



African Journal of Commercial Studies

Publisher's Home Page: <https://ijcsacademia.com/>



Review Paper

Open Access

Financial Management Practices and Financial Performance of Table Banking Self-Help Groups in Kenya

Fauzia Ramadhani Ali^{1*}

¹ Department of Accounting and Finance, School of Business, Technical University of Mombasa, Kenya

*Corresponding author

Article Info

Volume 4, Issue 3, April 2024

Accepted : 1 April 2024

Published : 5 April 2024

doi: [10.59413/ajocs/v4.i3.4](https://doi.org/10.59413/ajocs/v4.i3.4)

Abstract

Effective financial management is critical to the sustainability and growth of organizations, including support groups such as table banking groups. Table banking involves pooling members' financial resources to provide loans at reasonable interest rates to improve their socioeconomic status. This study examines the impact of financial management practices on the performance of self-help groups using the table banking model in Kenya. Theoretical frameworks, including monetary theory and financial theory, guide the investigation alongside empirical findings from previous studies. The study examines the importance of record keeping, debt management, credit assessment and cash flow management in improving the financial performance of table banking self-help groups. The results highlight the importance of these practices in maximizing savings, facilitating credit, and ultimately promoting economic empowerment within communities. The study concludes that financial management practices play a crucial role in shaping the performance of self-help groups engaged in table banking. By adopting effective strategies such as record keeping, debt management, credit assessment, and cash flow management, these groups can improve their financial stability, promote prudent lending, and ultimately contribute to poverty alleviation and economic development.

Keywords: financial management practices, Financial Performance, Table Banking, Self-Help Groups

© 2024 Fauzia Ramadhani Ali This is an open access article under the CC BY license (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made.

1. Introduction

Proper financial management practices are critical to the sustainability and growth of any organization, including support groups such as table banking groups. These groups pool members' financial resources and provide loans to members at reasonable interest rates with the aim of improving their socioeconomic status.

Table banking is an organized support group approach in which members meet monthly to contribute savings during their meetings and take loans from this collective fund. The group sets a specific date for these meetings each month. During these sessions, members donate money for savings as well as for insuring their loans, fines and other penalties. Members then have the option of taking out loans from this community fund for short or long periods of time.

Members' savings are physically placed on a table at the group meeting, hence the term "table banking" (Minja et al., 2023). A small portion of these savings is reserved for management fees. In this savings system, members contribute monthly savings, funds for insurance, educational purposes, fines and penalties, membership fees and other miscellaneous funds.

Robert et al. (2005) suggest that self-help groups significantly reduce banking costs by pooling their contributions into a collective fund, which then attracts the interest of official banks due to its significant size. This allows banks to offer financial services to group members and pay them market interest rates. A new development in banking called "table banking" has emerged, in which about ten people pool their funds, meet monthly and contribute money, which is then loaned out to members at favorable interest rates. In addition, they plan to invest their savings in future profits (Kimball, 2015).

Kariuki and Ngugi (2014) emphasize that social resources play a crucial role in table banking, with the study highlighting the importance of role models, transparency and loan collateral as key benefits. This approach is crucial because it actively teaches participants essential business skills. The program aims to educate and raise awareness among women about entrepreneurship, business acumen, proper accounting and effective group dynamics. Wambugu (2012) explains that through the table banking initiative, women can save with their modest contributions and obtain loans for investments by forming self-help groups and using the table banking concept to empower themselves and fight poverty.

1.2 Problem Statement

Kariuki and Ngugi (2014) highlight that table banking was introduced in Kenya by the Poverty Eradication Commission (PEC) as a means of economic development, poverty alleviation and industrialization. However, due to the collapse of several of these groups due to loan repayment problems, poverty reduction progress has been slow (Waithaka, 2014). Asetto (2014) argues that Kenya's achievement of Vision 2030 depends on addressing the collapse of these table banking groups. Although previous studies have been conducted, there has been no research on the impact of financial management practices on the performance of self-help groups using the table banking model. The aim of financial management is to maximize the owner's wealth, with performance being a crucial factor in achieving this goal, as highlighted by Waweru and Ngugi (2014).

Paramasivan et al. (2009) have shown that financial management strategies can increase corporate profits. McMahon (1995) defines financial performance as a qualitative assessment of how effectively a company can

generate revenue from its assets. Within table banking support groups, financial performance can be measured by the amount of savings accumulated and the volume of loans extended to members. In Kenya, self-help groups (SHGs) have disbanded and become inactive due to lack of growth. Savings have declined and lending has declined significantly.

2. Literature Review

This chapter examines the work of previous researchers in this area of study and includes a theoretical overview, empirical results, and a synthesis of the existing literature.

2.1 Theoretical Review

This research is based on specific theories that are closely related to financial management within organizations. The study will therefore adopt the theoretical concept of cash management as a theoretical framework. Kytonen (2004) referred to and outlined three theories relevant to financial management practices, particularly in the area of cash flow management: monetary theory and financial theory.

Money Theory

John Maynard Keynes revolutionized economic thinking regarding the role of money in the economy in his 1936 work "The General Theory of Employment, Interest, and Money." He emphasized the importance of aggregate demand and the government's role in managing economic fluctuations through monetary policy. Monetary theory and cash flow management refer to a collection of concepts and techniques for managing cash in an organization. This theory focuses on how companies manage their cash inflows and outflows to maintain financial stability and increase profitability. Here are some important concepts of monetary theory and cash flow management: Monetary theory recommends that companies maintain optimal levels of cash. This means you have enough cash on hand to fund day-to-day operations, pay bills and take advantage of unforeseen opportunities, without hoarding cash that could be better used for investments or other purposes.

Businesses use cash flow budgets to plan and track their cash inflows and expenditures over a specific period of time. This helps predict when cash shortages or surpluses might occur and allows the organization to modify its activities as needed. Effective management of receivables and payables is critical to cash flow and ensures timely customer payments and strategic supplier payments. Excess cash should be invested wisely in interest-bearing accounts, short-term investments or other financial instruments to generate returns. Monetary theory also examines the use of debt and financing to supplement cash flow, meet short-term needs, or finance strategic goals. Regular cash flow analysis helps companies understand their financial activities, identify trends and make informed financial decisions.

Financial Theory

Adam Smith made fundamental contributions to financial theory. In his book *The Wealth of Nations* (1776), he discussed the role of capital accumulation, the division of labor, and the concept of the “invisible hand” that guides markets. Several financial decisions have a significant impact on a company's performance, such as capital utilization, capital raising, current asset management, and profit distribution. Kytonen (2002) emphasized the importance of determining the optimal source of capital for a company, a focus of financial theory. The aim of this study is to examine the relationship between cash, current assets and their influence on company value. In an imperfect market, this theory aims to bridge the gap between cash flow management and financial theory.

2.2 Empirical Review

Properly structured and regular handling of funds within an organization aims to positively increase the value of the company. The main concern of financial management is to achieve the right balance between excess cash, necessary cash reserves and wealth creation (Lizaridis, 2006). The primary goal of financial management is to maximize the growth of owners' equity from their investments over the long term. For a table banking support group, financial management practices include record keeping, collecting debts, evaluating loans, and managing cash flow.

Record keeping is the most important and regular task of a table banking support group. As defined by businessdictionary.com, record keeping is a logical method of creating, retaining, and disposing of records within an organization or business venture. This process also includes retaining records for evidentiary purposes, accurately and effectively updating information, ensuring timely availability and controlling access to them only by authorized persons.

Rasheed (2014) points out that the success or failure of a business, whether a sole proprietorship, a partnership or a corporation, often depends on the establishment and maintenance of effective record-keeping systems. There are various methods for maintaining records within a company or company, ranging from simple manila folders to sophisticated electronic systems. The importance of good business records lies in their ability to: track business progress; assess tax obligations; calculate financial statements; identify sources of income; monitor expenses payable; prepare tax returns; and serve as evidence for tax returns.

In her study conducted in Ilala District of Tanzania, Mkonyi (2013) examined the performance of small and medium-sized enterprises (SMEs) through the use of accounting records. She identified the lack of accounting records as a significant factor in the poor success or performance of SME businesses. Similarly, Kamau (2015) supported these findings in his study on SME performance, focusing on the impact of accounting record keeping in the central business district of Nairobi County. He concluded that the majority of SMEs in Nairobi County consider maintaining business records crucial to achieve better financial performance. According to Anderson (1996), record keeping helps in strict tracking, planning, compliance with legal obligations and tax preparation. Company records are critical because they contain important information that serves as evidence of communications, past operations, and

company decisions. They provide a clear and transparent picture of business operations that can be made available for inspection by the public, including shareholders. The main goals or purposes of accounting in a business are accurate tracking, planning, legal compliance and tax preparation.

Debt refers to a circumstance in which a person has received money or its equivalent from another person. An important example of debt is trade credit, or credit purchases, which businesses and individuals use to purchase goods in bulk when immediate financing is not available. Essentially, it enables the acquisition of purchasing power that would otherwise be unattainable under normal circumstances. The terms “debt collection” and “debt collection” are often confused, but they have different meanings. Debt collection includes the actions taken to recover amounts owed from individuals or debtors who have defaulted on payment.

In his research on local government performance and debt collection strategies in Kenya, Wambugu (2012) finds that the most efficient approach to debt collection is one that avoids conflict with debtors. He suggests that a system of outsourcing debt collection to third parties has proven to be a more effective strategy. The study also highlights that not all local governments have established documented debt collection plans, and it is recommended that these local governments develop such policies.

Cherogony (2013) conducted a study to examine the impact of debt management on revenue collection in the Kenya Revenue Authority. The results showed that debt management and debt collection alone do not have a significant impact on revenue collection. The study found a weak positive correlation between the amount of revenue collected and the amount of debt collected. Therefore, although debt collection may not have a major impact on revenue collected, it is recommended that authorities use effective tools to manage debt, thereby reducing outstanding amounts while actively pursuing unpaid taxes. This approach promotes fairness and encourages taxpayer compliance with tax laws. The study highlights the importance of using appropriate debt collection methods.

The debt collection process should be methodical, operational and timely. The goal of debt collection is to recover all funds loaned to the customer. This process aims to efficiently convert the loans given to Table Banking Self Help Groups (SHGs) into recovered funds as quickly as possible. Additionally, maintaining a positive relationship with the customer is crucial in view of possible future business interactions. The debt collection process should include regular meetings or transactions with the customer. A thorough analysis of the client's situation should be carried out, taking into account the specifics and nuances. This approach should be maintained throughout the loan term.

The frequency of collections should be consistent and timely. Table banking self-help groups (SHGs) must clearly define under what conditions a loan is considered irrecoverable, i.e. This circumstance occurs when all possibilities of getting the money back have been exhausted and the probability of repayment is minimal or non-existent. It is important for small business owners or table banking SHGs to develop a targeted approach to debt collection. This helps reduce collection costs, save time in pursuing debtors, and avoid bad debts, which ultimately lead to a loss of resources.

Credit assessment and approval is the process by which a

business or individual undergoes an assessment in order to obtain credit or approval to purchase goods on credit for later payment. The primary method of mitigating credit risk is to assess customers to determine whether they are willing and able to repay their loans. According to [Muhammad and Melemi \(2021\)](#), the five Cs of credit include character, capacity, capital, collateral and conditions.

Character refers to the person's creditworthiness, their integrity as a debtor, or their track record of repaying debts. It also reflects their creditworthiness and takes into account factors such as age, income and financial obligations. Questions about employment status, the previous loan amount, the punctuality of repayments and the loan term are taken into account. The character rating influences the interest rate, additional fees and the conditions specified in the loan agreement. In a study titled "The Impact of Credit Management on the Financial Performance of Microfinance Institutions in Kenya", [Gatuhu \(2013\)](#) found that evaluating customers, controlling credit risk and implementing debt collection policies influenced the financial performance of MFIs. Similarly, [Otieno \(2016\)](#) in her study titled "Credit Risk Management Practices on the Loan Portfolio of Barclays Bank of Kenya" found that effective credit risk management influences the level of non-performing assets (NPAs) and therefore the performance of the loan Portfolios and thus determine the success of financial institutions.

Cash flow management is about delaying payments and using various strategies to persuade debtors to pay in advance or promptly. Cash flow management for businesses is about analyzing and maximizing the net amount of cash received minus cash paid out. Net cash flow is an important indicator of the financial health of companies and companies. This suggests that there is sufficient cash to cover existing obligations.

Positive cash flow, often referred to as additional cash, occurs when a company's sales exceed its expenses, salaries and credit purchases. Negative cash flow occurs when a company's cash payments exceed its cash income. There are ways to improve a company's cash flow while reducing costs. It is difficult to maintain a solid cash flow in a targeted manner over the long term. A significant amount of work is required. Effective cash flow management is essential for controlling cash inflows and outflows. In the words of [Anderson \(1996\)](#), "If you find that your business has less than desired cash flow levels, you need to change your business financial plans." Excess cash in a business indicates unused or borrowed capital that should be invested. The main goal should be to create a solid plan to achieve balance and success.

Financial management involves the strategic use of finances to achieve a company's goals ([Okijie et al., 2024](#)). This includes activities such as accounting, financial reporting, future planning, budgeting capital use, deciding on asset acquisition methods such as leasing or purchasing, and reviewing loans or owner investments for capital improvements. [Karadag \(2015\)](#) defines financial management as the management of how capital is used and acquired in a business; Everything is aimed at helping the company achieve its goals efficiently. An organization's performance can be assessed using various measures, leading to different perspectives on its success. Specific conditions apply to each measure, making performance evaluation context-dependent ([Cameron & Whetton, 1981](#)). The most

important question in assessing a company's performance is whether it is effectively entering the market, gaining significant market share and generating revenue, thereby increasing the company's net worth. When a company achieves its market and financial objectives as outlined in its strategies and plans, it is considered to be performing well.

However, vigilance is still required to avoid the potential pitfalls that come with success. [McMahon \(1995\)](#) defines financial performance as a qualitative measure of how effectively a company uses its assets to generate revenue. [Wanyungu's \(2001\)](#) research on the financial management practices of micro and small enterprises in Kenya, particularly in Kibera, highlighted the importance of financial management practices in the performance of SMEs. [Nyongesa \(2011\)](#) examined the relationship between financial performance and financial management practices in Kenyan insurance companies and discovered a continuous positive relationship between the two.

Exceptional organizational performance is the result of an efficient and effective management style that makes good use of available resources to produce goods or services, thereby contributing to the economic progress of a country ([Naser et al., 2004](#)). [Demba \(2012\)](#) in her research on the financial management practices and performance of Kenya Medical Training Colleges (KMTc) found that financial reporting and careful record keeping have a significant impact on the performance of KMTc. [Kiita \(2013\)](#) observed a positive impact of financial management practices on the financial performance of a shipping company, while [Muchiri \(2017\)](#) observed a significant positive effect of financial management practices on non-financial companies listed on the Nairobi Securities Exchange.

3. Discussion

To illustrate the relationship between financial management practices and performance, we can create a simple diagram that shows how various financial management practices affect the performance of table banking support groups:

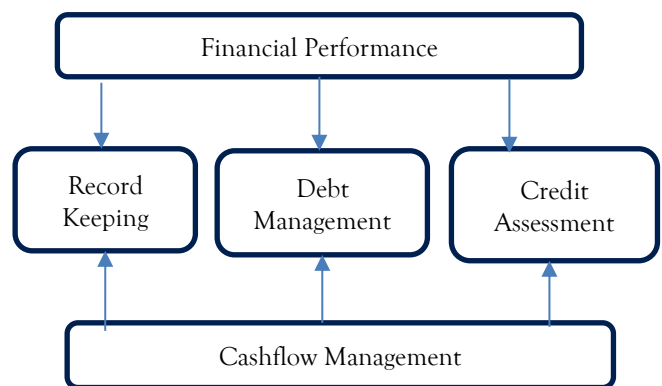


Figure 1: Financial management practices

Records: Record keeping is a fundamental variable in the performance of table banking initiatives. It promotes transparency, accountability, effective credit management, informed decision making, financial health assessment, regulatory compliance and strengthening member empowerment within the group. Good record-keeping

practices contribute significantly to the success and sustainability of tabletop banking systems by ensuring efficient operations and promoting member trust.

Cash flow management: It is an independent factor influencing the performance of table banking self-help groups. It affects the group's liquidity, timely loan disbursement, loan repayment monitoring, income generation, risk mitigation, investment opportunities, sustainability, financial planning and member trust. Groups that implement strong cash flow management practices are better able to achieve their goals, grow their financial resources, and provide valuable services to their members within the table banking system.

Credit Assessment: Creditor Assessment is a key independent variable in the performance of table banking support groups. It impacts financial stability, NPL reduction, interest income generation, reinvestment and growth, member trust and engagement, risk management, operational efficiency, regulatory compliance and data-driven improvements. Groups that implement effective debt collection practices are better able to achieve their goals, maintain financial health, and provide valuable financial services to their members within the table banking system.

Financial Performance: The performance of a table banking support group is influenced by its financial sustainability, loan portfolio quality, member participation, efficient credit management, transparency, risk management, member satisfaction, growth, adaptability and innovation. These factors collectively determine how well the group is able to achieve its objectives, provide financial services to its members and contribute to their socio-economic empowerment within the table banking system.

4. Conclusion

In summary, the study highlights the critical role of financial management practices in shaping the performance of self-help groups engaged in table banking. By adopting effective strategies such as record keeping, debt management, credit assessment, and cash flow management, these groups can improve their financial stability, promote prudent lending, and ultimately

contribute to poverty alleviation and economic development. The findings highlight the need to continue to emphasize financial literacy and capacity building among group members to ensure sustainable growth and resilience to economic challenges.

Policymakers and stakeholders should recognize the importance of supporting such initiatives and implementing enabling regulatory frameworks to promote the success of table banking support groups in Kenya and similar contexts. Through a comprehensive review of theoretical frameworks and empirical evidence, this study illustrates the complexity of financial management in the context of table banking self-help groups. It emphasizes the interconnectedness of different financial practices and their collective impact on the overall performance and profitability of these groups. Additionally, the study identifies key areas for improvement and intervention, including the need for improved record-keeping systems, proactive debt management strategies and rigorous credit scoring processes.

Additionally, research highlights the broader socioeconomic implications of effective financial management in support groups. Beyond pure financial metrics, these practices play a critical role in empowering marginalized communities, particularly women, by providing access to capital, encouraging entrepreneurship, and accelerating socioeconomic mobility. Therefore, investing in financial literacy programs and capacity building initiatives is essential for sustainable progress and inclusive growth.

Essentially, the results of this study highlight the importance of viewing financial management not just as a technical aspect, but as a transformative tool to promote economic empowerment and social change. By leveraging the insights gained from this research, policymakers, practitioners and stakeholders can formulate targeted interventions and policy frameworks to strengthen the resilience and effectiveness of table banking support groups, thereby advancing the overarching goals of poverty reduction and sustainable development.

Acknowledgment

We would like to express our gratitude to the journal editor and the anonymous reviewers for their valuable comments and suggestions that significantly improved the quality of this manuscript.

References

- Adam Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations*. Cannan Edition (New York: The Modern Library, 1937), 567-568.
- Anderson, R. (1996) "Rewards for the way you run your account". *New statesman*.

- Assetto, F. (2014). Effect of table banking on investment decisions of small and medium enterprises in Nairobi County, MBA, University of Nairobi.
- Cameron, K. S., & Whetten, D. A. (1981). Perceptions of organizational effectiveness over organizational life cycles. *Administrative Science Quarterly*, 525-544.
- Cherogony, J. (2013). The effect of debt management tools on revenue collection at Kenya revenue authority. Unpublished MBA project, University of Nairobi, Kenya.
- Demba, G.A. (2012). Effects of financial management practices on performance of Kenya medical training college. Unpublished MBA Research project, university of Nairobi. Kenya.
- Gatuhu, R. N. (2013). The effect of credit management on the financial performance of microfinance institutions in Kenya (Doctoral dissertation, University of Nairobi,).
- Kamau, S. I. (2015). Effect of credit management practices on financial performance of savings and credit cooperative societies in the Hospitality Industry in Nairobi (Doctoral dissertation, University of Nairobi).
- Karadag, H. (2015). Financial management challenges in small and medium-sized enterprises: A strategic management approach. *EMAJ: Emerging Markets Journal*, 5(1), 26-40.
- Kariuki, C. M., & Ngugi, P. K. (2014). The effect of table banking on the performance of micro and small enterprises in Nairobi County. *International Journal of Current Business and Social Sciences*, 1(2), 339-360.
- Keynes, J. M. (1973). 1936. *The general theory of employment, interest and money*, 7.
- Kiita, G. K. (2013). The relationship between financial management practices and financial performance in the shipping industry in Kenya (Doctoral dissertation, University of Nairobi).
- Kimball, M. S. (2015). Negative interest rate policy as conventional monetary policy. *National Institute Economic Review*, 234, R5-R14.
- Kytönen, E. (2004). Cash management behavior of firms and its structural change in an emerging money market.
- Lazaridis, I., & Tryfonidis, D. (2006). Relationship between working capital management and profitability of listed companies in the Athens stock exchange. *Journal of financial management and analysis*, 19(1).
- McMahon, R.G.P. (2005). *Financial management for small business*, 2nd edition, CGH, Australia.
- Minja, D., Kimani, E., Makhamara, F., Moi, E., Mdoe, J., Gachanja, P., ... & Kirima, J. (2023). Table Banking and Women Economic Empowerment in Nakuru County, Kenya. *American Journal of Youth and Women Empowerment*, 2(2), 18-24.
- Mkonyi, J. (2013). Impact of accounting records on small and Medium enterprises' performance A case of small and medium enterprises in Ilala District, Dar es Salaam (Doctoral dissertation, Mzumbe University).
- Muchiri, D. M. (2017). Financial management practices and financial performance of non financial firms listed at the Nairobi securities exchange Kenya. Unpublished Thesis. Kenyatta University, Kenya.
- Muhammad, T., & Melemi, A. (2021). Assessment of 5Cs Relationship towards Credit Risk Management: Evidence from Islamic Banks. *Journal of Islamic Finance*, 10(1), 76-89.
- Naser, K., Karbhari, Y., & Zulkifli Mokhtar, M. (2004). Impact of ISO 9000 registration on company performance: evidence from Malaysia. *Managerial auditing journal*, 19(4), 509-516.
- Nyongesa, M. N. (2011). An examination of the relationship between financial performance and financial management practices adopted by insurance companies in Kenya (Doctoral dissertation).
- Okijie, S. R., & Effiong, U. E. (2024). Financing and Successful Micro, Small and Medium Scale Enterprise Development in Nigeria. *East African Finance Journal*, 3(1), 1-26.
- Otieno, O. D. (2016). Evaluation of the Factors Leading to Loan Default at Equity Bank, Kenya. *Evaluation*, 6(8).
- Paramasivan, C. and Subramanian.T (2009). *Financial Management* (1st edition). New Delhi: New Age International (P) Ltd Publishers.
- Rasheed, S. (2014). Establishing a Small Enterprise in Varkaus and Factors behind Success and Failure of Small

Businesses.

- Robert, F. C., Frey, L. M., & Sisodia, G. S. (2021). Village development framework through self-help-group entrepreneurship, microcredit, and anchor customers in solar microgrids for cooperative sustainable rural societies. *Journal of Rural Studies*, 88, 432-440.
- Waithaka, T. W. (2014). Factors influencing performance of self help groups: a case of Muungano self help group in Kianjokoma, Embu county (Doctoral dissertation, University of Nairobi,).
- Wambugu M.K. (2012). The Effect of Debt Collection Strategies on Financial Performance of Local Authorities in Kenya. Unpublished MBA Project, University of Nairobi, Kenya.
- Wanyungu, D. M. (2001). Financial management practices of micro and small enterprises in kenya. The case of Kibera. Unpublished MBA project, University of Nairobi.
- Waweru, C., & Ngugi, K. (2014). Influence of financial management practices on the performance of micro and small enterprises in Kenya. *European Journal of Business Management*, 1(11), 141-161.

Cite this article as: Fauzia Ramadhani Ali (2024). [Financial Management Practices and Financial Performance of Table Banking Self-Help Groups in Kenya. A case of Zamtel. *African Journal of Commercial Studies*. 4\(3\),200-206. doi: 10.59413/ajocs/v4.i3.4](#)