

How Table Banking works

Financial inclusion is listed as a target in achieving eight of the seventeen global Sustainable Development Goals (SDGs). However, women have often been left out and are unable to access loans from commercial banks. Table banking is an increasingly popular concept that is helping level the playing field for women unable to meet conditions such as the need for collateral demanded by traditional banks.

What is table banking?

Table Banking is a group based funding system where members of a group meet weekly and make weekly savings to form a kitty from which members can borrow. Each member's contributions are recorded in her passbook and referred to as her share. The minimum contribution per week, which can be as low as Ksh 25 (20p), is set in the group's constitution, which is written by the group itself. Thus it is set with the members' incomes in mind. Members can contribute any amount they choose at or above the minimum set. The constitution also covers matters such as election of officers, arrangements for audit of the ledgers, term of loans and interest rates, and group sharing of interest paid.



The Yamoloko table banking group is made up of project clients who were trained in 2017.

At the weekly meetings, business issues are discussed, fines paid (eg for lateness or non-attendance) and loans repaid. The cash collected on the table (i.e. this week's savings and loan repayments) is then immediately loaned out to members who can present the group with a viable business plan for their use. If more than one member wants a loan, the group will discuss and come to an agreement about which should have it. Loans can be short term, i.e. repayable within one month with an interest rate of 10%, or long term, typically over 36 months at an interest rate of 1% a month. At the end of each meeting, if all the cash has not been loaned out, the balance will be taken by three members to be banked in the group's bank account or put into the group's Mpesa account (mobile banking).

At the end of the year, the total amount of interest earned and fines paid is added up and distributed to members as a bonus. The method of distribution is set in the constitution and is usually either pro rata (in line with total share i.e. savings as shown in the members passbook) or shared equally among members.

Given that most of the cash is loaned out on a monthly basis, quite a lot of interest is earned which both increases the fund available for borrowing and, at the end of the year, gives members a useful sum just when it is needed for school fees, payable in January.

Groups register with the Kenyan Government, which gives them official status. In some cases, the group may get funding through loans or grants from e.g the Women Enterprise Fund and microfinance institutions. Group guarantee comes into play where members act as guarantors to each others' loan. If one defaults, the rest can't access finance, which in turn motivates members to keep each other accountable. Table banking is common amongst women but there are exceptions with mixed gender and men's groups also in existence.

Advantages of Table Banking

The 'table bank' is group owned, thus gives members a sense of pride, also, interest earned from loans still goes back to the groups' kitty.

Table banking can be used by the poor, with contributions as low as Ksh 25 and no need for collateral, it promotes financial inclusion.

The close interaction between members fosters an exchange of knowledge and skills in regards to making investments.

It is a convenient banking option as they are located within communities-easy access and tailored to members needs.

The above article has been based on one from the following source:

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The Concept Of Table Banking by GABRIEL ONYANGO

Here are the officers hard at work keeping the books

