

TRAINING MODULE SIX

Table Banking – Micro and Small Enterprises

Unemployment is a major issue in many developing countries, with over 70% unemployment rates being very common. We have learnt throughout the course that one of the major issues facing individuals in getting out of poverty is lack of access to finance. For this reason understanding Table Banking, how it works, and what it can do for you, is an essential tool in the process of overcoming poverty.

Table Banking is a simple process whereby saving and credit procedures are conducted at the community level by people within a group. The group members pool funds, and borrow from the same pool, the same day, usually placed on the table.

Table Banking empowers people to take control of their lives.

Hundreds of projects of both groups and individuals around the world have used Table Banking to set up very successful small businesses including chicken, goat, pig, rabbit, cow and fish farms, welding businesses, tailoring businesses, a variety of shops, public transport (matatus, tuktuks and bodabodas), haulage businesses, hotels, brickmaking businesses and many more. The possibilities are endless, depending on where your passion lies

However, for the Table Banking process to succeed, it must be set up well to ensure security for all members. It is important to take time to ensure that all checks and balances are put in place before Table Banking begins to function.

How does it work

Members meet regularly, either weekly or monthly. They place their contributions or savings on the table immediately giving each member a shot at the money. Money is not saved in banks or hoarded by the treasurer of the group to be distributed later. If money accumulates and no one is taking their loans, it is advisable for the group to have a bank account to keep excess funds for later.

Table Banking does not have a maximum number, but its minimum should be approximately 20 (I have known groups half that number) and contributing an agreed minimum amount as agreeable to the members.

Some suggested Uses of Table Banking

- ❖ Funds can be used for business investment, whether to expand an existing business through the purchase of stock, tools or to invest in starting a new business.
- ❖ Buying farm inputs, including fertilizer, seeds and labor for the farm.
- ❖ Sometimes, the loan money can be divided into parts where it is used for different categories, of investment. For example, a person may use the loan primarily for business for farming.
- ❖ It may be used towards a big project like a community facility, community school or digging a borehole etc.

Safety of Table Banking

Table Banking is guided by rules and regulations designed and agreed on by members in their Constitution. Some include how often to meet, with some groups meeting weekly and others monthly. Also decided upon are the loan repayment periods and how members should conduct themselves during the meetings.

Members of the group should be from a similar background and from the same geographical area so they can easily get to know each other and thus encourage trust. Membership is vetted by the initiating group. Defaulting on any payments requires the person to pay an interest agreeable to the group.

Benefits and Effects of Table Banking

- ❖ Group members interact more favorably amongst themselves than they do with non-group members.
- ❖ Ensuring security in food and nutrition, poverty eradication, and improving the wellbeing of their families.
- ❖ It has eased finance accessibility and convenience since the cost is a bit lower than those informal sectors.
- ❖ It enables people to get out of poverty.
- ❖ 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.
- ❖ Can be used by the poor, with low contributions and no need for collateral.
- ❖ It promotes financial inclusion.
- ❖ The close interaction between members fosters an exchange of knowledge and skills concerning making investments.
- ❖ It is a convenient banking option as they are located within communities-easy access and tailored to member's needs.
- ❖ Provides a platform for professional support that will be useful in running their micro and small enterprises.
- ❖ The Table Bank is **group-owned**, thus giving members a sense of pride. Also interest earned from loans still goes back to the group's kitty.

Committee Appointment

The committee consists of members who shall include a Chairperson, Vice-Chairperson, Treasurer and other Committee Members voting at a general meeting.

The Committee shall hold office for a two year term. The outgoing Committee members are eligible for re-election provided that no Committee member shall serve for more than two consecutive terms. However, once a period equal to the time already served (four years) has already elapsed, they may be elected again.

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IMPLEMENTATION CHECKLIST

<u>Step</u>	<u>Notes</u>	<u>Done</u>
<p>Work methodically through each of the steps listed in Module Six and list the issues - and any queries that may need addressing:</p>		
<p>1. Setting up a Table Bank</p> <ul style="list-style-type: none"> • Purpose • Membership • Constitution • Assignment of roles • Frequency of meetings • Selection of Trustees and account signatories 		
<p>2. Running the Table Bank</p> <ul style="list-style-type: none"> • Creation of community banking name • Set up bank account or cash box • Taking of deposits – method • Issuing of loans – selection and methods • Loan documentation 		