterprises are more sensitive to internal cash flow because of the cost advantage of internal resources compared to external cash flow. Shyam-Sunder and Myers (1999) argue that given a choice of debt over equity, a firm would fill their financing deficit by acquiring a new debt rather than a new equity.

In applying this theory to this study, it can be argued that MSEs experience a financial gap caused by lack of funds and higher cost of acquisition and a knowledge gap due to limited knowledge on external financial opportunities as has also been found elsewhere by Holmes and Kent (1991). Micro and small enterprises in Kenya are also unable to acquire external funding due to firm and owner attributes; factors such as size, ownership structure, business location, sector and socio-demographics of the owner (Kimuyu and Omiti, 2000) which also influence the structure of credit available to small firms. It is plausible that micro and small enterprises owned by women in Nairobi explore table banking as an affordable financial option that allows them to access a combination of internal finances (their contribution on the table) and external financing (debt advanced from pooled funds once gathered from all members of the table banking group). Following Pecking Order Theory, women owners of

MSEs can exploit internal financing advantages through membership in table banking groups which is the subject of investigation of this study.

#### **2.4 The Role of Financing in Growth of MSEs**

The MSE financing landscape is largely categorized into formal and informal institutions. Formal financial institutions include commercial banks and Non-Bank Financial Institutions (NBFI), SACCOs and formal Microfinance Institutions (MFIs). Informal financial institutions include village savings and ending groups (VSLAs), merry go-rounds (*chamas/Esusus*), table banking, community group associations, family and friends. The challenge of financing among MSEs is perceived to be a critical issue for Africa (Sousa dos Santos, 2015). A quantitative study by Mashene and Rumanyika (2014) investigated business constraints that affect the potential growth of small enterprises in Tanzania, found that lack of capital was a top obstacle followed by lack of managerial skills. The study assessed other variables such as; competition, anti-entrepreneurial culture, bureaucratic business registration process, high taxation, technological barrier, theft, lack of trust, poor infrastructure, and corruption in terms of how they affect potential growth of MSEs. Hence the study recommended training and financing programs targeting small enterprises. These findings were also determined by Msoka (2013) whose study was also based in Tanzania and recommended revamp of lending schemes by government and financial institutions to accelerate MSEs access to credit.

A study by the Central Bank of Kenya & World Bank 2015, '*FinAccess Business – Supply Bank Financing of SMEs in Kenya*', established that banks are skeptical to lending to small enterprises because they take small value loans with high operating costs and secondly because banks often lack proper risk appraisal and management processes to lend to the micro and small enterprises segment. The study embellishes that challenges such as lack of collateral, poor book keeping as well as poor managerial skills may impede the ability of banks to address the financial needs of small enterprises (Central Bank of Kenya & World Bank, 2015).

In their study on the influence of participation in table banking on the size of women-owned micro and small enterprises in Kenya, Gichuki, Mutuku and Kinuthia (2015) researched on why many women entrepreneurs are unable to access affordable credit in Kenya which impairs capacity to start their own or expanding existing enterprises. This was a cross-sectional survey of 225 randomly selected women entrepreneurs' who were members of table banking groups in Nakuru County, Kenya. The study found that, availability, affordability and accessibility of credit from table banking groups promoted positive growth of women-owned enterprises in terms of employee establishment and

business turnover. Table banking not only offers financing to women but a network that can contribute to managerial and entrepreneurial skills of women group members. These skills are imperative to positively influence the growth of the enterprises that they manage through better team management and entrepreneurship skills. Those women in table banking groups were found to have good financial numeracy skills which makes them better managers of their own enterprises thus enhancing the performance of the business.

## **2.5 Drivers of Informal Financing Options among Women owned Enterprises**

There are several drivers of informal financing particularly among women which include the need for financial independence, the fact that there is no collateral requirement, there is convenience (ease and speed of access to credit facilities), and inclusivity, and there are no frustrations from formal financial institutions. Among other reasons, informal financing is also triggered by poverty and illiteracy. Poverty for example is high among Kenyan women, estimated at 25 percent nationally and is particularly worse among the rural folk (Limobk, 2014 in Mwobobia, 2016). According to Mengo (2014), women also find informal channel financing as a very attractive alternative that saves them bureaucratic procedures in obtaining loans from the formal sector lenders. The approval process informal channels end up being tedious while the loans are, nonetheless, expensive. Women also get motivated to seek financing from informal channels through influence or peer pressure when they admire the success their colleagues have made being able to start small businesses, buy personal/household assets, educate their children, or even provide livelihoods to their family more comfortably (Obiria 2014; 2015).

Women owned enterprises also prefer informal financing due to gender discriminatory factors and cultural factors that inhibit their access to finance from formal sources (Lazzarini, Sergio, Musacchio, Bandeira-de-Mello and Marcon, 2015). Yet women owned small and micro enterprises exist in practically every sector from agriculture to services, healthcare, Information Communications Technology (ICT), transport, consultancy services and construction. Typical MSEs owned by women can be found in rural and peri-urban areas of Kenya trading in cereals, green groceries, semi processed goods, fresh produce, catering, among other (Naituli, Wegulo and Kaimenyi, 2008). Unfortunately, women face gender inequalities of time, social constraints and capital that limit their start up and growth (World Economic Forum, 2013). Many women entrepreneurs face many hindrances in entrepreneurship in addition to those faced by their male counterparts. According to ILO (2009) and (IFC and GPF, 2011), hindrances for all entrepreneurs include; poor infrastructure, prohibitive cost of production, political instability among others.

Women entrepreneurs encounter additional struggles with opening savings accounts with formal financial institutions, having limited or no collateral, poor access to business credit, unfavorable regulations specific to women, lower education levels and socio-cultural practices in society. There are also worldwide trends that affect trade such as innovation, change in trade patterns, entrepreneurship training among others (Stevenson & ST-Onge, 2005b; Kiraka, Kobia and Katwalo, 2013; Demirguc-Kunt, Klapper and Singer, 2013; Kiveu and Ofafa, 2013 and ActionAid, 2017). This engendered difference in entrepreneurship has undesirable consequence for development of women owned MSEs because whereas less than a quarter of productive potential of men in enterprise is underutilized, women's equivalent is more than half (ILO, 2016).

Data from CIA and World Bank reveals that, as of 2015, only four in ten women in Ghana had accounts at a formal financial institution (MFW4A, GIZ & New Faces New Voices, 2012) compared to half of women in Kenya and just above a tenth in Malawi. Generally, a majority of women in sub-Saharan African countries lack access to mainstream banking due to social, economic and cultural factors (Kimta, 2015). Many services offered by formal financial institutions in Kenya are inaccessible to women (Masinde, 2013) partly because of the nature of their product development. Often the interventions require beneficiaries to apply for services in a group or to provide collateral in the event of applying for credit. This excludes majority of women entrepreneurs and therefore development of women owned enterprises. Women constitute the bulk of informal enterprises in agriculture and services sector (ILO, 2011). As a result, women have turned to non-conventional micro financing models.

## **2.6 Member Experience of Table Banking**

Member experience of table banking is conceptualized in this study to refer to merits and limitation of table banking financing option. Table banking as an alternative financing model is preferred because it does not require members (women) to provide security when seeking soft loans. The model is devoid of stringent requirements and in the event that collateral is needed, then under this financing scheme, it is made to be flexible enough to include food produce and farm animals (ActionAid, 2017) which is friendly and feasible for women entrepreneurs. Table banking has successfully been used by Action Aid International Kenya in Eastern Kenya as a group funding strategy. Members of a group meet once in a month, place savings contributions and loan repayments on the table for immediate onward borrowing as short-term loans by qualifying members. The women often use the money borrowed as capital for their livelihood projects. Most women use animals such as goats as collaterals to guarantee the loans (Action Aid, 2017).

Table banking also has another objective which is to give economic empowerment to women in form of financial assistance and capacity building (Murithi, 2014). The practice of table banking has been that women members in table banking groups often use the loaned money as capital to set up businesses or to facilitate their livelihood activities. Mwobobia (2016) established a positive influence of table banking on women members as ranging from contribution to ‘food security, harmony in homes, enabled women to engage in modern farming, raised women standards of living, enabled women to build houses, giving women ability to contribute to the family budgets, brought financial independence to women, enabled women to buy land, enabled accessibility of loans by women among others’ (Mwobobia, 2016).

Despite the benefits of table banking, Mwobobia (2016) has also established challenges that are typical of table banking as a form of informal financing. These include ‘default cases, poor record keeping, disagreements, failure to attend meetings and failure to pay loan interests’ (Mwobobia, 2016). This study goes ahead to note that these challenges could have dire consequences on affected women if they are members of more than one table banking group, hence recommending a law that puts a cap on the number of table banking groups one joins to avoid over-indebtedness in a given period.

## **2.7 Informal financing and performance of women owned MSEs**

Formal financial institutions and government interventions have achieved little success in offering the required capital for start-up or growth of women owned enterprises. Kiraka, Kobia and Katwalo (2013) investigated the growth and innovations of micro, small and medium enterprise based on a case study of the Women Enterprise Fund (WEF) in Kenya. Using a mixed method design, the study applied logistic multiple regression models on data from a sample of women owned MSEs selected by stratified sampling from four counties. Findings revealed that business turnover had increased among women owned enterprises under the state intervention. Despite the WEF intervention being available, up to a third of women owned businesses either declined in growth or stagnated. The WEF faced many challenges including giving low loan amounts to women, high default and delays in disbursement. Borrowers were encountered with either limited or shrinking markets, lacked business knowledge, diverted funds, had low literacy or lacked securities for the loans. This opens room for the possibility of there being other determinants that can affect performance and growth of women owned MSEs in Kenya (Kiraka, Kobia and Katwalo, 2013).

An engendered study by Yusuff, Olagbemi and Atere (2011) in Nigeria on factors affecting MSE business performance in Nigeria established that social networks, access to finance, access to information, government support, adequate training, innovativeness, risk taking and business premises were important factors affecting performance of MSEs. The study used feminist theories on 50 purposively selected small –scale businesses of different sizes and types. In another study, Msoka (2013) sought to determine how entrepreneurship influenced performance of women owned enterprises in Africa based on a case study of Micro and Small Enterprises in Dar Es Salaam, Tanzania. Findings indicated that there was a relationship between knowledge and performance of micro and small-scale businesses and that women entrepreneurs faced limitations of skills in business planning, marketing, book keeping and customer care.

In Kosovio, Haxhiu (2015) had earlier established that legal and administrative factors had the highest impact on the performance of women owned enterprises because of bureaucracies and lack of support from government and policy makers. It emerged that most women owned enterprises were predominantly offering services and faced constraints accessing financing which is the focus of this study.

Other studies based in Kenya identified personal attributes as control variables besides access to finance as important factors affecting the performance of women owned enterprises. These studies include Wangari (2017) and Wanjiru (2011). Wangari (2017) examined factors that influencing the performance of MSEs owned by female entrepreneurs using random sampling and reported that, in addition to access to financing, socioeconomic demographic variables of the owner and training affected the performance of the business owned by female entrepreneurs in Kenya. Wanjiru (2011) conducted a survey to analyze the factors affecting the performance of women entrepreneurs based on a sample of Jamhuri market of Thika sub-county of Kiambu County, Kenya. The study revealed that positive performance of women-owned enterprises was promoted by good customer relations, personal marketing and the quality of services offered, management skills, competition and networking capacity of the owner.

## **2.8 Summary of Literature**

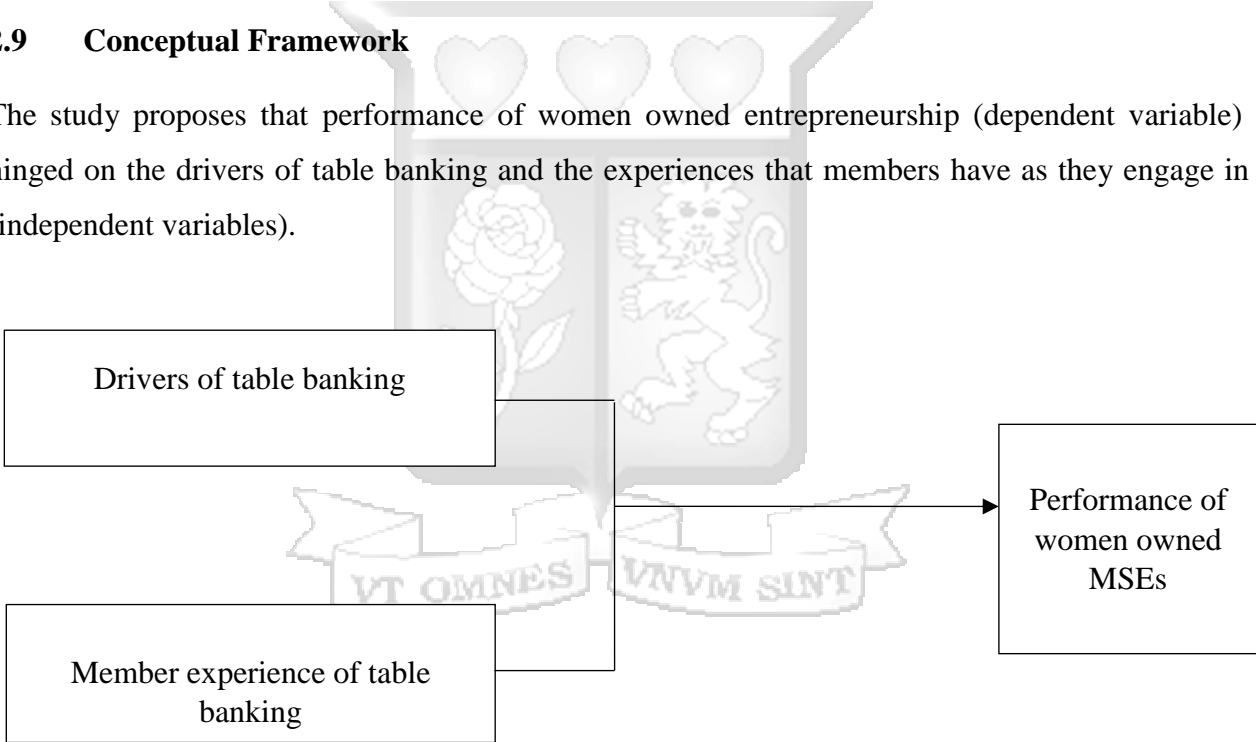
There are extensive empirical studies such as Mengo (2014), Obiria (2015), Njuguna (2015), Gichuki, Mutuku and Kinuthia (2015) and interventions by government and financial services regulators for inclusive MSEs financing (reported by Bwisa, 2017, and KNB, 2017) however many micro and small enterprises continue to rely on informal sources of funds. For women owned enterprises, table banking has particularly empowered many such enterprises to start up and grow amidst challenges. A number



of predictors of growth and productivity of MSEs have been established from literature review by Yusuff, Olagbemi and Atere (2011), Kosovio, Haxhiu (2015), Mwobobia (2016) and Wangari (2017) among others. These predicting factors have been grouped into three: drivers of (motivation for) uptake of various forms of informal financing, experiences in using informal financing models and the role of informal financing in business performance. However, very few studies have been conducted that focus on table banking, as a form of informal financing available to particularly women owned micro and small enterprises. This leaves a knowledge gap asking, to what extent table banking influences the growth and performance of women owned MSEs in Kenya, drivers, members' experiences of table banking as a business financing option. The findings of the study will be interpreted guided by the pecking order theory to make recommendations for policy and practice on MSEs financing.

**2.9 Conceptual Framework**

The study proposes that performance of women owned entrepreneurship (dependent variable) is hinged on the drivers of table banking and the experiences that members have as they engage in it (independent variables).



**Figure 2.2. Conceptual Framework**

**Source:** Researcher (2017)

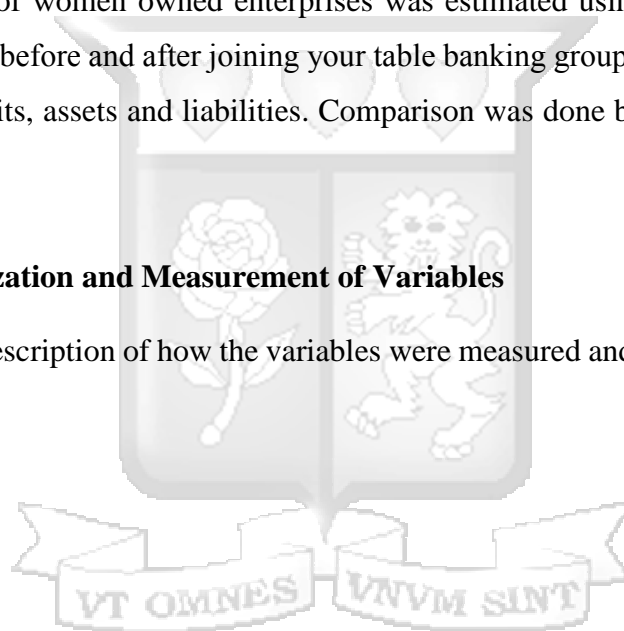
The study investigated the following drivers of table banking among women: raising money for business, lack of collateral requirement, convenience (ease and speed of access to credit facilities), inclusivity, need to save money for (pension, insurance), saving platform for school fees (for children), need for financial independence and frustrations from formal financial institutions. Respondents were asked to rate above factors in terms of the extent to which they feel they were the primary motivator for starting or joining their table banking group.

On member experience of table banking, the study investigated returns to members of table banking which ranged from lack of collateral when women need to take a loan, the concept of guaranteeing each other, low interest rates on borrowing, ease of accessing saving, ease of access to loans for investments, access to training opportunities among other merits. The extent to which socioeconomic well-being of members has changed because of the table banking group was also assessed. Limitations and challenges facing table banking were also investigated on a Likert type scale were high default cases /bad debts, lack of cooperation/trust among members, weak leadership skills, lack of training, poor record keeping, disagreements, failure to attend meetings, failure to pay loan interests, funds diversion, and lack of transparency.

Finally, performance of women owned enterprises was estimated using the following measures of respondents' business before and after joining your table banking group: Annual turnover, number of employees, gross profits, assets and liabilities. Comparison was done before and after table banking group membership.

## **2.10 Operationalization and Measurement of Variables**

Table 2.2 presents a description of how the variables were measured and operationalized in the study.



**Table 2.2: Operationalization and Measurement of Variables**

<b>Research Objective</b>	<b>Information needed Indicators</b>	<b>Data Collection Tool</b>	<b>Measurement Scale</b>	<b>Analytical Technique</b>
1. To investigate the drivers of table banking among women entrepreneurs in Nairobi County, Kenya.	<ul style="list-style-type: none"> <li>• Need to save</li> <li>• Peer pressure</li> <li>• Platform to raise business capital</li> <li>• Difficulties accessing finance from formal channels</li> <li>• Socio-demographic attributes</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Nominal</li> <li>• Ordinal</li> <li>• Interval</li> </ul>	<ul style="list-style-type: none"> <li>- Measures of central tendency (mean)</li> <li>- Measures of dispersion (range, variance, standard deviation)</li> <li>- Mean score and mean differences                             <ul style="list-style-type: none"> <li>• T-statistic</li> </ul> </li> </ul>
2. To assess the member experience of table banking as a financing option for women owned enterprises in Kenya.	<ul style="list-style-type: none"> <li>• Merits:                             <ul style="list-style-type: none"> <li>- Eliminating collateral need</li> <li>- Concept of guaranteeing each other</li> <li>- Low interest rates</li> <li>- Ease of access</li> <li>- Increased incomes</li> </ul> </li> <li>• Limitations                             <ul style="list-style-type: none"> <li>- Leadership issues</li> <li>- Repayment challenges</li> <li>- Funds diversion</li> <li>- Group capacity to raise money</li> <li>- Short term orientation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Interval</li> </ul>	<ul style="list-style-type: none"> <li>- Measures of central tendency (mean) and dispersion (range, variance, standard deviation)</li> <li>- Mean score and mean differences                             <ul style="list-style-type: none"> <li>• T-statistic</li> </ul> </li> </ul>
3. To explore the effect of table banking financing on the performance of women owned enterprises in Kenya.	<ul style="list-style-type: none"> <li>• Annual turnover in KES</li> <li>• Business worth in KES</li> <li>• Number of employees</li> <li>• Assets and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Nominal</li> <li>• Ratio scale</li> </ul>	<ul style="list-style-type: none"> <li>• Measures of central tendency (mean)</li> <li>• Mean difference: T statistics</li> <li>• Relationships: Correlation coefficient</li> </ul>

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter specifies the methodology used in the study which includes research design, target population and sampling, data collection methods, instruments of data collection and the data analysis techniques. Issues of research quality and ethical considerations are also addressed.

#### **3.2 Research Design**

A descriptive survey research design was applied for this study. This design is chosen because the data was cross-sectional involving different women groups under table banking model and data was collected at one point in time, a rationale provided by Saunders, Lewis and Thornhill (2012). To address objective three which aims to understand how table banking affects the growth and performance of women owned enterprises in Kenya, the study employed ex post facto research design which presumes a correlation relationship and is preferred in situations where it is not possible to manipulate variables (Mitchell and Jolley, 2010; Creswell and Plano, 2011; Vogt, Gardner and Haeffele, 2012). In this study, the researcher has identified independent variables - drivers of table banking, merits and limitations from literature, and they were treated retrospectively without manipulation. Using ex post facto design allowed the researcher to investigate the growth and performance of women enterprises before and after membership in table banking groups.

#### **3.3 Population and Sampling**

##### **3.3.1 Population**

The target population comprised the total number of individual women in groups that practice table banking, who are also entrepreneurs. Such women groups are spread out in different counties of Kenya. There is no accurate data available on women entrepreneurs who own micro and small enterprises. Given this situation, this study applied a sample size determination formula that does not require a definitive population size as proposed by Saunders et al (2016). However, to ensure that only entrepreneurs participated in the study, a screening question was added at the beginning of the researcher-administered questionnaire. Only those who are entrepreneurs were included in the study.

### 3.3.2 Sampling and Sample Size

Respondents were women entrepreneurs who are members of women groups practicing table banking financing model. A convenience purposive sampling was applied to select respondents for the study. A Fisher based formula below (Cochran., 1963; Gorstein, 2007) was applied to arrive at a sample size of 384 respondents to the questionnaire.

$$n = \frac{Z^2 \cdot \rho \cdot q \cdot D}{d^2} = \frac{(1.96)^2 \times (0.5) \times (0.5) \cdot 1}{0.05^2} = 384$$

Whereby:

n = Sample Size

Z = 1.96 for 95% confidence level

$\rho$  = the proportion of occurrence of phenomenon of interest (which is 0.5 where the figure is unknown)

q = The proportion of non-occurrence (which is 1-p =0.5)

D = Design effect (set at 1 for a homogenous population)

d = Margin of uncertainty/error or level of significance (set to within  $\pm 0.05$  or 5%)

However, the sample size was increased to 400 to cater for attrition or any unusable data.

### 3.4 Data Collection Methods

Data was collected using a structured researcher-administered questionnaire. The respondents were the women owners of business who are members of table banking women groups. The questionnaire had six main parts. The first part was used to gather general socioeconomic and demographic information. The second part investigated drivers of table banking while the third part focused on member experience of table banking as a financing option for women owned enterprises. The fourth section concentrated on the performance of women owned enterprises participating in table banking while the final part captured operational information of table banking women groups. The questionnaire comprised both open-ended and closed-ended questions some of which were of Likert scale type. The questionnaire was administered to respondents by experienced interviewers (research assistants) trained and supervised by the researcher. Women owners of micro and small enterprises were selected purposively to represent different regions with higher concentration of micro and small women owned enterprises in Nairobi County.

### **3.5 Data Analysis**

Quantitative data collected was analyzed using the Statistical Package for Social Sciences (SPSS) program while qualitative data was analyzed using a thematic approach. The analytical techniques that were used include descriptive statistics and inferential statistics. The first objective that sought to investigate the drivers of table banking among women entrepreneurs in Kenya was analyzed using descriptive statistics (particularly the mean) to determine the key motivators for women to join membership in table banking groups. Objective two aimed to assess the member experience in terms of merits and limitations of table banking as a financing option for women owned enterprises in Kenya. The data gathered include the benefits enjoyed from membership and the socio-economic impact on members. It also identified the challenges of table banking faced by women entrepreneurs. Similarly, descriptive statistics were used for analysis from which measures of central tendency (mean and standard deviation) helped determine the key benefits of table banking from a list.

Finally, objective three which sought to explore the effect of table banking financing on the growth of women owned enterprises was analyzed using paired sample t-statistic parametric test of mean differences. Comparison of means also helped to relate the performance of enterprises before and after membership in table banking. Data gathered for this objective included analyzing varied aspects before and after joining table banking, operations and administration of the table banking group. In general, data was analyzed using mean, standard deviation, percentages and comparison of means.

### **3.6 Research Quality**

#### **3.6.1 Validity**

Validity of research instruments was assessed through a pilot study. Piloting was done at a purposively selected table banking women group in Kibera Constituency, Nairobi County. The group had twenty members who were asked to respond to the pilot survey. This group was however excluded from the main survey. To ascertain that the instrument achieved the objectives with accuracy (internal validity) and that generalization could be made beyond the sample group (external validity), feedback from the pre-study enabled the researcher to review the language in terms of wording, phrasing and sentence structure. This enabled the researcher to verify whether the tools gather the information they should help to collate for attainment of study objectives. Any necessary adjustments to the instruments were done before the main survey.

### 3.6.2 Reliability

Reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. The tendency toward consistency found in repeated measurements is referred to as reliability (Carmines and Zeller, 1979). The researcher tested for reliability of the questionnaire using internal consistency method which yields an internal consistency reliability estimate. This technique involves splitting the questions of the questionnaire into two halves and correlating them. If a questionnaire is reliable, then correlation between the two halves is significantly either 70% or 0.7 or higher (Cronbach, 1951). The questionnaire was tested for reliability at piloting stage and attained a reliability coefficient of 0.842 as shown in table 3.1 which implied that the tool was adequately reliable for the main study. This technique aided in identifying any questions that needed to be modified before carrying out the main study. Testing or reliability of the questionnaire was done using data gathered at pilot testing stage and the tool adopted as it is or necessary adjustments made. The sample selected during piloting was not included in the sample for the main study. Table 3.1 shows the reliability statistics for key variables under study.

**Table 3.1: Reliability statistics for key variables**

Variable/Measure	Number of items	Cronbach's alpha
Benefits of table banking	13	0.801
Member experience of table banking	14	0.931
Socio-economic changes	9	0.795
<b>Overall</b>	<b>36</b>	<b>0.854</b>

### 3.7 Ethical Issues in Research

Research was carried out with strict regard to ethical considerations. Respondents were presented with informed consent details by explaining the purpose of the study, interview procedure, discomforts and risks, confidentiality and researcher contact information. Then they were asked to specify that they understood that their feedback would be kept private and that they could leave the study at any time without any penalty. Proper documents were obtained i.e. the Ethical Clearance certificate from Strathmore University Institutional Ethics Review Committee (SU\_IERC) (Appendix I), a Consent Form (Appendix II) , an introduction letter from the Strathmore University (Appendix III). Confidentiality and anonymity were also assured on issues raised and information given by the respondents. In addition to discomfort and risks, benefits of the study were explained to the

participants prior to the data collection with a word of appreciation given by the researcher and assistants since no financial reward was given to participants.

### **3.8 Limitations of the Study**

The study encountered several limitations. One of them pertained difficulty in interpretation of the 5-point scale items by respondents which necessitated changing the Likert scales to 3-points only instead of 5 points. Language barriers also posed a challenge as many of the respondents could not communicate effectively in English (and some even in Swahili) making it challenging and time consuming and sometimes frustrating for the respondents to provide the data. However, despite these challenges, the researcher was able to collect sufficient reliable data to enable analysis and answer the research questions.





## CHAPTER FOUR

### PRESENTATION OF RESEARCH FINDINGS

#### 4.1 Introduction

This chapter presents the results of the study. The study aimed at assessing the effectiveness of table banking as a financing option for women owned micro and small enterprises in Nairobi County. The findings are organized according to the objectives. First, the demographic information of respondents is presented followed by table banking group characteristics, and then the information responding to each of the specific objectives.

#### 4.2 Questionnaire response rate

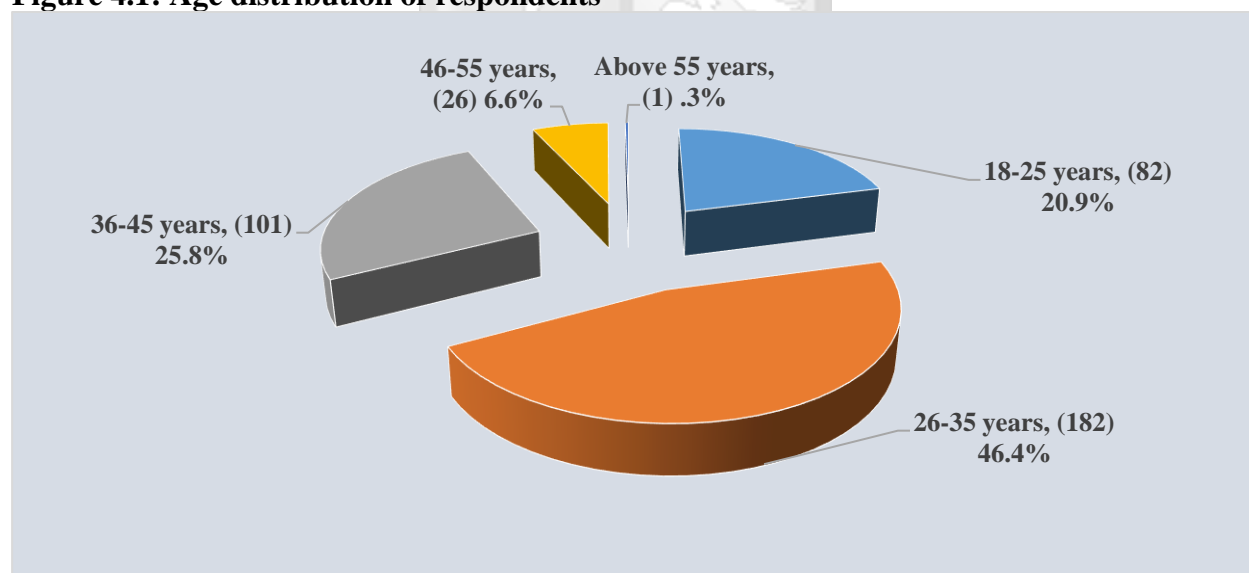
The study sample was 400 women owners of MSEs from which 392 women responded to the survey which translates to a response rate of 98% percent which was considered adequate to provide requisite information for the objectives of the study.

#### 4.3 Demographic information of respondents

##### 4.3.1 Age distribution of respondents

Figure 4.1 presents the age distribution of respondents.

**Figure 4.1: Age distribution of respondents**



Almost half (46.4%) of the respondents were between 26 and 35 years old, 25.8 percent were aged between 36 and 45 years while only one respondent (0.3%) was above 55 years old as shown in Figure 4.1 above. In sum the bulk of respondents (71%) were of middle age between 26 and 45 years which points to the fact that most women business owners belong to that age cohort.

### 4.3.2 Distribution of respondents by level of education

Table 4.1 displays the respondent levels of education.

**Table 4.1: Distribution of respondents by level of education**

Level of education	Frequency	Percent
No education	13	3.3
Primary	80	20.4
Secondary	196	50.0
Tertiary	103	26.3
<b>Total</b>	<b>392</b>	<b>100.0</b>

**Source: Research data, 2018.**

More than three quarters of the respondents indicated that they had attained at least secondary school education while only 3.3 percent had no education at all. This is an indication that most of the respondents were knowledgeable and understood the questions asked in this study.

### 4.3.3 Products and services provided by women owned enterprises

Products and service profile of women owned micro and small enterprises ranged widely from food and non-alcoholic beverages, clothing and footwear, hair and cosmetics, green groceries, wholesale and retail trade, small restaurants, cyber cafes and agencies for financial services such as M-pesa.

### 4.3.4 Household incomes

The respondents were asked whether they had other sources of income besides their businesses. Majority (72.4%) reported that they had no other sources of income as they sorely relied on their businesses for livelihood as shown by Tables 4.2a and 4.2b. Only slightly more than a quarter (27.6%) of the respondents reported that they had another source of income. Table 4.2a and 4.2b present information on household income sources of the sampled respondents.

**Table 4.2a Information on household income sources**

Item	Responses	Frequency	Percent
Do you have another source of income besides your business?	Yes	108	27.6
	No	284	72.4
	<b>Total</b>	<b>392</b>	<b>100.0</b>
Are you the main bread winner in your household?	Yes	198	50.5
	No	194	49.5
	<b>Total</b>	<b>392</b>	<b>100.0</b>

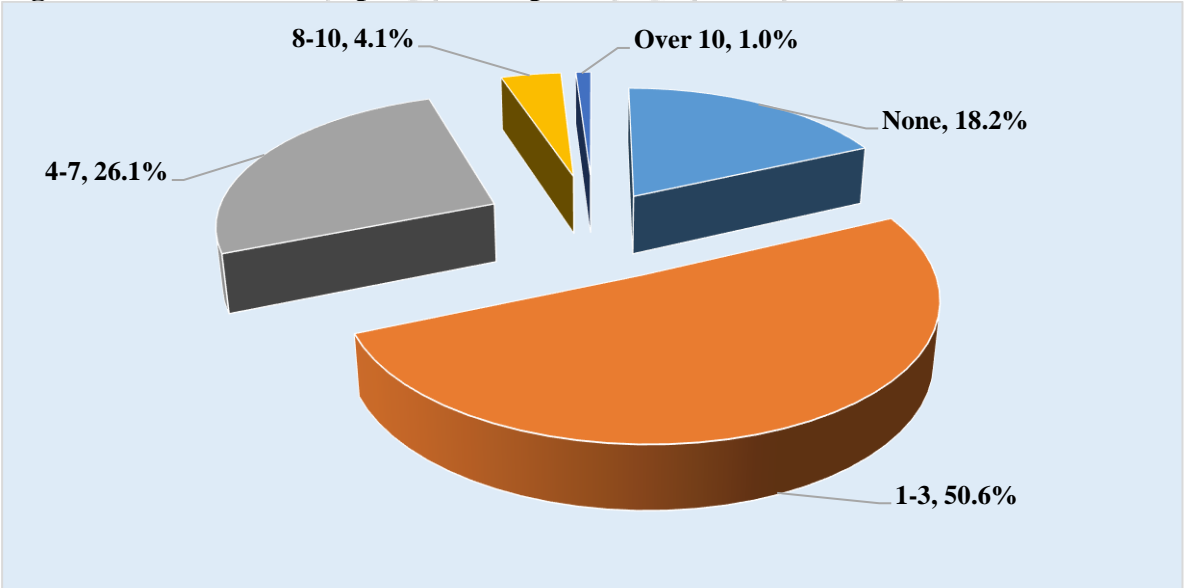
For the respondents who indicated that the business only provided part of their income, they were asked to indicate the proportion of the income from the business. The data is presented in Table 4.2b below.

**Table 4.2b Information on household income sources**

Proportion of your total income provided by this business	Provides more than half of total income (about 60 – 80%)	13	12.0
	Provides about a half of the total income (45 – 55%)	41	38.0
	Provides less than half of the total income (about 25 – 40%)	48	44.4
	Provides negligible part of the total income (less than 25%)	6	5.6
	<b>Total</b>	<b>108</b>	<b>100.0</b>

Out of the 27.6 percent of those who had other sources of income, 44.4% reported that their current businesses contribute less than half of the total income (about 25 – 40%), 38.0% indicated that the businesses provide about a half of the total income (45 – 55%), while a small proportion of the respondents (5.6%) informed that the businesses contribute a negligible part of the total income (less than 25%) of the total household incomes. Moreover, about half of the respondents reported that they are the main bread winners for their households.

**Figure 4.2: Number of respondents' dependants**

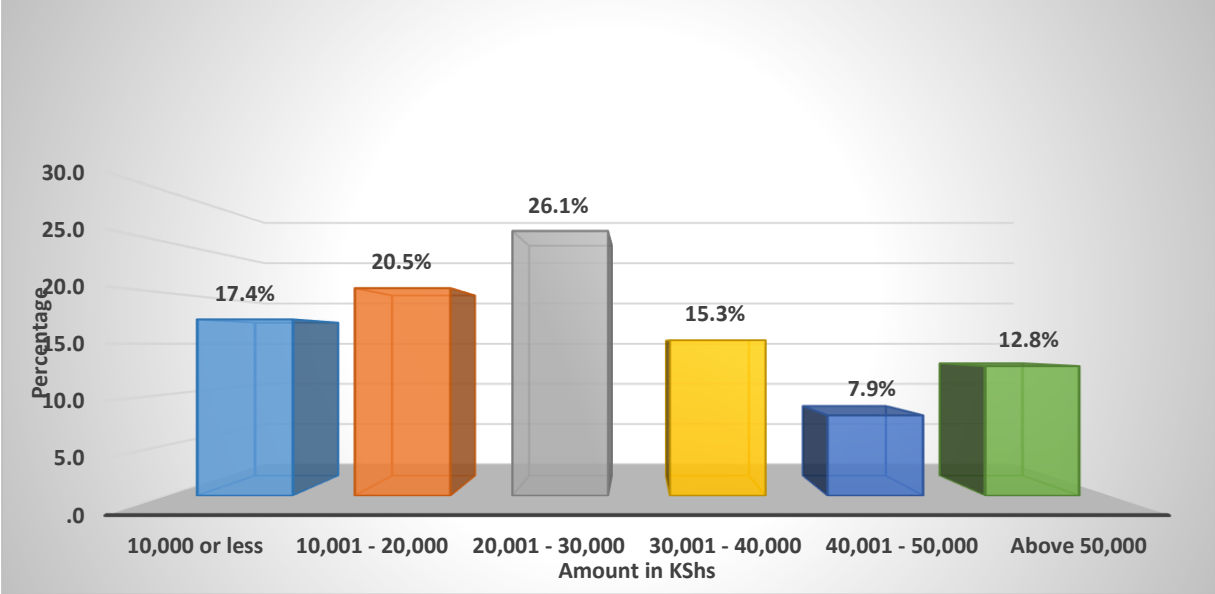


Slightly more than half of the respondents (50.6%) reported that they have between one and three people who depend on them for livelihood. Only one percent of respondents indicated that they have

more than ten dependants whereas 18.2 percent had no one depending on them for livelihood as shown in Figure 4.2 above.

Figure 4.3 presents information on estimated aggregated household incomes of the respondents.

**Figure 4.3: Estimated aggregate household monthly income**



The larger number of respondents (26.1%) reported that their aggregate monthly household income from all sources are between Kshs 20,001 – 30,000. In addition, 20.5 percent had incomes of between Kshs 10,001 - 20,000 whereas only 12.8 percent reported incomes of more than Kshs 50,000 as illustrated in Figure 4.3 above.

**4.3.5 Table banking group information**

The study investigated attributes of table banking groups in terms of size of membership, duration of operation since the group was established and monthly contribution by the members as shown in Table 4.3.

**Table 4.3: Characteristics of table banking group**

Attribute	N	Mean
Number of members in table banking groups	391	20.88
Duration of operation of the table banking group in years	392	4.12
Amount of monthly contribution per member (Kshs)	387	2055.04

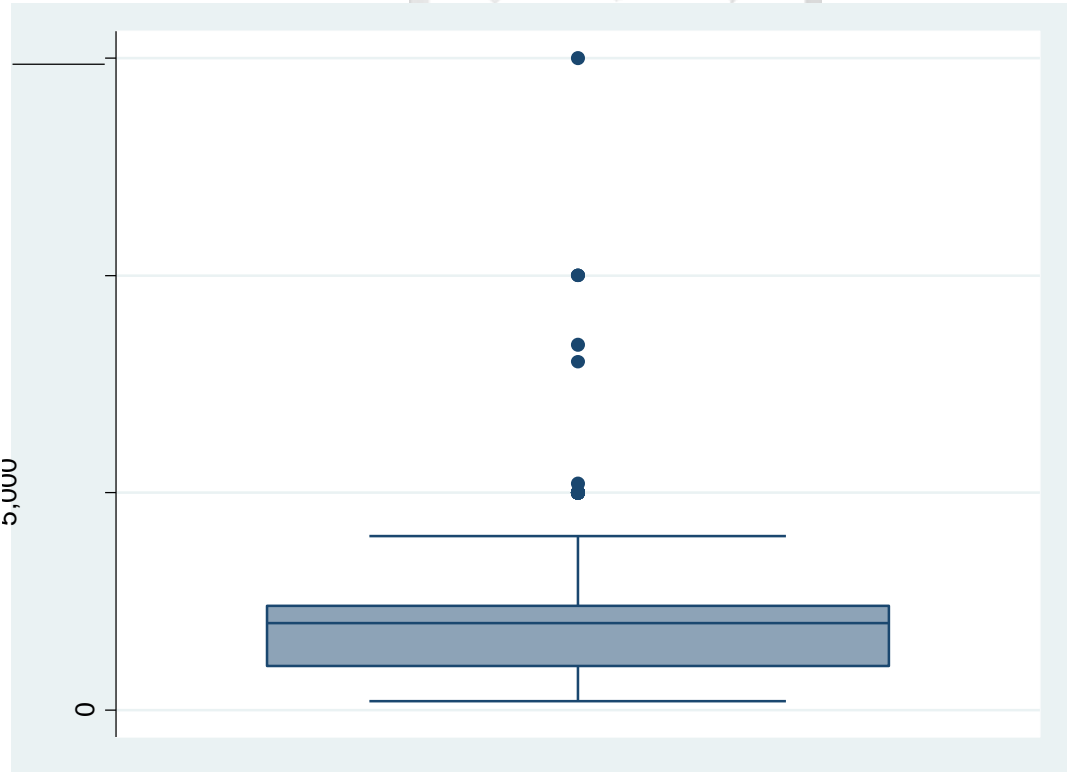
**Source: Research data, 2018.**

Table banking groups had different sizes with 70 percent of groups having anywhere from three to twenty members. The group with least members had three members while the largest group had 300

members. The average number of members in a group was 21 members. Besides, some groups had operated for twenty years (the longest operating period reported) while others were very young groups having been in operation for only one year. On average the operating period for the table banking groups was four years. The respondents were asked the duration in which they had been members of the table banking group and it was observed that almost half of the respondents (49.7%) had been in the groups for 2-5 years; one third of the respondents were in groups for between seven months and two years while only 5.1 percent had joined the groups less than six months from the time of this study (March, 2018).

On the monthly contributions, almost all except seven outlier groups (represented by dots in box plot of Figure 4.2) required members to contribute no more than Ksh 5000 per month. Figure 4.2 illustrates distribution of groups' contributions in terms of the range, whereby the shaded part represents the range of monthly contributions by middle 50% of sampled table banking groups.

**Figure 4.4: Box plot of group's contributions in Kenya Shillings**



The average amount contributed by each member of typical table banking groups per month was Kshs 2,055 (S.D. 1,573). Some groups contributed a minimum amount of Kshs 200 while the group that had the highest monthly contributions had the members remitting Kshs 15,000 but this was an extreme outlier as earlier noted.

The respondents were asked about group characteristics including group membership, having a bank account and having accessed a loan. Their responses are presented by Table 4.4.

**Table 4.4: Table banking group characteristics**

Item	Responses	Frequency	Percent
Respondent duration of group membership	< 6 months	20	5.1
	6 months – below 2 years	132	33.7
	2-5 years	195	49.7
	> 5 years	42	10.7
	No response	3	.8
	<b>Total</b>	<b>392</b>	<b>100.0</b>
Does the group have a commercial bank account?	Yes	330	84.2
	No	59	15.1
	No response	3	.8
	<b>Total</b>	<b>392</b>	<b>100.0</b>
Have you ever accessed loan from your group?	Yes	269	68.6
	No	121	30.9
	No response	2	.5
	<b>Total</b>	<b>392</b>	<b>100.0</b>

**Source: Research data, 2018.**

Majority of the respondents (84.2%) reported that the groups they belong to had a commercial bank account. Moreover, 68.6 percent of the respondents reported to have ever accessed loans from their table banking groups.

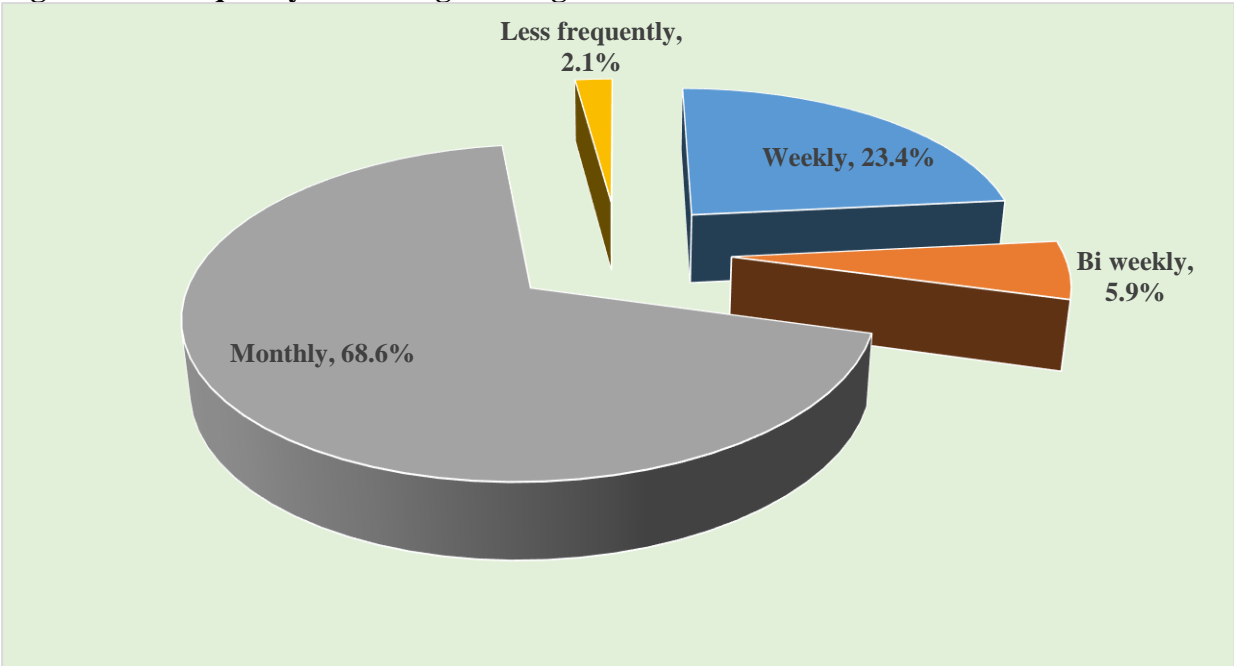
**Table 4.5: Criteria for qualifying for loans**

Criteria	1. Not applied at all	2. Sometimes applied	3. Always applied	Mean	Std. Deviation
Capacity (ability to acquire loan)	4.1% (16)	4.9% (19)	91.0% (352)	2.87	0.445
Capital (net worth – the value of assets minus liabilities)	22.5% (87)	28.0% (108)	49.5% (191)	2.27	0.806
Collateral (Assets such as household goods which can repay the debt in case of default)	24.4% (94)	30.9% (119)	44.7% (172)	2.20	0.807
Conditions (terms and conditions of the loan, such as interest rate and amount of principal)	22.1% (85)	20.0% (77)	57.9% (223)	2.36	0.821
Character (stability – good record of paying bills)	3.1% (12)	5.7% (22)	91.2% (352)	2.88	0.409

*Note: Frequencies presented in brackets*

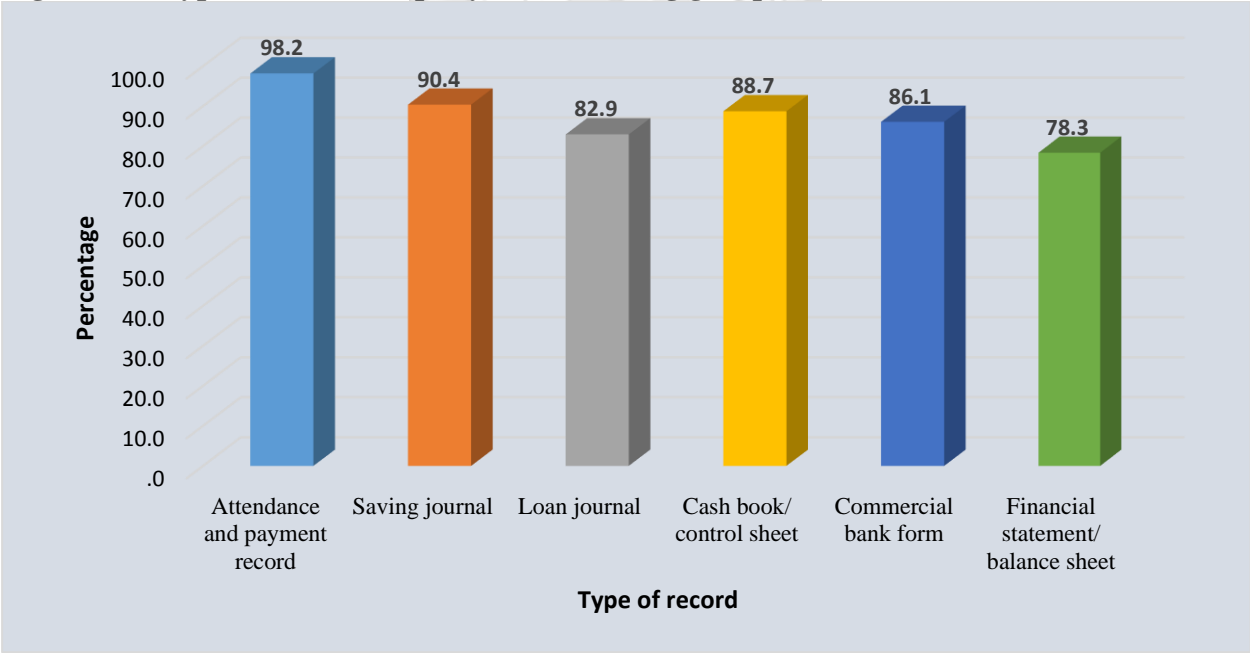
Most of the table banking groups applied the Five Cs strategies when qualifying their members for loans. As reported by the respondents, almost all of the groups at all times prioritized evaluating the character of individual members looking at their records of paying bills (91.2%) as well as their ability to acquire loan (91.0%) before giving out the loans. Hence character and capacity to pay were the most important criteria for financing. Moreover, more than half (of the groups always considered terms and conditions of the loan such as interest rate and amount of principal, whereas 49.5% of the groups further considered the net worth of the loan applicant (the value of assets minus liabilities), and 44.7% always had in mind the collateral presented for the loan which include assets such as household goods which can repay the debt in case of default as shown in Table 4.5.

**Figure 4.5: Frequency of holding meetings**



Most of the respondents (68.6%) reported that their groups meet once every month while only 2.1 percent of the groups met less frequently as shown in Figure 4.5 above.

**Figure 4.6: Types of record kept by table banking groups**



Majority of the table banking groups kept various records for their activities and operations as shown in Figure 4.6.



#### 4.4 Drivers of table banking among women entrepreneurs

Objective one was to establish drivers of table banking women groups among women entrepreneurs. To investigate, the researcher enlisted a number of reasons why women join table banking and asked respondents to state their level of agreement with the reasons depending on what their key motivator was to join their table banking groups. Table 4.6 presents the results.

**Table 4.6: Motivation to formation of table banking groups**

Motivation	1. Disagree	2. Neither agree nor disagree	3. Agree	Mean	Std. Deviation
Need to save (pension, insurance)	5.1% (20)	2.1% (8)	92.8% (362)	2.88	0.459
To raise business capital	4.9% (19)	3.8% (15)	91.3% (357)	2.86	0.464
Difficulties accessing finance from formal channels	11.1% (43)	15.2% (59)	73.7% (286)	2.63	0.676
Save for school fees (for children)	16.9% (66)	10.5% (41)	72.6% (284)	2.56	0.765
Peer pressure	31.0% (121)	17.4% (68)	51.5% (201)	2.21	0.886
To be able to negotiate for better services	38.7% (149)	19.7% (76)	41.6% (160)	2.03	0.897
Save for social activity	41.1% (160)	17.0% (66)	41.9% (163)	2.01	0.912

*Note: Frequencies presented in brackets*

**Source: Research data, 2018.**

Table 4.6 indicates that the primary reasons why women entrepreneurs join table banking groups are to enable them save for as pension or insurance schemes (92.8%) and in order to raise business capital (91.3%). Moreover, 73.7% of the respondents agreed that they joined the groups due to difficulties accessing finance from formal channels, and in order to save for school fees for children (72.6%). The above four reasons are more important than other purposes for which women joined table banking groups. A smaller proportion of the respondents indicated that they joined table banking from peer pressure, ability to finance social activities or ability to negotiate for better financial services.

A relationship between socio-demographics and motivation of women owners of SMEs to join table banking was explored and is presented in Table 4.7.

**Table 4.7: Correlation between socio-demographics and membership in table banking group**

Motivation to join table banking group	Age of respondent	Highest level of education	Presence of other sources of income	Whether respondent is main breadwinner	Number of people depending on respondent for livelihood	Household income
Need to save	0.309	0.883	0.610	0.246	0.259	0.017**
Save for school fees	0.000**	0.009**	0.001**	0.758	0.00**	0.00**
Peer pressure	0.231	0.617	0.00**	0.00**	0.12	0.260
To raise business capital	0.824	0.287	0.807	0.217	0.770	0.419
Save for social activity	0.339	0.058	0.016**	0.150	0.116	0.000**
Difficulties accessing finance from formal channels	0.231	0.344	0.071	0.595	0.012**	0.370

\* represents statistically significant correlation coefficient r-statistics at 5% level of testing

\*\* represents statistically significant at 1% level of testing

**Source: Research data, 2018.**

Women older than 35 years and those with at least secondary level of education and higher income earning women joined table banking group to save money for school fees. Those with monthly incomes above Ksh 30,000 were established as more likely to join table banking as a savings scheme for insurance and pension. Women with no other income sources and those with over four people depending on them for a living were more likely to join table banking to save for school fees. Women who are main breadwinners of the household and with no extra sources of income were more likely to join table banking groups from peer pressure. Motivation for joining table banking groups for saving for a social activity was more common among women with no other income sources apart from their business and those with higher household incomes. Motivation of joining table banking groups for business capital raising and in reaction to difficulties accessing finance from formal channels did

not differ by sociodemographic characteristics meaning that all women generally tended to join groups for these two reasons.

Table 4.8 has a presentation of achievements of table banking to the entrepreneur, but not necessarily in the enterprise.

**Table 4.8: Achievements of table banking**

Achievements	1. Disagree	2. Neither agree nor disagree	3. Agree	Mean	Std. Deviation
I have increased my savings ability	1.3% (5)	2.3% (9)	96.4% (376)	2.95	0.269
I have increased my investments	8.7% (34)	10.0% (39)	81.3% (318)	2.73	0.611
I can provide for my children's education	12.4% (48)	13.7% (53)	74.0% (287)	2.62	0.697
I have formed new friendships	9.2% (36)	23.2% (91)	67.6% (265)	2.58	0.654
I have enhanced current friendships	9.5% (37)	24.3% (95)	66.2% (259)	2.57	0.660
I have experienced more wealth creation	14.0% (55)	17.3% (68)	68.6% (269)	2.55	0.728
I have better health and wellness	7.9% (31)	30.2% (118)	61.9% (242)	2.54	0.639

*Note: Frequencies presented in brackets*

**Source: Research data, 2018.**

Further, the study sought to assess the achievements made with regard to livelihoods after joining table banking groups. More than 60 percent of the respondents agreed to having made life achievements: social, health, savings and investments as shown in Table 4.8. In particular, almost all the respondents (96.4%) ascertained that indeed they had increased their savings ability as a result of joining table banking. In addition, 81.3% agreed that they had increased investments, and 74.0% agreed that they can now provide for their children's education as shown in Table 4.8.

#### 4.5 Member experience of table banking financing for women owned enterprises

The second study objective was to assess members' experiences in terms of merits and limitations of table banking as a financing option for women owned enterprises. The researcher investigated various benefits and challenges which women entrepreneurs faced being members of table banking. Findings are reported in Table 4.9 below.

**Table 4.9: Benefits from table banking to the enterprise**

Benefits	1. Disagree	2. Neither agree nor disagree	3. Agree	Mean	Std. Deviation
Been able to expand my business	2.6%	9.4%	88.1%	2.85	0.420
Ease of accessing savings	4.6%	5.2%	90.2%	2.86	0.466
Ease of access to loans for investments	1.5%	12.9%	85.6%	2.84	0.407
Low interest rates on borrowing	2.6%	13.9%	83.5%	2.81	0.454
The concept of guaranteeing each other is friendly	9.3%	6.4%	84.3%	2.75	0.612
No need for collateral when I need to take a loan	11.1%	12.9%	76.1%	2.65	0.671
Able to get business advice from group members	13.0%	13.2%	73.8%	2.61	0.707
Able to get information about new technology, products	19.8%	18.8%	61.4%	2.42	0.801
Assistance in resolving conflicts	22.4%	17.2%	60.4%	2.38	0.828
Access to training opportunities	34.7%	16.2%	49.1%	2.14	0.905
Training on business management as part of the group	36.3%	16.3%	47.4%	2.11	0.909
Been able to move my business to a more accessible local	34.7%	23.2%	42.0%	2.07	0.874
Ability to negotiate for better prices with suppliers	44.6%	18.1%	37.3%	1.93	0.903

**Source: Research data, 2018.**

Women agreed that they enjoy a myriad of benefits from the table banking groups. Case in point, 90.2% of the respondents agreed that it was easy to access savings and credit through table banking, 88.1% agreed that they have been able to expand their businesses, 85.6% acknowledged the ease of access to loans for investments, 84.3% further agreed that the concept of guaranteeing each other is friendly (co-guarantor ship), 83.5 percent agreed that in table banking groups there are low interest rates on borrowing, and 76.1 percent acknowledged that there is no need for collateral when one needs to take a loan as shown in Table 4.9. As part of the merits, women had experienced socioeconomic benefits such as rising family incomes, improved decision making capability and provision of adequate nutritious food for the family since joining table banking groups.

**Table 4.10: Socioeconomic changes**

<b>Socio-economic changes</b>	<b>1. Improved</b>	<b>2. Stayed the same</b>	<b>3. Worsened</b>	<b>Mean</b>	<b>Std. Deviation</b>
Domestic conflict/violence reduction	40.6% (154)	58.0% (220)	1.3% (5)	1.61	0.515
Participation in leadership	41.1% (159)	57.9% (224)	1.0% (4)	1.60	0.511
Taking care of medical needs for the family	73.5% (285)	26.5% (103)	0.0% (0)	1.27	0.442
Sending your children to school	75.8% (291)	24.0% (92)	0.3% (1)	1.24	0.437
Decision making capability	75.9% (293)	23.8% (92)	0.3% (1)	1.24	0.436
Starting and growing small businesses	78.3% (306)	21.0% (82)	0.8% (3)	1.23	0.436
Providing adequate food for the family and improved nutrition	78.0% (305)	22.0% (86)	0.0% (0)	1.22	0.415
Providing housing and acquiring household assets	85.9% (334)	13.9% (54)	0.3% (1)	1.14	0.359
Family income	97.4% (382)	2.3% (9)	0.0% (0)	1.02	0.150

*Note: Frequencies presented in brackets*

**Source: Research data, 2018.**

Since joining table banking groups, women had experienced a number of socio-economic changes. For instance, majority of the respondents (97.4%) reported that their family incomes had improved. Besides, 85.9% indicated that they had seen improvement in provision for their households and had acquired household assets. There was also improvement in starting and growing small businesses (78.3%), provision of adequate food for the family and improved nutrition (three meals in a day) (78.0%), improved decision making capability (75.9%) among other improvements as enumerated in Table 4.10 above.

Respondents were required to state their level of agreement with statements regarding challenges experienced in groups depending on which problems they face in their table banking groups.

**Table 4.11: Challenges facing table banking groups**

Challenges	1. Disagree	2. Neither agree nor disagree	3. Agree	Mean	Std. Deviation
Lack of training	35.4%	12.3%	52.3%	2.17	0.922
Group conflict	33.5%	17.4%	49.1%	2.16	0.897
Poor participation in group activities	42.7%	18.7%	38.6%	1.96	0.902
Lack of cooperation/trust among members	52.7%	6.1%	41.2%	1.88	0.963
Bad/ unpaid debts/default in payment	52.7%	8.7%	38.6%	1.86	0.946
Group not having sufficient funds to lend to members	51.9%	15.9%	32.1%	1.80	0.896
Divisions in the group (forming cliques)	53.8%	13.1%	33.1%	1.79	0.910
Weak leadership skills	58.3%	8.4%	33.2%	1.75	0.925
No long term thinking (lack vision)	62.1%	11.8%	26.1%	1.64	0.868
Not moving in the same direction	63.3%	9.6%	27.1%	1.64	0.881
Misuse of group funds and diversion	69.7%	8.2%	22.1%	1.52	0.832
Not sharing information (lack of transparency)	68.8%	12.4%	18.8%	1.50	0.792
Procedure for approving business loans is not clear	76.2%	6.2%	17.7%	1.42	0.773
Interest rates/penalties for non-payment or late payment are too punitive	74.4%	10.2%	15.3%	1.41	0.742

**Source: Research data, 2018.**

Table banking groups were experiencing various challenges in the course of their operation. Among the key challenges faced by most of the respondents include lack of training opportunities (52.3%), group conflict (49%) and lack of cooperation/trust among members (41%) as well as bad debts (36%). However, the respondents did not find clarity of loan approval procedures, low penalties for non-payment or late payment (74.4%), diversion of group funds (69.7%) as important challenges facing table banking groups. It emerged that women groups are supported by non-governmental organizations (NGOs) and microfinance institutions for capacity building and this is commendable since the women are able to acquire book keeping and business managerial competency from such organizations.

#### **4.6 Effects of table banking financing on the performance of women owned enterprises**

Study objective three was to explore the effect of table banking financing on the performance of women owned enterprises in Kenya. The effects of table banking were assessed using changes in performance and attainment of the women owned enterprises upon membership to table banking

groups. Table 4.12 reports on performance and Table 4.13 on a paired sample t-test. Tables 4.14, 4.15 and 4.16 present data on changes in performance of women owned enterprises due to table banking for various social demographics.

**Table 4.12: Performance of women owned enterprises**

Performance measure		Mean	N
Pair 1	Annual turnover <b>after</b> joining table banking (Ksh)	341,022.86	210
	Annual turnover <b>before</b> joining table banking (Ksh)	219,314.29	210
Pair 2	Number of employees <b>after</b> joining table banking group	1.42	240
	Number of employees <b>before</b> joining table banking group	.54	240
Pair 3	Gross weekly profits <b>after</b> joining table banking group (Ksh)	10,798.03	254
	Gross weekly profits <b>before</b> joining table banking group (Ksh)	5,412.91	254
Pair 4	Assets <b>after</b> joining table banking group (Ksh)	518,681.32	91
	Assets <b>before</b> joining table banking group (Ksh)	326,170.33	91
Pair 5	Liabilities <b>after</b> joining table banking group (Ksh)	10,197.03	101
	Liabilities <b>before</b> joining table banking group (Ksh)	13,148.51	101

**Source: Research data, 2018.**

The average annual sales turnover for the women owned enterprises before they joined table banking was Kshs 219,314 while the mean turnover after they joined was Kshs 341,023, recording an average increase in turnover by Kshs 121,709. Similarly, there was an increase in the average number of employees in these enterprises from one employee before joining the groups to two after they joined table banking. On the same note, gross weekly profits doubled from an average of 5,413 before joining table banking to Kshs 10,798 after they joined. In addition, the value of assets owned by respondents before joining table banking groups was Kshs 326,170 compared to the value of assets after joining the groups that was recorded at Kshs 518,68. This implies that respondents had acquired more assets after saving with table banking groups. On the other hand, the value of liabilities decreased from Kshs 13,149 before joining table banking to Kshs 10,197 after joining the groups as shown in Table 4.12 above.

**Table 4.13: Paired samples t-test table**

Paired Samples Test								
		Paired Differences				t	df.	Sig. (2-tailed)
		Mean	Std. Deviation	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1	Annual turnover (Ksh) after joining table banking - Annual turnover before joining table banking	121,708	123925	104850	138567	14.232	209	.000
Pair 2	Number of employees after joining table banking group - Number of employees before joining table banking group	0.879	1.001	.752	1.006	13.606	239	.000
Pair 3	Gross weekly profits (Ksh) after joining table banking group - Gross weekly profits before joining table banking group	5,385	10075	4140	6630	8.518	253	.000
Pair 4	Assets (Ksh) after joining table banking group - Assets before joining table banking group	192,510	684778	49899	335122	2.682	90	.009
Pair 5	Liabilities (Ksh) after joining table banking group - Liabilities before joining table banking group	-2,951	13515	-5619	-283	-2.195	100	.031

**Source: Research data, 2018.**

There was a statistically significant difference between the annual sales turnover realized before and after joining table banking at 95% level of confidence. This shows a significant increase in the turnover by Kshs 121,709 ( $t_{(209)} = 14.232, p = 0.001$ ). Moreover, the number of employees increased by one showing that table banking groups have contributed positively to employment creation ( $p = 0.001$ ). Gross weekly profits further had a positive change as they significantly increased by Kshs 5,385 as a result of women involvement in table banking. This implies that women have had better/increased sources of capital for their businesses that led to better performances. The value of assets increased by Kshs 192,511 after joining table banking.

This supports an earlier finding by the respondents that most of them had increased their investment abilities ever since joining table banking groups. On the other hand, the value of liabilities decreased by Kshs 2,951 notwithstanding the loans held with the table banking groups.



Judging by the statistically significant paired sample t-statistics (Tables 4.13 - 4.15), it is evident that table banking improves business performance of women owned enterprises but the extent of effect varies by individual attributes of the business owner and group attributes. For instance, there was positive correlation between the change in value of merchandise and duration of operation such that businesses owned by women members of older table banking groups had higher increases in value of merchandise after group membership and vice versa (Pearson Correlation Coefficient = 0.4527,  $p < 0.01$ ). Table 4.14 presents changes (improvement) in business performance which can be attributed to utilization of credit from table banking women groups.

**Table 4.14: Changes in business performance after taking table banking loans**

Variable	Mean difference in variable for women who accessed loans	T-statistic	d.f.	Significance Pr (T > t)
Merchandise value	44,856.42	2.7291*	261	0.0034
Number of employees	.0884058	0.6182	237	0.2685
Value of gross profit	2,563.043	1.9394*	251	0.0268
Value of assets	25,109.3	-1.7054*	88	0.0458
Value of liabilities	996.7014	0.3506	98	0.3633

\* represents statistically significant t-statistic at 5% level of testing

**Source: Research data, 2018.**

Overall, women owned enterprises that had taken loans from their respective table banking groups reported having witnessed an increase in value of merchandise, gross profit, assets and liabilities compared to businesses which never borrowed.

Table 4.15 presents a comparison of Pearson correlation coefficient matrix between duration of operation of table banking groups as well as respondent duration of membership to table banking groups and their business performance indicators. Pearson correlation is a parametric measure of association which ranges from negative to positive one with values closer to 1 indicating strong association while those closer to zero indicating weak association between the variables of interest.

**Table 4.15: Correlation of duration of operation and membership in table banking group against increase in business performance (Pearson correlation values)**

Variable	Merchandise value (Ksh)	Number of employees	Gross profit value (Ksh)	Value of assets (Ksh)	Value of liabilities (Ksh)
Duration of operation of group	0.4527**	0.0772	0.4083**	0.0641	-0.2920**
Duration of membership in table banking group	0.2796**	0.2375**	0.2706**	0.0707	-0.1126

NOTES:

\*\* , \* represents statistically significant t-statistic at 1% and 5% level of testing respectively; The above figures display Pearson correlation coefficients

**Source: Research data, 2018.**

Findings indicate a positive and statistically significant relationship (as reported by Pearson correlation coefficient) between duration of membership and merchandise value, gross profit, value of assets and liabilities were likely to be higher among members of older table banking groups and vice versa. The duration of time that respondents had been members of table banking groups had a significant positive association with merchandise value, number of employees, value of gross profit and assets. This means that, women who have been members of table banking for longer durations have enterprises with higher merchandise value, more employees and higher gross profits value than their counterparts. However, the value of assets is not statistically significant implying that, the asset acquisition was most likely related to duration of membership at at table banking group and the operation duration.

The study also explored for possible relationship between age of the female respondents and the performance of their micro and small enterprises. Table 4.16 has a presentation of the findings.

**Table 4.16: Tabulation of increase in business performance against age of respondent**

Age	Merchandise value (Ksh)	Number of employees	Value of gross profit (Ksh)	Value of assets (Ksh)	Value of liabilities (Ksh)
18-25 years	14,364.60	.7894737	3,745	215,000	-3,707.15
26-35 years	19,627.05	.7075472	3,309.40	192,357.10	-3,983.67
36-45 years	49,618.75	1.054054	6,266.40	230,655.20	-3,580.65
46-55 years	206,095.20	1.285714	17,185	42,833.30	0
Above 55 years	230,000	0	26,000	60,000.00	0

**Source: Research data, 2018.**

Looking at Table 4.16, the study findings reveal that merchandise value, level of employment and asset base for women owned enterprises tend to be higher among enterprises run by older women which points to the age of respondent being an important factor influencing performance of women MSEs.

The study also observed that duration of membership to table banking and duration of operation of table banking groups have an effect on performance of women owned enterprises (in terms of merchandise value, value of assets and liabilities) so that longer durations of group operation and membership associate with better business performance. Moreover, performance of women owned enterprises improved with age of the owner but climaxed for women aged 26 to 55 years. However, performance did not seem to differ by education levels.



## CHAPTER FIVE

### DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter outlines a discussion of findings of the study organized by study objectives, conclusions arrived at, recommendations and areas for further research. The discussions explain the findings of the study with reference to literature on each objective. The conclusions present the key messages of the study, while recommendations suggest a number of measures which can be put in place to bolster the role of table banking groups in financing women owned enterprises for posterity. The last section in this chapter highlights areas for further research.

#### 5.2 Discussion of Findings

##### 5.2.1 Nature of women owned micro and small entrepreneurs in Kenya

Women owned enterprises interviewed in this study offered a wide range of products and services from fruits, vegetables and other food stuff, baking, hawking, boutiques selling second hand clothes and ornaments, artworks, selling cereals, charcoal, cosmetics and confectioneries. Other respondents operated retail shops (kiosks), cyber cafes, hair dressing, beauty shops/salons and agencies for financial services such as M-pesa. This concurs with previous work such as by (Naituli, Wegulo and Kaimenyi, 2008) who determined that businesses owned by women in Kenya traded in cereals, green groceries, semi processed goods, fresh produce, catering, among others.

##### 5.2.2 Drivers of table banking among women entrepreneurs in Kenya

This study has established that the top three reasons that pushed women entrepreneurs to join table banking were the need to save, to raise business capital and the need to avoid prohibitive requirements and procedures in formal financial institutions. Other motivations were to save for their children's school fees, peer pressure, ability to finance social activities ability to negotiate for better financial services. Similar findings were reported by, among others, World Economic Forum (2013), Obiria (2015) and Gichuki, Mutuku and Kinuthia (2015).

Respondents in the study indicated that, table banking offered women owners of micro and small enterprises friendly requirements to access financing services besides allowing a wide portfolio of purposes for which to procure loans including commitments in social obligations which is unavailable

in formal financing channels. Table banking groups are, therefore, pivotal in enabling women entrepreneurs access financial services for various personal and business purposes. This findings is supported by Lazzarini, Sergio, Musacchio, Bandeira-de-Mello and Marcon (2015) and Obiria (2015).

There were relationships between sociodemographic characteristics and motivation of women owners of micro and small enterprises to be involved in table banking. Women older than 35 years with at least secondary level of education, higher dependency and higher incomes were motivated by the need to save money for school fees. Women who are main breadwinners of the household and with no extra sources of income were more likely to join table banking groups from peer pressure whereas motivation for joining table banking groups for social reasons was more common among women with no other income sources apart from their business. Motivation of joining table banking groups for business capital raising and in reaction to difficulties accessing finance from formal channels did not differ by sociodemographic characteristics meaning that all women generally joined table banking groups primarily for these two reasons. And this goes along with findings of previous studies such as (King and McGrath, 2014). Moreover, the tenets of Pecking Order Theory are confirmed by the study as women owners of MSEs in the study prefer table banking for capital raising as an internal fund because they feel to be in control of their group operations compared to other external financing options.

### **5.2.3 Member experience of table banking financing for women owned enterprises in Kenya**

The study reveals that women members of table banking benefited from ease of accessing savings and credits, easier ability to expand their businesses and further agreed that the concept of guaranteeing each other is friendly (co-guarantorship) combined with low interest rates on borrowing plus no need for collateral. As part of the merits, women in the study had experienced socioeconomic benefits such as rising family incomes, improved decision making capability and provision of adequate nutritious food for the family having joined table banking groups and this is possible because table banking enables women in groups to enjoy economies of scale through savings in numbers which yield benefits to individual members. Much earlier, Gichuki, Mutuku and Kinuthia (2015) and Action Aid (2017) had reiterated similar benefits describing them as innovative to the extent that, in case where collateral is needed, then common assets such food produce or even live animals can suffice for a member of table banking to receive a loan.

The table banking groups expressed their foremost challenges as being lack of training opportunities, group conflict and lack of cooperation/trust among members as well as bad debts. Results of this study indicate that table banking women groups are well managed in terms of record keeping which is partly

because they are supported by non-governmental organizations (NGOs) and microfinance institutions for capacity building on book keeping and business managerial competency. While such feedback is good as it indicates that development partners in Kenya have considered recommendations of studies such as Mashene and Rumanyika (2014) in Tanzania who recommended training for women owned enterprises, this practice needs to be extended to cover all aspect of running a sustainable table banking groups in the country. The challenge of defaulting on payments is very prevalent not only unique to women owned enterprises as established by Mwobobia (2016).

#### **5.2.4 Effect of table banking financing on performance of women owned enterprises in Kenya**

This study established that table banking improves business performance of women owned enterprises but the extent of effect varies by individual attributes of the business owner and group attributes. For instance, there was positive correlation between the change in value of merchandise and duration of operation such that businesses owned by women members of older table banking groups had higher increases in value of merchandise after group membership and vice versa. This finding corroborates Koech and Namusonge (2015) who found that, individual attributes of women entrepreneurs such as motivation and goals, social networks and management styles had an influence on the business performance of the MSEs in Kenya. Kiraka, Kobia and Katwalo (2013) determined that financial interventions by the state is beneficial to the performance of women owned enterprises conditional on group attributes and operations of the intervention. Specific to social connectedness of women, Yusuff, Olagbemi and Atere (2011) had already determined using data for Nigeria that, social networks alongside access to finance, access to information, government support, adequate training and innovativeness can affect performance of women owned enterprises.

The study also observed that duration of membership to table banking and duration of operation of table banking groups have an effect on performance of women owned enterprises (in terms of merchandise value, value of assets and liabilities) so that longer durations of group operation and membership associate with better business performance. Moreover performance of women owned enterprises improved with age of the owner but climaxed for women aged 26 to 55 years. However, performance did not seem to differ by education levels. Other studies also establish mixed findings between performance of enterprises and individual personal attributes (Kimuyu and Omiti, 2000; Koech and Namusonge, 2015 and Central Bank of Kenya & World Bank, 2015).

### 5.3 Conclusions of the Study

The study concludes as follows:

First, table banking groups is a very innovative model of microfinancing women owned enterprises in Kenya since it offers affordable and flexible means to savings and loans thus enabling women to expand their small businesses. If promoted, this concept can provide incomes to owners and employees thereby improving many livelihoods.

Second, it can be concluded that women prefer financing options with straightforward operations and are pushed to seek financial services in informal sector such as table banking groups by bureaucracy in formal financial institutions as well as policy on reasons for procuring loans (loan product definition).

Third, table banking groups are properly managed with adequate records for member attendance, contributions and repayments. This practice points to good sustainability with the implication of providing a mechanism through which potential development partners can study operations of a group and help scale up for posterity.

Fourth, compared to most groups, women table banking groups in Nairobi Kenya are marked by low incidence of funds diversion. Nevertheless, the groups are marred by conflicts and mistrust despite built in mechanisms to practice transparency in operations.

Fifth, there is a difference between table banking groups and other informal channels such as SACCOs and MFIs with respect to deciding whether a table banking member will be financed and also the amount of approval. For table banking groups, it emerges that the most important criteria are character of the borrower and capacity to pay. Other criterion such as terms and conditions of the loan, individual net worth and collateral are rarely considered/evaluated.

Sixth, table banking membership improves business performance pointing to a positive effect of table banking on women owned enterprises and hence can be enhanced as a vehicle for development of industry among business women at the early stages.

Finally, table banking groups which have thrived for longer have greater positive effect on women owned enterprises meaning that longevity of groups can be used as an inclusion criterion by programs that aim to improve women owned MSEs through table banking groups.

#### **5.4 Recommendations of the Study**

The following recommendations for practice and policy are made:

First, connected to the first study objective, where findings women are driven to table banking by attributes of formal financial institutions that exclude them, the study recommends that savings and credit cooperative societies (SACCOs), cooperatives, Microfinance Institutions (MFIs) and even commercial banks should develop simple, friendly and practical products targeting women entrepreneurs in table banking groups. Moreover, financial services targeting women in table banking groups should be tailored to fit operations of their groups.

Second, following the observed positive effect of table banking microfinance on performance of women owned enterprises, this study recommends that the government through Micro and Small Enterprise Authority (MSEA) and development partners should aim to strengthen table banking groups longevity through requisite policies and regulatory frameworks.

Third, given that the age of women small business owners and duration of membership to table banking groups improve business performance, development partners should discriminate interventions such as capacity building by duration of membership, age and other relevant individual attributes.

Fourth, to enhance the performance and sustainability of women table banking groups, there is need to provide them with training in conflict resolution and group cohesion.

Lastly, government agencies and development partners such as International Finance Corporation (IFC) and NGOs targeting enterprise development of SMEs should consider creating programs targeting female owned enterprises through table banking groups. They can borrow models of training programs already implemented by commercial banks who have business clubs and seminars targeting female SMEs among their clients.

#### **5.5 Suggestions for further research**

This study looked into effectiveness of table banking among women owned enterprises in Nairobi County City. But socioeconomic attributes of cities are likely to differ from rural dwellings hence there is need to investigate how women owned enterprises in other parts of the nation tend to benefit from table banking financing in order to have a better view of the effects across the rest of the country.



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## APPENDIX I: ETHICAL CLEARANCE



**Strathmore**  
UNIVERSITY

7<sup>th</sup> May 2018

SU-IRB 0220/18

LIZA AKINYI  
P.O Box 52144 - 00100  
Nairobi  
Kenya.

Email: [lizaakinyi2013@gmail.com](mailto:lizaakinyi2013@gmail.com)

Dear Liza Akinyi,

REF Student Number: 93378/16 Protocol ID: SU-IRB 0220/18  
**ASSESSING TABLE BANKING AS A FINANCING OPTION FOR WOMEN OWNED MICRO AND  
SMALL ENTERPRISES IN NAIROBI, KENYA**

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We acknowledge receipt of your application documents to the Strathmore University Institutional Ethics Review Committee (SU-IERC) which includes:

1. Study Proposal dated April 2018
2. Participant Information and Consent form dated April 2018
3. Study Questionnaire dated April 2018
4. CV

The committee has reviewed your application, and your study "*Assessing Table Banking as a Financing Option for Women Owned Micro and Small Enterprises in Nairobi, Kenya*" has been granted **approval**.

This approval is valid for one year beginning 7<sup>th</sup> May 2018 until 6<sup>th</sup> May 2019.

In case the study extends beyond one year, you are required to seek an extension of the Ethics approval prior to its expiry. You are required to submit any proposed changes to this proposal to SU-IERC for review and approval prior to implementation of any change.

SU-IERC should be notified when your study is complete.

Thank you

Sincerely,

Handwritten signature of Amina Salim.

Amina Salim

Regulatory Affairs Fellow



**APPENDIX I1: CONSENT FORM**

**Respondent Consent Form**

I, \_\_\_\_\_, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you:

**Participation in the research study**

- I AGREE to take part in this research
- I DO NOT AGREE to take part in this research

**Storage of information on the completed questionnaire**

- I AGREE to have my completed questionnaire stored for future data analysis
- I DO NOT AGREE to have my completed questionnaire stored for future data analysis

**Participant's**

\_\_\_\_\_

**Signature:**

**Date:** \_\_\_\_/\_\_\_\_/\_\_\_\_

*DD / MM / YEAR*

**Participant's**

\_\_\_\_\_

*(Please print name)*

**Name:**

**Time:** \_\_\_\_/\_\_\_\_

*HR / MN*

I, \_\_\_\_\_ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that she has understood the nature and the purpose of the study and consents to the participation in the study. She has been given opportunity to ask questions which have been answered satisfactorily.

**Investigator's**

\_\_\_\_\_

**Signature:**

**Date:** \_\_\_\_/\_\_\_\_/\_\_\_\_

*DD / MM / YEAR*

**Investigator's**

\_\_\_\_\_

*(Please print name)*

**Name:**

**Time:** \_\_\_\_/\_\_\_\_

*HR / MN*



## APPENDIX III: INTRODUCTORY LETTER



Strathmore Business School

Monday, 23 April 2018

To whom It may concern,

Dear Sir/ Madam,

**RE: FACILITATION OF RESEARCH –LIZA AKINYI**

This is to introduce Liza Akinyi who is a Master of Business Administration student at Strathmore Business School, admission number MBA/ 93378/16. As part of our MBA Program, Liza is expected to do applied research and to undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, she would like to request for appropriate data from your organization.

Liza is undertaking a research paper on-: **“Assessing the Effectiveness of Table Banking As A Financing Option For Women Owned Micro And Small Enterprises In Nairobi, Kenya.”** The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and we shall be willing to provide any further information if required.

Yours sincerely,

Muriithi Njogu.  
Director – MBA Programs

## APPENDIX IV: QUESTIONNAIRE

### Screening Question:

Do you currently own a business?  Yes  No

If yes, what kind of business do you own? \_\_\_\_\_

If No, terminate interview.

### **Section A: Background information**

Questionnaire No. \_\_\_\_\_ Location: \_\_\_\_\_

Name of the table banking group \_\_\_\_\_ Size (members): \_\_\_\_\_

Duration of operation of the table banking group? \_\_\_\_\_ years

Respondent duration of group membership:

< 6 months  6months -2 years  >2-5 years  > 5 years

Products or services sold by the respondent in her business: \_\_\_\_\_

### **Section B: Socio-demographic and economic information**

1. Age of the respondent: ..... years  
 18-25 years  26-35 years  36 -45 years  46 -55 years  Above 55 years

2. Kindly specify the highest level of education you have attained  
 No education  Primary  Secondary  Tertiary

3. Do you have another source of income besides your business?  
 Yes (specify): \_\_\_\_\_  No

If yes, what proportion of your total income is provided by this business?

- Provides almost all income (over 80%)  
 Provides more than a half of total income (about 60 – 80%)  
 Provides about a half of the total income (45 - 55%)  
 Provides less than a half of the income (about 25 – 40%)  
 Provides negligible part of the total income (less than 25%)

4. Are you the main bread winner in your household?  Yes  No

5. How many people depend on you for livelihood?  
 None  1-3  4-7  8-10  Over 10

6. Kindly estimate the aggregate household monthly income from all sources (Inclusive of income from spouses or children who may earn an income)

- 10,000 or less  
 10,001-20,000  
 20,001-30,000  
(a).  30,001-40,000  
(b).  40,001 - 50,000  
(c).  Above 50,000

7. What other savings and credit options do you have in this area? (in the past 3 years)

Source of credit	Number of times accessed (in the last 3 years)			
	None	Once	Twice	More than twice
Money lenders				
Other savings group				
SACCO				
Commercial Bank				
MFI				
Other, specify _____				

### **Section C: Drivers of Table Banking Women Groups**

For questions 8 and 9 kindly rate the following responses on a scale of 1 – 3

8. What motivated formation of your group was ...		Disagree 1	Neither Agree nor Disagree 2	Agree 3
a)	Need to save (pension, insurance)			
b)	Save for school fees (for children)			
c)	Peer pressure			
d)	To raise business capital			
e)	Save for social activity			
f)	Difficulties accessing finance from formal channels			
g) <b>To</b>	To be able to negotiate for better services (e.g., from trainers, suppliers, etc.)			
h)	Others (Please specify) _____			

9. Thinking about your group's achievements since you started, what are you most especially proud of?		Disagree 1	Neither Agree nor Disagree 2	Agree 3
a)	I have formed new Friendships			
b)	I have enhanced current friendships			
c)	I have increased my Savings ability			
d)	I have increased my Investments			
e)	I have experienced more Wealth creation			
f)	I have better Health and wellness			
g)	I can provide for my Children's education			
h)	Other(s) _____			

10. When was the last time you received funds from table banking for your business?

---

11. What did you use the funds for?

- Buy additional products, materials or equipment for the business
- Construct/renovate or rent enterprise building

- Cover current business costs (e.g., pay bills, pay workers)
- Family expenses (school fees, weddings, funeral, sickness, food, etc.)
- Attend a training programme
- Other, please specify \_\_\_\_\_

12. Was the amount of money you received sufficient for your need?  Yes  No

**Section D: Member Experience of Table Banking to Women Entrepreneurs**

<b>13. On a scale of 1-3, kindly rate the following benefits which you enjoy from being a member of your table banking group</b>	<b>Disagree 1</b>	<b>Neither Agree nor Disagree 2</b>	<b>Agree 3</b>
(a) No need for collateral when I need to take a loan			
(b) The concept of guaranteeing each other is friendly			
(c) Low interest rates on borrowing			
(d) Ease of accessing saving			
(e) Ease of access to loans for investments			
(f) Access to training opportunities			
(g) Ability to negotiate for better prices with suppliers			
(h) Training on business management as part of the group			
(i) Been able to expand my business			
(j) Been able to move my business to a more accessible location			
(k) Able to get business advice from group members			
(l) Able to get information about new technology, products, markets, etc.			
(m) Assistance in resolving conflicts			
(n) Other: (specify) _____			

<b>14. On a scale of 1-3, kindly rate the extent to which your socioeconomic well-being may have changed because of the group</b>		<b>Improved</b>	<b>Stayed the same</b>	<b>Worsened</b>
a)	Family income			
b)	Providing adequate food for the family (three meals per day) and improved nutrition			
c)	Taking care of medical needs for the family			
d)	Sending your children to school			
e)	Starting and growing small businesses			
f)	Providing housing and acquiring household assets			
g)	Participation in leadership			
h)	Domestic conflict/violence reduction			
i)	Decision-making capability (business decisions)			

<b>15. Kindly rate on a scale of 1-3 the following problems your group may have faced in its existence</b>		<b>Disagree 1</b>	<b>Neither Agree nor Disagree 2</b>	<b>Agree 3</b>
a)	Lack of cooperation/trust among members			

b)	Weak leadership skills			
c)	Lack of training			
d)	Bad/ unpaid debts/default in payment			
e)	Misuse of group funds and diversion			
f)	Poor participation in group activities			
g)	Group conflict			
h)	Not moving in the same direction			
i)	Divisions in the group (forming cliques)			
j)	No long-term thinking (lack vision)			
k)	Not sharing information (lack of transparency)			
l)	Group not having sufficient funds to lend to members			
m)	Interest rates/penalties for non-payment or late payment are too punitive			
n)	Procedure for approving business loans is not clear			
o)	Other(specify) _____			

**Section E: Effects of Table Banking on Growth of Women owned Enterprises**

13. Kindly estimate the following aspects (data) about your business before and after joining your table banking group.

	<b>Before joining Table Banking Group</b>	<b>After joining Table Banking Group</b>
a) Monthly turnover in KES		
b) Worth of merchandise in KES.		
c) Number of employees		
d) Gross profits / weekly profits		
e) Assets (Land, building, furniture, transport, electronic device, water tank, tools for business)		
f) Liabilities		
g) Average number of customers (per day/month)		
h) Supply of inputs/raw materials		

14. On average, how much do you spend monthly on the following activities for the business?

	<b>Item</b>	<b>Cost per month (KSh)</b>
1.	Transport	
2.	Electricity	
3.	Water	
4.	Raw materials/supplies	
5.	Tax/ Local council fees	

6.	Rent for machines/equipment	
7.	Rent for business premises	
8.	Salaries/wages for employees	
9.	Interest on loans	
10	Other, please specify	

**Section F: Table Banking Group Operations**

15. How much contribution does each member make? \_\_\_\_\_ Per month

16. Does the group have a commercial bank account?

Yes       No (Why not?) \_\_\_\_\_

17. Have you ever accessed loan from your group?

Yes       No

18. If yes, what interest rate were you charged for the loan (convert per month)?

\_\_\_\_\_

19. If not, why have you not accessed a loan from the group? Tick all that apply.

i.	Fear of being in debt	
ii.	Better to save for future investment	
iii.	Better to borrow from spouse	
iv.	Better to borrow from relatives and/or friends	
v.	Fear of making payments	
vi.	Interest rates are too high	
vii.	Application procedures are burdensome	
viii.	Did not think it would be approved/ did not meet requirements	
ix.	Have not needed one	
x.	Other, please specify _____	

<b>24. On a scale of 1-3, kindly rate the extent to which each of the following criterion is applied in your group when members are borrowing a loan</b>		<b>Not Applied at all 1</b>	<b>Sometimes applied 2</b>	<b>Always applied 3</b>
	<b>Criteria for qualifying for a loan</b>			
a)	Capacity (your ability to acquire a loan)			
b)	Capital (net worth — the value of your assets minus your liabilities)			
c)	Collateral (assets such as household goods which can repay pay the debt in case of default)			

d)	Conditions (terms and conditions of the loan, such as its interest rate and amount of principal)			
e)	Character (stability- good record of paying your bills)			
f)	Other (specify)_____			

25. What penalty do members pay for defaulting?  
\_\_\_\_\_

26. How often are meetings held?  Weekly  Bi weekly  Monthly  Less frequently

27. How many members usually attend a typical meeting? \_\_\_\_\_

28. Which of the following records do you maintain as a group?

Type of record		Yes	No
1.	Attendance and payment record		
2.	Saving journal		
3.	Loan journal		
4.	Cash book/control sheet		
5.	Financial statement/balance sheet		
6.	Commercial bank form		
7.	Other (specify)		

29. Do you have any other comments on table banking as a financing option for women entrepreneurs?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THANK YOU VERY MUCH