THE EFFECT OF TABLE BANKING ON THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN NAIROBI COUNTY

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ABSTRACT

Micro and small enterprises (MSEs) play a big role in social economic development in terms of employment creation and their significant contribution to the economy’s output of goods and services (Muthuri 2011). The Economic Survey (2006) states that the sector contributed over 50% of the new jobs created in 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). The Government, private institutions and NGOs have come up with interventions like Table Banking to boost the performance of these enterprises. However, according to the 4th Annual Progress Report 2011-2012 (2013), the effect this concept has had on MSEs has not been determined. Consequently, this study aimed at delving deeper into this subject and coming up with a comprehensive report on it. The target group population was 2,340 Table Banking Group members in Nairobi managed by Maono Initiative, Joyful Women and SMEI. A sample of 10% was drawn using stratified random sampling technique to get a sample size of 234 respondents. Primary data was collected through self-administered questionnaires and individual interviews conducted where gaps in data collection were found. The study revealed that Table Banking has increased ease of access of credit for micro and small enterprises who would normally not qualify for credit from formal financial institutions. It also revealed that Table Banking groups are lacking in capacity building, technology transfer and market linkages of the members. However, it was evident that social capital was a key component of Table Banking with mentorship, accountability and loan guarantee being the major benefits brought out by the respondents. Challenges of being in such groups were also not lacking, the major ones being non-serious members and loan defaulting. Nevertheless, 95% of the entrepreneurs involved in this study confidently said that their businesses had grown in terms of profitability, customer base, product diversification and asset base. In fact, the study revealed that most businesses in Table Banking Groups are between 0 and 2 years and by the time they hit their 3rd year, they are slowly outgrowing the groups; at this stage, they need bigger loans and more sophisticated technologies and trainings in order to grow further. The study recommends that proper structures and policies be put in place by the Government to ensure that these groups are nurtured so well that they do not fall out of the group as they grow. The study also recommends that further research is done on how other countries run this concept and how Kenya can make the concept work better for micro and small enterprises.

Key Words: Table Banking Group, Micro and Small Enterprises
INTRODUCTION

This study seeks to assess the effect of Table Banking on the performance of MSEs in Nairobi County. The independent variables studied in the research are access to capital, capacity building, market linkages and social capital. The variables shall be then linked to the dependent variable, performance of MSEs in Nairobi County. MSEs have been considered as one of the driving forces in modern economies due to their multifaceted contributions in terms of technological innovations, employment generation, and export promotion among other benefits in the economy (Becheikh, Landry & Amara, 2006). Table banking being one of the methods the government of Kenya and other institutions are using to improve their performance, this study seeks to find out what impact, if any, this method has had on their performance. Micro and small enterprises (MSEs) have been defined differently by different authors. Munoz (2010) defines a microenterprise as a type of small business, often registered, having ten or fewer employees and requiring seed capital of not more than $35,000. Sessional Paper 2 of 2005 (2005) adds that micro and small enterprises are businesses in both formal and informal sectors, classified into farm and non-farm categories employing 1-50 workers. This paper adopts this definition for the purpose of this study. In developing countries, MSEs, which are mostly sole proprietorships, comprise of the vast majority of the small business sector – a result of the relative lack of formal sector jobs available for the poor. Most of these micro and small entrepreneurs operate these businesses not by choice, but out of necessity (Munoz, 2010).

Micro and small enterprises play a big role in social economic development in terms of employment creation. They also contribute significantly to the economy’s output of goods and services (Muthuri, 2011). The sector contributes up to 18.4% of the country’s Gross Domestic Product (GDP). About 70% of these enterprises are located in the rural areas (ROK, 2009). According to the Economic Survey (2014), the sector contributed over 84.3% of new jobs created in the year 2013. In addition to its importance in creating jobs, the MSE sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya (Onyango & Tomecko, 1995). The dramatic increase in the contribution of MSEs to employment was largely attributed to retrenchment in both public and private sectors. However, even with this growing percentage, not many micro and small enterprises grow into medium-scale enterprises to significantly contribute to employment creation and economic growth (Nyang’ori, 2010). The promotion of MSE and, especially, of those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa. MSEs are the main sources of employment in developed and developing countries alike, comprising over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006). Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (KNBS, 2007). However, it is generally recognized that microenterprises face unique problems, which affect their growth and profitability and, hence,
diminish their ability to contribute effectively to sustainable development. These problems include lack of access to credit, inadequate managerial and technical skills, low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (ROK, 2005). Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and telecommunication has been a major constraint in the development of MSEs as well. (Bokea, Dondo & Mutiso, 1999). According to Amyx (2005), one of the most significant challenges is the negative perception towards MSEs. Potential clients perceive MSEs as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Lack of planning, improper financing and poor management have been cited as the main causes of failure of MSEs (Longenecker, et al., 2006).

The Table Banking Concept

Table banking is a group based funding strategy in which members save and borrow immediately. It is a concept which has been in existence for some time and is being practiced in many parts of the world. It caters for small business people who require credit to finance their income generating activities but are neither able to access credit from formal banks nor from most micro-finance institutions due to long distances, high charges and interest rates and Conditionalities which they cannot meet (ROK, 2009). On a given date in a month members place their savings and loan repayments on the table and immediately borrow all the monies placed on the table except a small percentage for administration hence “table banking”. Savings include monthly contributions for insurance and education, various penalty fines, membership fees and other micro funds. Initial capital comes from the members. However, the managing institution provides further funding, also known as Table Top-Ups, to boost the capital and pay for social mobilization and administration services in the early stages (ROK, 2009).

It is believed at the Grameen Bank that the main problem of the poor is a lack of access to credit lines despite their productive capacity. While most conventional banks grant credit based on collateral assets, Grameen Bank gives loans without any kind of collateral. Grameen Bank has been successful in overcoming the problems of informational asymmetry often found in rural financial markets. This bank replaces collateral by peer pressure and social sanctions. The extremely poor can get small loans at Grameen Bank if they form groups of five people. Each member of the group receives an individual loan; however, they are mutually responsible for all five credits. The bulk of Grameen Bank’s borrowers are women who constitute the weakest social group among the rural poor. Lending money to women has largely enhanced recoverability for Grameen Banks’s loans (Hassan & Guerrero, 1997). The practice is flourishing in countries like Malaysia where poverty has been reduced through such approaches to about 3% (ROK, 2009).
STATEMENT OF THE PROBLEM

MSEs are the major agents of economic growth and employment. In Kenya, over 60% of MSEs are estimated to fail each year (Nyang’ori, 2010). A study done in 2010 by Dinning on MSEs in Kenya revealed that the mean age of a Kenyan MSE is 6.9 years. Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of MSEs. However, despite government efforts in Kenya to promote MSE activity, not much progress seems to have been achieved, judging by the performance of the informal sector. Nyang’or, (2010) observes that starting and operating a small business includes a possibility of success as well as failure. Because of their small size and the exposure to risks owing to their location, a simple management mistake is likely to lead to sure death of an MSE hence no opportunity to learn from its past mistakes. In fact, as Dinning (2010) reveals, few businesses outlive the founder. Dinning found out that most of this MSEs Lack sufficient capital, have little or no access to credit for expansion, suffer from poor infrastructure, insecurity, extremely competitive markets, and an unfavorable institutional environment. They lack innovation and access to key tools for success in business as well. Institutions all over Kenya have come up with interventions to help mitigate the challenges faced by MSEs. Table Banking is one such intervention. In 1999, the GOK, under the Poverty Eradication Commission (PEC), adopted this concept as part of their National Poverty Eradication Plan (NPEP) in the country (ROK, 2009). Other institutions have adopted this concept to boost the performance of MSE. Nonetheless, according to the 4th Annual Progress Report 2011-2012 (2013), the effect this concept has had on microenterprises has not been determined. Consequently, this study aims at delving deeper into this subject and coming up with a comprehensive report on it.

GENERAL OBJECTIVE

The general objective of the study is to determine the effect of Table Banking on the performance of MSEs in Nairobi County, Kenya.

SPECIFIC OBJECTIVES

1. To determine the level of access to credit in Table Banking Groups and its effect on the performance of MSEs.
2. To assess the extent to which capacity building in Table Banking Groups affect the performance of MSEs.
3. To determine the extent to which MSEs access markets through Table Banking and its effect on their performance.
4. To assess how social capital in Table Banking Groups affect the performance of MSEs.
LITERATURE REVIEW

Access to Credit

Resource-Based theory

The resource-based theory argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm (Hayton, 2005). In other words, the resource-based view describes how business owners build their businesses from the resources and capabilities that they currently possess or acquire. The term ‘resource’ is broadly defined as anything that can be thought of as a strength or a weakness of the firm (Fletschner, 2008). The theory addresses the central issue of how superior performance can be attained relative to other firms in the same market and position from acquiring and exploiting unique resources of the firm.

Implicit in the resource-based perspective is the centrality of the venture’s capabilities in explaining the firms’ performance. Resources have been found to be important antecedents to products and ultimately to performance (Maxfield, 2007). According to resource-based theorists, firms can achieve sustainable competitive advantage from such resources as strategic planning, management skills, tacit knowledge, capital, employment of skilled personnel among others (Hayton, 2005). These theorists contend that the assets and resources owned by companies may explain the differences in performance. This theory however has been criticized on the basis that it is difficult to identify which of the several resources of the firm account to its success. In addition, it is argued that this theory does not differentiate between performance factors associated with the resources of the firm and those related to the characteristics of the owner-manager. To overcome this limitation, both the characteristics of the owner-manager and his/her resources should be examined separately in assessing small business performance (McAdamand & Kelly 2002).

Capacity Building

The Kirkpatrick Model of Training Evaluation

Donald Kirkpartick has developed a very popular evaluation model that has been used since the late 1950s by the training community. The focus is on measuring four kinds of outcomes that should result from a highly effective training program. Kirkpatrick’s model includes four levels or steps of outcome evaluation: Level 1, Evaluation—Reaction, Level 2 Evaluation—Learning, Level 3 Evaluation—Behavior and Level 4 Evaluation—Results (Chapman, 2009). On level one, Chapman (2009) explains that one’s goal is to measure participants’ reactions to the training program. Level one evaluation should not just include reactions toward the overall program, but
also measurement of participants’ reactions or attitudes toward specific components of the program, such as the instructor, the topics, the presentation style, the schedule, audiovisuals, etc. Learning (Level two outcomes) and transfer of learning (Level three outcomes) are unlikely to occur unless participants have positive attitudes toward the training program. Therefore, it is important to determine participants’ reactions to the training program. Also, positive reactions are important because managers are more likely to eliminate unpopular training programs. Finally, the measurement of specific aspects of the training program can provide important information about what aspects of the training program can be improved in the future.

**Market Orientation Theory**

The marketing concept, the normative philosophy that underlies modern marketing thought, suggests that to be successful, firms should determine customers' needs and wants, and satisfies them more effectively than their competitors do. Narver and Slater (1990) define market orientation from a cultural perspective as "the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business". Market orientation is conceptualized in terms of three dimensions: customer orientation, competitor orientation, and interfunctional coordination. Kohli and Jaworski (1990) define market orientation from a behavioral perspective as "the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it".

**Social Capital**

**Social Capital Theory**

The evolution of social capital section revealed that there appears to be consensus on the intellectual history of the concept and although there was controversy over the first use of the term, there now appears to be an agreement on this point (Maxfield, 2007).

Kinicki and Williams (2008) define social capital as the economic or productive potential of strong, trusting and cooperative relationships. Among aspects of social capital are goodwill, mutual respect, cooperation, trust and teamwork. Relationships within a company are important. For instance, the brothers running family-owned J.M Smucker follow a simple code of conduct set forth by their father: “Listen with your full attention, look for the good in others, have a sense of humor and say thank you for a job well done.” The company’s voluntary employee turnover rate is a mere 3%.
Review of Important Literature

Accessibility to Credit

Lack of access to credit is almost universally indicated as a key problem to MSEs (Wanjohi & Mugure, 2008). The various financial challenges that face MSEs can be grouped into two broad categories: lack of tangible security coupled with an inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to microenterprises and the limited access to formal finance due to poor and insufficient capacity to deliver financial services to MSEs (ROK, 2005). This affects technology choice by limiting the number of alternatives that can be considered. Credit constraints operate in a variety of ways in Kenya where an undeveloped capital market forces entrepreneurs to rely on self financing or borrowing from friends and relatives. Lack of access to long term credit for small enterprises forces them to rely on high cost finance. Various other financial challenges that face MSEs include high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs.

On the other hand, some researchers have argued that MSEs are under-capitalized. Business owners in Africa tend to depend upon their own or family savings and access to capital remains a challenge. Most of them cannot meet their requirements on commercial loans and those who do, find such loans expensive (Gray, Cooler & Lutabingwa, 1997). For example, Kallon (1990), in his research, found that 65.6% of the firms studied depended entirely upon personal savings for capital, 10.9% had access to family savings, and 9.4% used commercial banks while 7.8% drew resources from partners, shareholders and other sources. Keyser et.al (2000) found that in Zambia, a lack of starting capital was a common problem for entrepreneurs, as only 24% received a loan to start their business. Another study by Koop, de Reu, and Frese (2000) found that the amount of starting capital was positively related to the growth of the business. Okpara and Wynn (2007) in their study on factors affecting growth found that financial support is a major problem in managing and sustaining an MSE in Nigeria.

Capacity Building

Many MSE owners or managers lack managerial training and experience and mostly develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with the day-to-day operations than long term issues and more opportunistic than strategic (Hill, 1987). Although this attitude is the key strength at the start-up stage of the enterprise because it provides creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that the business’ owners are ill prepared to face
changes in the business environment and to plan appropriate changes in technology (Yongo, 2011). Okpara and Wynn (2007), support this view. In their study on factors affecting growth of MSEs, they found that lack of management experience is a major cause of small business failure. The study indicates that owners tend to manage businesses themselves as a way of reducing operational costs. A lack of management training and experience has led to the collapse of many businesses. Bamback and Lawyer (1979) also identified poor management as the root cause of many failings and poor performance of small business.

**Market Linkages**

Sessional Paper 2 of 2005 identifies access to markets and marketing information as a severe constraint to MSE development in Kenya. Overall, aggregate demand is low, markets are saturated due to dumping and overproduction, and in many cases markets do not function well due to lack of information and high transaction costs. Competition in some products is unfair, with imported goods finding their way into the local market without payment of statutory duties. Many MSEs are also ill-prepared to compete in liberalized markets. Very few of these are capable of venturing into export markets and even fewer are able to tap the new market frontiers through electronic commerce. As a result, most MSEs are confined to very narrow local markets where intense competition drives prices down, resulting in very low profit margins. In many cases, the market mechanisms that can deal with these problems are either missing or weak. Also, a small capital base and limited technological sophistication confine MSEs to products and services, which cannot compete effectively in a globalized and competitive market environment due to quality limitations.

**Social Capital**

Although microfinance is a great poverty reduction tool, it offers only limited support for MSE owners who wish to expand their enterprises beyond the micro-level. Thus, micro and small entrepreneurs who need credit beyond the maximum loan limits from microfinance institutions have difficulties obtaining a credit higher than a microcredit. These entrepreneurs therefore, forced to participate in lending groups and very few are individually able to access financing because they do not have the resources (property collateral) to act on an individual basis (Fletschner, 2008). Bougheas et al (2005) contend that collateral is an important factor for MSE owners in order to access debt finance. Collateral reduces the riskiness of a loan by giving the financial institution a claim on a tangible asset without diminishing its claim the outstanding debt. Coco (2000), points out that collateral is the lenders second line of defense.
RESEARCH METHODOLOGY

Research Design

This study adopted a descriptive research design. The population of study was visited and questionnaires and or interviews administered to collect the necessary data from the respondents. Data collected in this study was used to describe the relationship between the independent variables and the dependent one.

Population of the Study

The researcher sought response from MSEs that are a part of a Table Banking Group. The study drew a sample population from all the Table Banking Groups in Nairobi County. There’s no exact number of the registered Table Banking organizations in the country. However, the Ministry of Devolution and Planning estimates the organizations supporting MSEs, which include Table Banking organizations, at 260 (ROK, 2013). This study shall do a study of three of those organizations in Nairobi County: Maono Initiative, Small and Medium Enterprises Initiative (SMEI) and Joywo.

Sampling Technique

The study was based on stratified random sampling in the selection of a representative sample of the population as table 1 above. The respondents were selected in such a way that the Table Banking Groups selected shall be representative of the different locations covered by the different groups and the different timings the groups were formed (Very old groups [5-7 years], Less older groups [3-5 years] and Young groups [0-3 years]). According to Kothari (2000), a sample of at least 10% of the population is considered representative and hence the researcher’s choice to pick 10%. Stratification was used because the population is structured into various non-homogenous units including region of operation and age of Table Banking Group. A sample of 10% shall be drawn from each stratum through simple random sampling. Simple random sampling eliminates bias in the selection of respondents. A total sample of 234 respondents was selected for this study.

Data Collection Tools and Procedures

The main tool for data collection in this study was questionnaires. The research assistants helped administer and distribute the questionnaires to the various Table Banking Groups. The questionnaires were useful as the questions were straightforward and well understood without verbal explanation. However, in cases of language barriers, the researcher and the assistants...
assisted the respondents in filling the questionnaires. In case where difficulties in answering the questions using questionnaires were faced, the researcher organized the Table Banking Groups’ respondents in focus groups and raised questions that helped in data collection. The close-ended questions provided more structured responses while the open-ended questions provided additional information that had not been captured in the close-ended questions. To ease the challenge of access to confidential information, the researcher acquired a letter of introduction from JKUAT confirming that the research was for academic purposes only.

Pilot Study

A pilot study was conducted among 5 MSE owners belonging to a Table Banking Group. These respondents were not included in the final study as recommended by Kothari (2004). It allowed for testing and pre-testing of the researcher’s instruments. It also allowed the researcher to understand the study and allowed for any modifications required on the research instruments. It helped the researcher correct inconsistencies arising from the instruments or the methods of data collection therefore making the study more accurate.

Reliability and Validity

Content validity was adopted for this study and measured the degree to which data collected using a particular instrument represented a specific domain or content of a particular concept. To establish the validity of the research instruments, the researcher sought opinion from the experts in the field of study especially the fellow researchers, the researcher’s supervisor and lectures. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. Reliability shall be increased by testing a diverse sample of individuals and by using uniform testing procedures.

Data Analysis

The process of data analysis included organizing; analyzing and summarizing of the findings. Data organizing and coding was done by the researcher; after data editing was done to ensure that the data was accurate, consistent with other information, uniformly centered, complete and arranged to facilitate coding and tabulation (Emery, 1985). Coding involved assigning numerals or other symbols to answers so as to enable the responses to be grouped into a limited number of classes or categories. The researcher used a computer software package called Statistical Package for Social Sciences (SPSS) to analyze data collected from the field. The secondary data was analyzed manually and categorized systematically. Correlation was used to determine the existence of a relationship between the independent variables and the dependent variables.
RESEARCH FINDINGS

Pilot Study Results

Kothari (2004) defined reliability as a measure of degree to which a research instrument yields constant results or data after repeated trials. Kumar (2005) defines validity as the degree to which a test measures what’s supposed to measure and that the results obtained from the analysis of the data actually represent the phenomenon under study. For reliability analysis, Cronbach’s alpha was calculated by SPSS to data obtained from 5 MSEs in the pilot study. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous questions with two possible answers and / or multi-point formatted questionnaires or scales with rating such as 1 = poor, 5 = excellent (Walobwa, 2013). Kumar (2005) indicates that 0.7 is an acceptable reliability coefficient. Table 4.2 illustrates the results of the reliability analysis. As the alpha coefficients were all greater than 0.7, a conclusion was drawn that the instrument had an acceptable reliability coefficient and was appropriate for the study.

Table 1: Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s alpha</th>
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<tr>
<td>To determine the level of access to credit in Table banking Groups and its effect on the performance of MSEs</td>
<td>.7132</td>
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<tr>
<td>To assess the extent to which capacity building in Table banking Groups affect the performance of MSEs</td>
<td>.832</td>
</tr>
<tr>
<td>To determine the extent to which MSEs access markets through Table Banking and its effect on their performance</td>
<td>.911</td>
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<tr>
<td>To assess how social capital in Table Banking Groups affect the performance of MSEs</td>
<td>.734</td>
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The validity of the instrument was established by being given to a research expert and two experts with experience in Table Banking and MSEs from Faulu Bank who evaluated the items in relation to the study objectives. They were then rated on a scale of 1 (Very relevant) to 4 (Not relevant). The validity was determined through the use of content validity test index obtained by summing items rated 3 or 4 by experts and dividing by the total number of items in the questionnaire. Content validity index of 0.824 was obtained indicating that the validity of the instrument was acceptable as recommended by Kirk and Miller (1986). They recommended a content validity index of 0.80 for new measures.
**Most amount of loan ever received**

On the most amount of loan respondents had received from their Table Banking Groups, 82% indicated they had received between KSh. 0 and 10,000, 8% had received between KSh. 10,000 and 30,000, 6% had received KSh. 50,000 and 70,000, while 2% had received between KSh. 30,000 and 50,000 and over KSh. 70,000 respectively. Only a negligible fraction indicated that they had not received any loan from a Table Banking Group, mainly because their group was still young and had not revolved enough money yet.

This again is confirmed by Fletschner (2008) who says that micro and small enterprises who need credit beyond the maximum loan limits from microfinance institutions have difficulties obtaining credit higher than microcredit.

**Loan Usage**

On loan usage, 76% of the respondents indicated that they used the loans to boost their businesses either by buying new stock, acquiring new technology and machinery or buying more assets, 20% indicated that they used the loans to set up new businesses, 2% indicated that they used the loans to diversify their products and another 2% used the loans to pay school fees and cater for other household needs not catered for in the group’s risk pool. This is in line with Ng’ang’a (2001) who asserted that small businesses mostly require capital for stocking and for acquiring new assets. Cassar (2004) also confirms this when he posits that all businesses require financial resources in order to start trading and to fund growth.

**Skills gained in Table Banking Groups**

The respondents were asked to indicate the skills they have obtained since they joined Table Banking Groups. More than half (51%) of the respondents indicated that they had not acquired any skills, 20% indicated that they had gained accounting and financial management skills, 18% indicated that they had gained business management and planning skills, 5% had gained innovation skills, 3% had gained marketing skills and 2% had gained skills to enable them acquire the 30% Government procurement opportunities. Bamback and Lawyer (1979) identify lack of management training as a major cause of many failings and poor performance of small businesses. A study done by Woldie, Leighton and Adesua (2008) indicated that lack of management experience and skills is negatively correlated to small business performance. The findings in this study therefore reveal a major gap as far as capacity building in table banking is concerned and demands for increased attention.
Effects of skills gained on business

The respondents were asked to indicate the effects the skills they gained had on the performance of their businesses. 27% indicated that the skills acquired had helped them acquire loans and properly manage their finances, 36% indicated that they had enabled them better manage and plan their businesses while 9% indicated that the skills gained had enabled them improve financial accounting in their businesses. Chapman (2009) in his model of training asserts that a return on training investment is directly related to a business’s well being either in financial outcomes or changes in variables that should have a relatively direct effect on financial outcomes at some point in the future.

Market Linkages

Marketing innovation involves searching for new markets for one’s business (Hurley & Hult, 1998). Access to markets, according to Sessional Paper 2, 2005, is one of the major constraints faced by MSEs in Kenya today. The study, as illustrated below, sought to find out to what extent being in a Table Banking Group assisted an MSE is acquiring new markets and where these markets were.

Extent to which markets have been accessed through Table Banking Groups

The respondents were asked to indicate the extent to which being a member of a table banking association has helped their businesses in getting a market. The majority, 70%, indicated that it had helped them to an average extent, 24% indicated it had helped them to get market to a great extent, 4% indicated that it had helped them get a market to a little extent while 2% indicated that it has helped them get a market to no extent. These findings implied that table banking associations needed to work harder in getting markets for these enterprises because reliance on one market to the exclusion of other markets indicates a high level of failure (Johne & Davies, 2000).

Networking amongst Groups

The respondents were also asked to give their responses on whether their Table Banking Group had networked with other groups for markets. 15% of the respondents had networked while 85% had not. 86% of those who had not networked said the reason was because they were a young group while 14% indicated that they were not a national group hence they did not feel the need to network. The findings imply that most Table Banking Group members get markets amongst themselves, and that table banking associations need to empower these groups to network with other groups for markets. The findings confirmed what available literature says about marketing
behavior of MSEs (McCormick et al., 2009). New ideas from customers, strategic partners and employees can be a driver of innovation and subsequent growth. According to Lumiste and Kilvits (2004), these new ideas can result to increased scanning capabilities and better information about market needs. They further say that engaging employees, suppliers, customers and lead users can reveal new opportunities that otherwise might have gone undiscovered. Networking amongst groups and with other parties hence needs to be intentional in Table Banking Groups.

**Benefits received from other members of a Table Banking Group**

The respondents were asked whether the members of their Table Banking Group were helpful to their businesses. 100% answered to the affirmative with 45% mentioning mentorship, 25% indicating that members acted as security for loans thereby enabling them to get loans easily and without need for collateral, 23% indicated marketing and 7% mentioned accountability. This is as per Requena (2003) who recognizes that the importance of social capital lies in that it brings together several important sociological concepts such as social support, integration and social cohesion.

**Challenges faced by being in a Table Banking Group**

Inasmuch as social capital has aspects of goodwill, mutual respect, cooperation, trust and teamwork, challenges are not absent in such groups (Kinicki and Williams, 2008). The respondents were asked to give their responses on whether there are any challenges faced by being in a Table Banking Group. 16% of the respondents said there were while 84% said there were none. Those who indicated there were challenges mentioned guaranteeing and loan repayment defaulting as the biggest challenges. 30% indicated non-serious members, while 10% indicated time keeping and misunderstandings for each respectively.

**Business Performance**

According to Freel and Robinson (2004), there has been much interest in understanding small firm growth over the last ten years but there is still not much of a common body well-founded knowledge about the causes, effects or processes of growth. Even though several determinants of firm growth have been suggested, researchers have been unable to achieve a consensus regarding the factors leading to firm growth (Egel, Rothgang & Trettin, 2004). As a measure of growth, this study took several factors namely profitability, customer base, number of employees, product diversification, assets and market share. Variables leading to these factors included technologies adopted and cost cutting measures.
Technologies adopted to enhance business performance

Cardinal (2001) observed that technological innovation occurs when firms are able to assimilate, imitate or master modern techniques. The respondents were asked to give their responses on the different technologies they have adopted to enhance the performance of their businesses. 59% indicated that they use Lipa na M-pesa, 18% indicated that they have acquired advanced business assets like more efficient machinery, 12% indicated that they use computers for record keeping, while 6% indicated that they use social media and issue business cards for each respectively. These findings concur with available literature on Kenya’s economic sector which suggests that innovation and adoption of technologies has been taking place across all industries (Kamau & Munandi, 2009).

Cost cutting measures adopted to enhance business performance

Cost cutting measures adopted by these businesses included acquisition of personal means of transport by 27%, 18% indicated that they buy the products at the cheapest markets, use mobile banking and buy bulk stock for each respectively. Further 9% indicated that they deal with fast moving goods and have reduced miscellaneous expenses for each respectively. This sort of administrative innovation is concerned with changes in organizational structure or administrative processes (Garcia & Calantone, 2002). It is normally an innovative solution put forward to address a specific problem that the organization is facing (Adam, Wim & Goedhuys, 2011). Such kind of innovation may play a key role in reaping the key benefits of innovation – real sales (Lehtimaki, 1991).

Business growth experienced since joining a Table Banking Group

Further, the respondents were asked whether they felt that their businesses had grown since they adopted the table banking concept. 95% said yes while 5% thought otherwise. For those who indicated that their businesses had grown, 64% indicated that the growth was increased profits, 17% indicated that the growth was increased assets, 14% indicated mentioned an increase in the number of employees and 5% indicated an increase in branches.

Growth has been used as a simple measure of success in business and has also been suggested as the most appropriate indicator of the performance for surviving small firms (Edwards et al., 2001). The most frequently used measure of growth has been change in the firm’s turnover and number of employees (McCormick, 2009). This has been clearly depicted in the study where most respondents mentioned profitability and increased number of employees, among others, as a measure of growth for their enterprises.
Extent of MSE growth since joining a Table Banking Group

The researcher went ahead to measure the extent to which some growth parameters had been experienced by the MSEs. On profitability, market share and product diversification; most businesses had grown to an average extent. For profitability, 71% of the respondents said that their businesses had grown to an average extent while 22% indicated that theirs had grown to a little extent. Only 7% of the businesses had grown to a great extent. On customer base, 66% indicated that their businesses had grown to an average extent, 21% to a great extent and 11% to little extent. Growth has been used as a simple measure of success in business and has also been suggested as the most appropriate indicator of the performance for surviving small firms (Edwards et al., 2001). The most frequently used measure of growth has been change in the firm’s turnover and number of employees (McCormick, 2009). The study revealed that most growth factors had improved to an average extent and this meant that table banking associations need to empower their groups more in order to improve the growth of these factors. This is however not to deny the fact that the table banking concept has helped MSEs overcome some of their critical challenges as identified by Bowen et al. (2009) that include competition, access to capital and market linkages.

Statistical Modeling

Pearson Correlation coefficient (r)

The Pearson Correlation Co-efficient, developed by Karl Pearson in the 1880s is a measure of the linear correlation (dependence) between two variables X and Y, giving a value between +1 and −1 inclusive, where 1 is total positive correlation, 0 is no correlation, and −1 is total negative correlation (Mugenda, 2002). This model was used to determine the dependence of performance of MSEs on access to funds, market linkages, capacity building and social capital. Performance of MSEs was broken down into profitability, customer base, number of employees, product diversification, asset growth and market share. Profitability as measure of business performance was correlated against four parameters considered as independent variables i.e. access to funds, market linkages, capacity building and social capital using the Pearson correlation method. The Pearson correlation coefficient (r) of the four variables was (0.148), (0.158), (−0.236) and (0.054) respectively. This indicates that access to funds, market linkages and social capital has a positive correlation to profitability whereas capacity building had a negative correlation to profitability.

Customer base as a measure of business performance was correlated to the four subject parameters as well. The computed figure of Pearson correlation coefficient was (0.147) for access to funds (0.55), (0.117) for market linkages, (−0.249) for capacity building and (0.055) for social capital. This indicates that customer base was positively affected by access to funds, market linkages and social capital while capacity building did not affect it positively.
As for the number of employees, the computed Pearson correlation coefficient was (0.61) for social networking, access to funds (0.147), capacity building (-0.238) and access to market (0.167). This means that social networking has direct and strong relationship with number of employees, access to funds and market linkages. However, there is no relationship between social networking and capacity building. Product diversification as a measure of business performance was correlated with the four variables of social networking, accessibility of funds, capacity building and access to markets. The Pearson correlation coefficient was (0.148) for access to funds, (0.117) for market linkages, (-0.236) for capacity building and (0.059) for social networking. Again, the analysis indicates that social networking is weakly correlated with product diversification, while a slightly stronger relationship is observed between accessibility of funds, access to market to product diversification whereas capacity building has no relationship at all to product diversification. Asset growth and market share when correlated to social networking, accessibility of funds, capacity building and access to market had Pearson correlation coefficient of zero (0), meaning there was no relationship at all between the two factors. The table below shows the computation of the co-efficient r.

**Table 2: Correlation matrix of independent variables against performance of MSEs**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Access to funds ($r$)</th>
<th>Market Linkages ($r$)</th>
<th>Capacity Building ($r$)</th>
<th>Social Capital ($r$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>0.148</td>
<td>0.158</td>
<td>-0.236</td>
<td>0.054</td>
</tr>
<tr>
<td>Customer base</td>
<td>0.147</td>
<td>0.117</td>
<td>-0.249</td>
<td>0.055</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.147</td>
<td>0.167</td>
<td>-0.238</td>
<td>0.061</td>
</tr>
<tr>
<td>Product Diversification</td>
<td>0.148</td>
<td>0.117</td>
<td>-0.236</td>
<td>0.059</td>
</tr>
<tr>
<td>Asset Growth</td>
<td>.</td>
<td>0.00</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Market share</td>
<td>.</td>
<td>0.00</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

**Inference of correlations**

The Pearson’s Correlation Coefficient as computed above confirmed the findings of this study and findings from other scholars and theorists. Hayton (2005) in his resource-based theory mentions that firms can achieve sustainable competitive advantage from resources such as capital, assets, tacit knowledge, strategic planning, and management skills among others ultimately leading to better performance of a business. The model showed that access to capital was a very significant factor for the performance of MSEs. According to Cassar (2004), all businesses require financial resources in order to start trading and to fund growth. In fact, Reu and Frese (2000) found that the mount of starting capital was positively related to the growth of the business. Lack of access or availability can be a constraint on business growth.
Sessional Paper 2, 2005 mentions market linkages between small and large firms as weak and non-existent. However, table banking from the findings has offered these and other linkages to its members thus leading to better performance of MSEs. Narver and Slater (1990) suggest that an organization that is able to efficiently and effectively offer value for buyers enjoys continuous superior performance. Pearson’s correlation revealed a positive relationship between market linkages and performance of MSEs.

MSEs have had challenges accessing funds due to lack of collateral. Social capital then has made it possible for them to access funds for their businesses. Fukuyama (2001) and Kenworthy (1997) recognize social capital as important to the efficient functioning of economies. This is because it brings together social cohesion, integration and social support. Table banking, having brought people together in groups, has this very important component that has made the performance of MSEs better. The model as computed above revealed that social capital had a positive correlation to the performance of MSEs. However, the correlation between the two variables was not as strong as expected. This implied that groups did not put enough effort on networking amongst themselves and with other groups. This is proven by Markides (1997) and Turock (2001) in their study of the role of network and linkages in SMEs which found out that most of the firms maintained weak networks with their suppliers and customers hence obtaining little information on business improvement. They also found out that to improve existing knowledge, businesses are required to create, share and integrate relevant information obtained from networks. Hence, Table Banking Groups need to pull their socks as far as networking is concerned.

CONCLUSIONS

The study was conducted first in recognition of the importance on MSEs in Kenya’s economic growth and its potential to improve the livelihoods of many people. Secondly, the study recognized the fact that the table banking concept has helped significantly improve the performance of MSEs in other countries. Thirdly, the study understood that table banking has been adopted in the country but not much of an evaluation study had been done hence no documented evaluation of the concept had been done. The study hence sought to evaluate how table banking is conducted in Nairobi County, its effect on the performance of MSEs and to reveal any challenges or gaps faced by this concept and any improvements that need to be done.

The commendable growth registered by businesses in Table Banking Groups clearly indicates that this concept is very viable in helping micro and small enterprises meet their unique challenges and grow. The fact that this practice has flourished in countries like Bangladesh and Malaysia (ROK, 2009) clearly justifies the need to take it more seriously in Kenya.
Access of credit is a known challenge faced by micro and small enterprises. The table banking concept helps meet this challenge and other challenges affecting credit access by offering loans cheaply and easily. In fact, the interests charged to these loans are shared out by the members at the end of the year as dividends thereby making the groups investments platforms as well.

Much as over half of the respondents had not gained any skills from being in Table Banking Groups, they acknowledged the fact that they had gone through various trainings. This means that the table banking associates need to redesign their training programs to ensure that what they teach is relevant, easy to understand and always evolving to suit their growing needs. Table banking creates a very significant avenue that the government, private firms and other stakeholders could use to build the capacity of its members. Technology is a key thing in business performance and enterprises have adopted some technologies to improve their businesses. However, the study clearly indicates that there’s a need for more focused and deliberate technology transfer to these groups.

RECOMMENDATIONS

From the findings of the study and the conclusion, this study recommends several steps to be taken. The biggest one is for the Government, Private sector and other stakeholders to put in place policies that govern the table banking concept in the country. The study clearly shows how much potential this concept has and if structures were put in place, micro and small enterprises would grow faster than they are now. These structures should ensure that these businesses are well nurtured as they grow and will not need to pull out of Table Banking Groups as they grow. The structures should ensure that as groups grow, they are able to save more hence allowing bigger loans to be taken. These structures should also put in place a variety of capacity building and technology transfer systems for these groups. It is clear that these businesses are in dire need of technology transfer and capacity building. Farming organizations could help in setting up green houses for the members and business labs could be set up in these locations. Information on markets and market trends should also be readily available to members of these groups. Organizations like Kenya Investment Authority should map out available opportunities and train members of these groups on how to tap into these opportunities. Most members of these groups are not tech savvy and hence have little or no access to internet or literature. However, these organizations could use innovative ways of reaching the members either through open forums or through mobile phones.
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