

# Establishing the Effect of Credit Risk Management Strategies on Sustainability of Table Banking Groups in Uasin Gishu County, Kenya

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## Abstract

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Financial management strategies are crucial determinants of sustainability of table banking groups. The strategies enable groups to set clear goals, efficient utilization of resources, proper decisions in sourcing of finances and dividends decision making. The main purpose of this study therefore was to establish the effect of credit risk management strategies saving strategies, financial regulation strategies and liquidity management strategies on sustainability of table banking groups was assessed. The study was founded on credit risk theory. The study adopted the descriptive survey research design. The target population were all table bank groups in Kenya.

The accessible population was 538 registered table bank groups in Uasin Gishu County. A sample of 230 groups was involved in the study. Two stage sampling technique was used to narrow down the sub-counties. Purposive sampling technique was used to select 3 sub-counties out of the six sub-counties in Uasin Gishu, County. Simple random sampling technique was used to select respondents for the actual study. A pilot study was conducted in order to test the validity and reliability of the research questionnaire. Content validity was used as a validity test while reliability was tested using Cronbach's alpha coefficient. Self-administered questionnaires were used to collect data. Both descriptive and inferential statistics were used for data analysis. Findings were presented in tables, charts and graphs. The study found out that credit risk management strategies significantly influence sustainability of table banking groups ( $\beta=0.207$ ;  $p<0.05$ ). It was concluded that proper credit management strategies could enable table banking groups by enhancing sustainability. The findings of this study are expected to be employed by table banking groups to ensure business success, hence promoting sustainability and economic development. It was also recommended that theories anchored this study should be applied so as to enhance sustainability.

## 1.0 Introduction

Financial management is an essential and integral part of an organization and it is more than keeping accounting records. Table banking financial management system even though not adequately developed can be termed as transparent, consistent and accountable. This is because of the self-sufficiency nature of table banks and the small amount of cash that is managed. Also, the government and other organizations offer trainings

to table banks members on managing their financial resources and records in a better way.

Credit risk management strategies involves an elaborate process; before the credit decision is conceptualized, follow up and monitoring of credit commitments including all monitoring and reporting processes observed by (Lagat, Mugo, & Otuya, 2013). Credit risk means the risk of credit loss which results from the failure of a borrower to honor the

borrower's credit obligation to the financial institution. Compliance with existing credit covenants is one of the most used in credit risk monitoring (Mokaya 2011). Credit limits are put in place to monitor the credit, and since one has to save before borrowing in case of a loan default the savings are used to offset the loan. Flexible loan repayment period is used to recover debt for customers experiencing financial difficulty hence increase the collection of debt (Montana, 2012). There are also guarantors who are held responsible upon default of payment of loan to recover the credit.

Sustainability refers to a process by which companies manage their financial, social and environmental risks, obligations and opportunities. Firms are required to adhere to the principles of sustainable development. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Drexhage & Murphy, 2010). A challenge to rapid scale up is the sustainability and quality of services of independent table banking groups. Implementation of an organizational development strategy within any beneficiary table banking group has contributed to groups becoming sustainable organizations assuring quality standards of table banking activities.

Table banking is a group funding strategy where members of a particular group meet once every month, place their savings, loan repayment and other contributions on the table then they borrow immediately either as long term loan or short term loans to one or a number of interested members (Brannen, 2010). Table banking started as merry go rounds, where village women could save from the little left to them for daily households budget through groups and hand over the lump sum amount to a member, one after the other. But today the concept has evolved to table banking, which has seen women from poor region engage in meaningful money generating activities (Abuga, 2014)

Table banking is an informal financial concept that was introduced and adopted by the Poverty Eradication Commission (PEC) in Kenya (Kanyi, 2014). PEC introduced this informal financial system with the aim of enabling rural women to access cheap source of funds for business start-ups so as to empower women economically. Table banking also aims to improving the livelihoods of women in the rural area. Majority of the members in table banks are women. Table banking takes on the model of the Grameen Bank of Bangladesh and the village savings and loans schemes of Zanzibar (Ahlen, 2012).

The objective of table-banking is to bring financial services to the poor, particularly women and the poorest to help them fight poverty, stay profitable and financially sound. It is a composite objective,

coming out of social and economic visions. Table-banking is based on group guarantee and house - hold collateral. Table-banking is founded on the principle that credit should be accepted as a human right, and builds a system where one who does not possess anything gets the highest priority in getting a loan (Brannen, 2010). Table-banking methodology is not based on assessing the material possession of a person, it is based on the potential of a person. Table-banking believes that all human beings, including the poorest, are endowed with endless potential. Unlike other financial institutions, table banking looks at the potential that is waiting to be unleashed in a person and owned by poor (Abuga, 2014).

Joyful Women Organization (JOYWO) in Eldoret North introduced by Mrs. Rutto embraced table banking model and its aim is to represent low income chamas at the top. JOYWO assist to build the capacity of women on economic empowerment and poverty reduction. Mrs. Rutto has stressed that chamas all over the country should embrace the concept of table banking where women save and watch their lives change. Since its inception JOYWO has enrolled over 1000 affiliate women groups with an average memberships of 25 women per group. JOYWO has helped many women groups to access the government funds such as the women enterprise funds and Uwezo funds (Njuguna, 2015). Credit management strategies, savings strategies and liquidity management strategies have led to the success of Grameen bank in Bangladesh which has been adopted in United States of America. Grameen bank America is to provide an effective, sustainable, and measurable response to poverty in America, which focus on poor, women and immigrants (Uddin & Barai, 2016). This form of microcredit the smallest of small loans, with no collateral and few questions asked was pioneered by Grameen Bank in Bangladesh and has long aimed to ease poverty in the world's developing countries, where rural villagers use it to buy livestock, repair motorcycles or otherwise increase their income. Since the financial crisis, microcredit has taken off in the United States, attracting thousands of clients who do not qualify for credit cards or traditional bank loans (Bayrasli, 2012). These strategies have led to the sustainability of these informal financial institutions. Credit management and saving strategies are the main financial management strategies employed to enhance sustainability of table banking groups in Kenyan informal financial institution sector. In Kenya table banking was initiated by Poverty Eradication Commission (PEC), with the objective of providing credit to the poor women in the rural areas so as to boost capacity building of women on economic empowerment and poverty reduction (Kanyi, 2014). Once the table banking group has been launched it operates under the umbrella of

JOYWO (Limo, 2014). JOYWO is a Non-Governmental Organization that enables them to enjoy capacity building, financial donations and grants from donors (Wanaswa, 2015).

Nairobi County has numerous table banks in operation mostly in the slum areas of Kangemi, Kibera and Mukuru Kwa Njenga slums. Some of the groups operating in these areas include Upendo Women Group, Victory Women Group and Kangemi Widows Women Group. The women meet once a month and each brings the amount she wishes to save, the minimum monthly savings is Sh100 (Tallam, 2016). Once done with the collection, those interested in taking loans make their requests and are considered, depending on their savings. They can get up to three times their savings. The maximum long-term loan one can ask for and get is Sh500, 000 payable in 36 months. It attracts a one percent interest. A short term loan is paid in a month and the interest is 10 percent (Obiria, 2014).

### Statement of the Problem

Financial management strategies are crucial to the survival and well-being of many business enterprises of all types. In financial management, it is necessary to manage business financial resources so as to achieve its business goals and maximize the shareholders wealth. Management identifies its financial objectives, determine its current position, analyze information and make financial decisions hence enhancing sustainability (Hickey, Nader & Williams, 2017). The credibility of table banking groups in Kenya is generally poor. Most women groups are unable to take large loans due to lack of collaterals or securities (Mengo, 2014). The regulatory environment is also unstable and ineffective as most of these groups are self-regulated, without a formal regulatory environment established (Kassa, 2010). This problem leads to limited expansion and growth of table banking groups and inability to operate effectively as well as eventual collapse. In the long term, poverty will worsen among women groups and the economic development of the country will stagnate. A number of studies conducted shows that financial management strategies adopted by table banking groups determine their sustainability. Salman (2008) did a study on Sustainability can be considered as an important dimension as it is a condition for achieving sustainability of other project components. Mwobobia (2016) in her study of Eldoret town on the contribution of table banking has led to the empowerment of women entrepreneurs. As the number of clients increase, liquidity of informal financial institutions increases hence enjoying economies of scale and thus reduces costs which help them to be financially sustainable (Kinde, 2012). A few studies have been done on financial management strategies that have focused

on its effects on the social capital, investment decisions and women empowerment. The studies reviewed did not assess the relationship between credit risk management strategies, saving strategies, financial regulation strategies and liquidity management strategies on sustainability of table banking groups. Therefore, this study will determine the relationship between financial management strategies and sustainability of table banking groups in Uasin Gishu County, Kenya.

### 1.3 Research Objective

The objective of this study was to determine the effect of credit risk management strategies on sustainability of table banking groups in Uasin Gishu County, Kenya.

**H<sub>01</sub>:** Credit risk management strategies have no significant effect on sustainability of table banking groups in Uasin Gishu County, Kenya.

## 2.0 LITERATURE REVIEW

### Theoretical Framework

This section presents a discussion of theories which form a basis for the conceptualized relationship between financial management strategies and sustainability of table banking groups. The theories are; credit risk theory, institution theory of asset accumulation and liquidity preference theory.

### Credit Risk Theory

Credit risk theory was developed by Cantor and Frank in 1996. The theory posits that the credit risk approach enables a firm to integrate credit risk across its entire organization, and provides a statement of value-at-risk due to credit caused by upgrades, downgrades, and defaults. Credit risk theory is important to all firms that are prone to credit risk in the line of their business activities. The theory is relevant to the study as a firm should come up with a method to measure credit risk through a broad range of instruments which are traditional loans, fixed income instruments, letters of credits, commercial contracts including trade credits and receivables, forwards, swaps and other derivatives (Padilla & Pagano, 2000).

Allen and Powell (2009) states that credit risk statistical concepts like probability, means, and standard deviation, correlation, and concentrations came up with three objectives, the objectives are to develop a Value at Risk (VAR) framework applied by all the institutions worldwide carrying the credit risks in line with their businesses, develop a portfolio view showing the credit event correlation which can show the costs of concentrations and the importance of diversification in a mark to market framework and to use it in making investment



decisions and risk mitigating actions that is determining the risk based credit limits across the portfolio, and rational risk based capital allocations. Firm should have a combined credit risk management system for evaluating portfolio risk as a result of changes in debt value caused by changes in obligor credit quality (Rajan & Winton, 1995). The model contains the changes in value as a result of possible default events, upgrades and downgrades in credit quality, due to the value of a specific credit varying with the corresponding credit quality. In the case of default a recovery rate is taken as the portfolio value (Pagano & Jappelli, 1993). The critique of this theory is that the parameters of determining credibility of a borrower are dynamic and sometimes specific to a particular organization and so it is not good practice to provide standard parameters without cognizant of the dynamics situations each table banking group faces. This theory is applicable to the first objective of this study which is on the influence of credit risk management strategies on sustainability of table banking groups. The application of this theory is that table banking groups should consider the ability of repayment by a borrower before issuing loan.

### **Empirical Review**

This section presents important empirical research findings from relevant literature on the influence of credit risk management strategies, savings strategies, financial regulation strategies and liquidity management strategies on sustainability.

### **Relationship between Credit Risk Management Strategies and Sustainability of Table Banking Groups**

A number of studies have been done locally and globally in regard to credit risk management strategies and growth. Njeri and Wanyoike (2012) studied the role of credit risk management practices on sustainability of micro credit schemes in Nakuru County, Kenya. The study revealed that, majority of groups provided credit facilities there members therefore they were potential victims of credit risk. Groups were keen on ensuring proper credit management practices in their groups. Correlation results revealed a significant relationship between credit risk management practices and the financial sustainability of micro credit schemes. The relationship was also positive and strong. However, the study did not focus on training of some of the treasurers on the importance of credit risk management.

Nagarajan (2011) conducted a study of credit risk management practices for microfinance institutions in Mozambique. The study revealed that risk management is a dynamic process that could ideally be developed during normal times and tested at the wake of risk. The study concluded that financial

institutions needed to minimize risks related losses through diligent management of portfolio and cash-flow by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders. However, the study did not establish the need of proper client selections and proper appraisals.

Kisaka and Simiyu (2014) did a study on the survey of credit risk management techniques used by microfinance institutions in Kenya. The study established that most microfinance institutions use 6C techniques of credit risk management. The study results also revealed that understanding the organizations exposure to credit is treated as critical by the microfinance institutions. To avoid loan losses, the microfinance institutions used follow ups. The results also show that MFIs take loan review analysis as crucial aspects of risk management by doing proper documentation and analysis. The institutions also use litigation in situations where the borrowers financial situation and structure have been altered and the original promised value of collateral differ. The study established that a majority of the institutions used Credit Matrix to measure the credit migration and default risk. The results also show that the microfinance institutions are faced with the challenge of strict operational regulations from the Central Bank of Kenya. The government had not put any policy in place to govern the operations of the MFIs. However, the study did not determine the Loan recovery strategies which is a major challenge to the majority of the institutions.

Moti, Masinde, Mugenda and Sindani (2012) in her study on effectiveness of credit management system on loan performance: empirical evidence from micro finance sector in Kenya. The study found out that credit terms formulated by the microfinance institutions do affect loan performance; the involvement of credit officers and customers in formulating credit terms affects loan performance. Interest rates charged had a negative effect on the performance of the loans, the higher the interest rates the lower the loan performance. However, the study did not focus on monitoring and appraisal strategies when selecting clients.

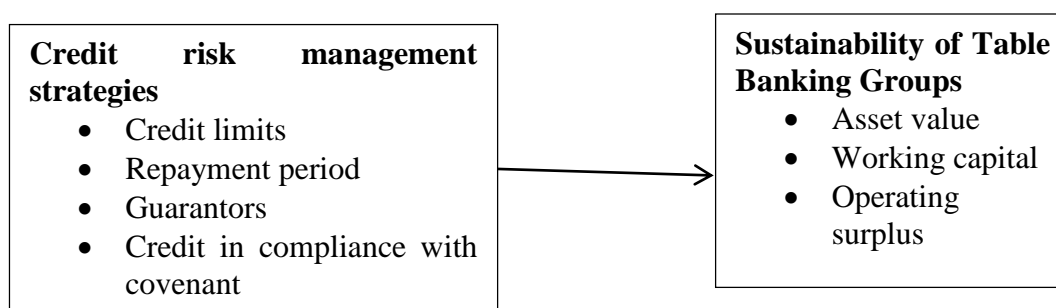
Mutua (2016) did a study on the impact of credit risk management on financial performance SACCOs in Kitui, Kenya. The study revealed that there was a very strong positive relationship between credit monitoring, loan policy in mitigation of risk and loan defaulters and financial performance of Savings and credit co-operatives societies. It was also noted that a large number of respondents (69%) indicated that risk assessment, risk identification, risk control and risk monitoring highly affects the performance of deposit taking SACCOs. It was noted that proper credit risk management is maintained.

Mokaya (2011) did a study on the Relationship between Credit Card Default Risk and Cardholders Characteristics, Credit Card Characteristics, Behavioral Scoring Process among Commercial Banks in Kenya and how they mitigate against credit card Default Risk. A descriptive survey of sampled commercial banks was conducted, data was analyzed using descriptive statistics and the results of the analysis showed that commercial banks that implemented credit risk assessment had lesser loan defaults. Commercial Banks issuing credit cards and any entering the credit card business should develop proper and accredited credit risk management methods which will assist in coming up with sound credit policies which to a large extent will reduce the high levels of bad loans as a result of credit card default. The study did not determine proper

appraisal modes on credit card holders and proper client selection of the holder of the credit card.

### Conceptual Framework of the study

According to Mugenda (2008) the conceptual framework describes the phenomena under study through graphic or visual illustration of major variables of the study. This conceptual framework has been developed after review of theoretical and empirical literature. credit risk management strategies, savings strategies, financial regulation strategies and liquidity management strategies as independent variables and sustainability of table banking groups in Uasin Gishu county as the dependent variable. It was hypothesized that the independent variables influence the dependent variable.



**Figure 2.1:** Conceptual Framework for Financial Management Strategies and Sustainability of Table Banking Groups in Uasin Gishu County, Kenya.

## 3.0 RESEARCH METHODOLOGY

### Research Design

The study used descriptive research design. It is suitable for description and measurement of phenomena at a point without manipulation. Descriptive research is undertaken to provide answers to questions of who, what, where, when and how but not why (Sreevidya & Sunitha, 2011). According to Mugenda (2008) descriptive studies are easy and simple to conduct.

### Population of the Study

The target population was the entire group of individuals, objects or things that share common attributes and to which results was generalized. The accessible population is a subset of the target population that reflects specific characteristics and can be practically reached in order to select a representative sample (Mugenda, 2008). The accessible population of the study was 538 table banking groups registered in social work department 3 sub-counties out of 6 sub counties in Uasin Gishu County.

### Sampling Technique and Sample Size

Two stage sampling techniques was used to narrow down the sub-counties. Purposive sampling technique was used to select 3 sub-counties out of the six sub-counties in Uasin Gishu County. 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. This was based on the population of people doing table banking and number of active table banking groups. Simple random sampling was used to select the respondents in table banking groups whose members participated in the study as it is unbiased (Ogula, 2010).

Yamane's (1967) formula was used to determine the sample size. For a 95% confidence level and  $e = 0.05$ , size of the sample should be is determined by the formula below.

$$n = \frac{N}{1 + N(e^2)} \dots \dots \dots \text{Equation 3.1}$$

In the above formula,  
n represent is the sample size,  
N represent is the population size  
e represent level of precision.  
The sample size is calculated as shown below.

$$n = \frac{538}{1+538(0.05^2)} = 230.42430704 = 230 \text{.....Equation 3.2}$$

The sample size is 230 table banking groups doing table banking in Uasin Gishu County. The method of proportionate allocation was used to determine the number of respondents groups expected from each of the sampled sub county. This is shown in Table 3.1

**Table 3.1 Sample Distribution Table**

Sub-County	Number of Groups	Percentage
Turbo	92	40.0
Kesses	59	26.0
Soy	79	34.0
<b>Total</b>	<b>230</b>	<b>100</b>

### Data Collection Instruments

Creswell and Designm (2003) define data collection as a means by which information is obtained from selected subjects of investigation. The researcher developed research questions for collecting primary data. The questionnaires was self- administered in order to gather primary data on financial management strategies and sustainability of table banking groups. Questionnaires eliminate interviewer bias and ensure that the respondent has adequate to respond meaningfully (Kothari, 2004).

### Pre-testing of Research Instruments

Pilot test was carried out in order to identify whether the developed instruments or items or test really agreed with the contents of the research questions. It involved 10% of the size of the sample population (Kothari, 2004). This means that 23 respondents drawn from table banking groups in Uasin Gishu County participated in pilot study. However, they did not take part in final study.

### Reliability

Reliability is the degree to which the research questionnaire can be depended upon to secure consistent results upon repeated application. Cronbach's alpha coefficient was used to test for the internal consistency of the research instrument. If the coefficient is above or equal to 0.70 then the research questionnaire is considered reliable (Sreevidya & Sunitha, 2011).

**Table 4.1: Reliability of the Research Questionnaire**

Constructs	Cronbach's Alpha Coefficient	Test Items
Credit risk management strategies	0.706	6
Sustainability of Table Banking groups	0.715	6

Credit risk management strategies had the lowest Cronbach's alpha coefficient (0.706). This implies that the research questionnaire was reliable as all the 5 constructs had Cronbach's alpha coefficients greater than 0.7

### Data Processing and Analysis

The data collected was cleaned, edited, coded and stored before being analysed. Both descriptive and inferential statistics were used for data analysis. Descriptive statistical tools included frequency tables, percentages, means, variances and standard deviations. Inferential statistics included multiple regression analysis and Pearson Product Moment Correlation.

### Multiple Regression Model Description

The study adopted the following multiple linear regression model:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \text{.....Equation 3.3}$$

Where; Y represents sustainability of table banks in Uasin Gishu County, Kenya

$\beta_0$  represents the y-intercept

$\beta_1$ , represent coefficients of credit risk management strategies

$X_1$ , represent independent variables

$\epsilon$  represent error term

### 4.0 FINDINGS AND DISCUSSIONS

#### Reliability Test Results

This study assessed the internal consistency of the research questionnaire. The results of analysis are shown in Table 4.1.

### Descriptive Findings and Discussions

The study examined the views of the sampled members of table banking groups in Uasin Gishu County issues on financial management strategies and sustainability of table banking groups. The results are in line with a 5-point Likert scale where

integers 5 to 1 represent strongly agree to strongly disagree respectively.

### Credit Risk Management Strategies

The study analyzed the views of the respondents regarding to credit risk management strategies by table banking groups. The results of analysis are as shown in Table 4.2

**Table 4.2: Descriptive Statistics on Credit Risk Management Strategies**

	N	Min	Max	Mean	Std. Dev
(i)Our groups ensures that credit limits are observed when issuing loans	198	1	5	4.34	0.983
(ii)We are very strict on repayment period to ensure our clients repay on time.	198	1	5	4.28	0.955
(iii)We ensure that borrowers have reliable guarantors before we offer credit facilities to them	198	1	5	3.30	1.348
(iv) Our clients are awarded credit in compliance with covenant.	198	1	5	4.07	1.030
(v) Our groups require collateral as a condition for issuing loans	198	1	5	2.77	1.448
(vi) Members are vetted through a well-defined procedure before accessing loans	198	1	5	3.84	1.32

From the findings, majority of the respondents strongly (mean=4.34; std. dev= 0.983) that table banking groups ensures that credit limits are observed when issuing loans. It was also noted from the findings that the respondents strongly agreed (mean= 4.28; std. dev= 0.955) that table banking groups have a strict policy on repayment period that ensures members repay on time. From the findings it was noted that respondents strongly agreed (mean= 4.07; std. dev= 1.030) that table banking groups award credit to clients in compliance with group covenants. It was also agreed (mean=3.84; std. dev=1.342) that table banking groups ensures members are vetted by a well-defined procedure before accessing loans. In addition, respondents were indifferent (mean=3.30; std dev=1.348) on whether table banking groups ensure that borrowers need reliable guarantors before credit is issued. It

was unclear (mean=2.77; std. dev=1.448) whether table banking groups monitor loans to ensure proper payments. **The findings concurred with the observation of an earlier study Njeri and Wanyoike (2012) on the role of credit risk management practices on sustainability of micro credit schemes in Nakuru County, Kenya. The results revealed a significant relationship between credit risk management practices and financial sustainability of micro credit schemes.**

### Inferential Analysis

#### Relationship between Credit Risk Management Strategies and Sustainability

The relationship between credit risk management strategies and sustainability of table banking groups was determined. Table 4.3 presents the results of correlation analysis

**Table 4.3: Correlation Analysis for Credit Risk Management Strategies**

	Sustainability of Table Banking Groups
Credit Risk Management Strategies Pearson Correlation	.229*
Sig. (2-tailed)	.001

\*\*. Correlation is significant at the 0.01 level (2- tailed).

The findings indicates that credit risk management strategies and sustainability had a positive and statistically significant relationship ( $r= 0.229$ ;

$p<0.01$ ). This meant that credit risk management strategies influenced sustainability. The ability to observe credit limits and having strict repayment



period has enabled table banking group to be sustainable. The findings of this study agreed with a previous study by Kisaka and Simiyu (2011). The study noted that understanding the organization exposure to credit risk is treated as critical by the micro finance institutions.

#### Regression Analysis for Overall Model

The study examined the combined effect of credit risk management strategies, savings strategies, financial regulation strategies and liquidity management strategies on sustainability of table banking groups in Uasin Gishu County. Table 4.4 presents the results of multiple regression analysis.

**Table 4.4: Multiple Regression Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.623	.388	.375	.585

a. Predictors: (Constant), credit risk management strategies, b. Dependent Variable: sustainability of table banking groups

The findings as shown in Table 4.4 indicates that the relationship between financial management strategies focused on this study and sustainability was positive ( $R^2 = 0.375$ ). Findings indicate that 37.5% of the variation in sustainability is accounted for independent variables in the study while 62.5% of the sustainability of table banking groups resulted from other factors not included in the study.

#### Assessing the Fit of Multiple Regression Model

The study examined whether the multiple regression model was a good fit for the data. Analysis of Variance (ANOVA) was conducted in order to find out if sustainability can be predicted without relying on financial management strategies examined in the study. The results of Analysis of Variance (ANOVA) are shown in Table 4.5

**Table 4.5: Results of ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.533	4	4.633	12.727	.000a
Residual	70.262	193	.364		
Total	88.794	197			

a. Predictors: (Constant), credit risk management strategies, b. Dependent Variable: sustainability of table banking groups

The findings of the study indicate that the relationship between the independent variables and the dependent variable was statistically significant ( $F=12.727$ ;  $p < 0.05$ ). This implies that the multiple regression model was good fit for the data. Hence credit risk management strategies, influence

sustainability of table banking groups therefore they should put emphasis on them.

#### Regression Coefficients

The study also conducted t-test of statistical significance of each individual regression coefficient. Table 4.6 presents the results.

**Table 4.6: Significant Test Results for Overall Model**

	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
(Constant)	.957	.311		3.071
Credit risk management strategies	.207	.057	.241	3.645

a. Dependent Variable: sustainability of table banking groups

The findings indicates that credit risk management strategies is a predictor of sustainability of table banking groups ( $t=3.645$   $p < 0.05$ ). Therefore, the null hypothesis that credit risk management strategies has no effect on sustainability of table banking groups in Uasin Gishu County, Kenya was rejected at significance level of 5%. It was concluded that credit risk management strategies has significant effect on sustainability of table banking groups in Uasin Gishu County, Kenya. The findings

also indicates that savings strategies is a predictor of sustainability ( $t= 2.259$ ;  $p < 0.05$ ). Therefore, the null hypothesis that savings strategies has no effect on sustainability of table banking groups in Uasin Gishu County, Kenya was rejected at significance level of 5%. It was concluded that savings strategies have significant effect on sustainability of table banking groups in Uasin Gishu County, Kenya. From the t-test results of individual regression coefficients, the four independent variables were

included in the regression equation as they were significant ( $p < 0.05$ ). The study results is shown in regression equation 4.1

**$Y = 0.957 + 0.207X_1 + \dots$ .....Equation 4.1**

The study results suggested that improving credit risk management strategies by 1 unit enhances sustainability by 0.207 units. The findings from the multiple regressions analysis are in agreement with the preposition of the theories that this study was anchored on. The credit risk theory advocates for the groups to assess repayment ability of the borrower and the collateral before advancing credit to them. This is affirmed by this study as credit risk management strategies affect the sustainability of table banking groups

## **5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATION**

### **Summary of Study Findings**

#### **Credit Risk Management Strategies and Sustainability of Table Banking Groups**

The study findings revealed that table banking groups observe credit limits when issuing loans to members and that they have a policy on strict repayment period. Table banking group members are awarded credit in compliance with the group covenant and that the groups ensure members are vetted by a well-defined procedure before accessing loans. It was, however, unclear on whether borrowers require guarantors before given credit. There was also a disagreement on whether table banking groups require a collateral as a condition of issuing loans. It was noted that credit risk management influences sustainability of table banking groups. It was established that enhancing credit risk management strategies leads to significant improvement in sustainability. The findings on the effect of credit risk management strategies on sustainability corroborate with the credit risk theory that emphasizes on table banking groups to assess the ability of a borrower to repay a loan before issuing credit.

#### **Sustainability of Table Banking Groups**

The study findings revealed that table banking groups efficiency in generating revenue from investment of its total assets has been improving. Findings revealed that table banking income after deducting all operational and financing income has been improving. Findings show that the ability of table banking groups to derive returns from investment of shares in net asset has been improving. In addition study findings revealed that the ability of table banking to control its finances has been improving. It was noted that revolving funds in table banking group has been improving. Findings further noted that regulation of amount of loan

disbursed in table banking group has been improving. It was noted that financial management strategies investigated in the study significantly influenced sustainability of table banking groups.

### **Conclusions**

There are several conclusions that were made in respect of the study findings. The conclusions are in line with the study objectives.

From the findings of the study, it was concluded that credit risk management strategies influence sustainability of table banking groups. Table banking groups ought to have an efficient credit risk management system in order to enhance sustainability. Strict repayment period and compliance to group covenant was noted to largely enhance sustainability of table banking groups. This support the argument of credit risk theory that advocates for adherence to credit limits and strict repayment period. Credit risk management strategies were crucially important in improving sustainability of table banking groups.

### **Recommendations**

A number of important recommendations were made in respect of study findings. The recommendations were also in line with objectives of the study. There are recommendations for table banking members, financial advisors, policy makers and consultants.

#### **Recommendations for Practice and Policy**

The study recommends that table banking groups should have credit risk management in their operational framework. Credit risk management strategies will encourage proper recovery to enhance them operate sustainably. Table banking groups should include savings strategies to monitor member savings. The study also recommends that table banking groups should adopt financial regulation strategies like insuring of the group so as to curb the cases of loss of funds. Insuring the groups will enhance growth and sustainability. It is crucial that table banking groups should have liquidity measures to ensure that they have sufficient funds that would be used as a need arise.

It also recommends that government should put in place policies and regulations that will compel table banking to emphasize on proper financial management strategies. The government should come up with training programs to sensitize table banking groups on proper financial management strategies. To financial consultants the study emphasizes on table banking group credit risk management strategies, savings strategies, financial regulation strategies and liquidity management strategies as it is significantly effects on sustainability.

### Recommendations for Theories

There are recommendations on regards to practical application of the theories upon which the study is anchored. On credit risk theory applied in the management of credit of table banking in order to enhance sustainability. Institutional theory of asset accumulation, the study recommends its preposition be applied to enhance savings. The study recommends that the tenets of liquidity preference theory be applied in maintenance of liquidity levels. Groups should ensure optimal liquidity is maintained so as to enhance sustainability.

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### Suggestions for Further Studies

The study recommends further research on the effect of table banking on financial performance micro financial institutions. There need of conducting study on the effect of information technology and the efficiency of table banking groups in Kenya. There is a need of conducting a study on the influence of capacity building and the efficiency of the table banking management and also a study on table banking strategies and growth of small and medium enterprises.

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