International Journal of
Entrepreneurship and Project Management
(IJEPM)

INFLUENCE OF BUDGETING AND DEBT MANAGEMENT LITERACY TRAINING ON FINANCIAL PERFORMANCE OF EQUITY BANK TRAINED WOMEN SELF HELP GROUPS IN MACHAKOS TOWN, KENYA

Charity Mberia and Dr.Kevin Wachira

International Journal of Entrepreneurship and Project Management
ISSN 2518-2838(Online) 2520-9108
Vol.6, Issue 1, No.1. pp 1 - 11, 2021
www.iprjb.org

INFLUENCE OF BUDGETING AND DEBT MANAGEMENT LITERACY TRAINING ON FINANCIAL PERFORMANCE OF EQUITY BANK TRAINED WOMEN SELF HELP GROUPS IN MACHAKOS TOWN, KENYA

[1*]Charity Mberia
Post Graduate Student: Department of Business and Entrepreneurship
South Eastern Kenya University
Charitymberia246@gmail.com; Charity.mberia@yahoo.com

[2]Dr.Kevin Wachira
Lecturer, Department of Business and Entrepreneurship

Abstract

Purpose: The purpose of the study was to find out the influence of financial literacy on budgeting and debt management skills on financial performance of Equity bank trained women self-help groups in Machakos Town, Kenya.

Methodology: The research methodology employed two theories namely; The Bruce Tuckman's Theory of group development and Expectancy Theory. Empirical studies were outlined and existing literature critiqued hence the research gap. The target population was 33 women self-help groups that are registered and trained by Equity Bank. Census sampling design was used for accuracy of the subdivisions of the subdivision and purposive sampling technique was used to calculate sample size because it focuses on particular characteristics of a population. The study used structured questionnaire as its data collection instrument. Analyzed data was presented through graphs and charts.

Results: Findings on budget training established a significant relationship between budget training and financial performance of women self-help groups in Machakos Town, $r=0.255$, $p=0.035<0.05$ indicating that adding a unit on budget training will increase financial performance of women self-help groups in Machakos Town by 0.255 multiple units. Further findings on debt management skills training established a significant relationship between debt management training skills training and financial performance of women self-help groups in Machakos Town, $r=0.600$, $p=0.005<0.05$ indicating that adding a unit on debt management training skills will increase financial performance of women self-help groups in Machakos Town by 0.600 multiple units.

Unique contribution to theory, practice and policy: The study has unique contribution to the existing theories, government policy and financial institution practice.

Key Words: *Budgeting skills, Debt Management skills, Financial Literacy Training, Financial Performance.*

1.0 INTRODUCTION

Women account for half of the world's population (World Bank 2009). They have a critical role in determining economic policy. It is only fair that they contribute to the development of the economy, as they are reliant on it. As a result, in both developed and developing economies, the need for financial literacy among women self-help organizations has been a topic of discussion. It enables women, in particular, to respond effectively to changing personal, social, and economic circumstances, according to Mbithe, Kamundu and Shisia (2015). Financial literacy is thought to be a crucial factor in a company's success or failure. It is, for this reason that we must continue our research targeted at determining the level of financial literacy among local inhabitants, particularly women.

Financial literacy has become a critical life-skill requirement in today's societies due to constant changes in the financial, economic, demographic, and regulatory landscapes, as well as gradual risk transfers to individuals. Financial literacy, according to Mbithe, Kamundu and Shisia (2015), is the acquisition of the required skills and understanding that enable individuals to make competent judgments concerning their financial resources.

Gieslerand and Veresu (2014) define financial literacy as one’s ability to have knowledge of money, how it works in the world, and how to earn and manage it. Nkundabanyanga and Kasozi (2014) described financial awareness as the potential of a person to make wise conclusion and effective decisions regarding the use and management of money. They went on to say that such a person is able to expedite the effective and responsible management of financial matters that is, they are capable of reading, analyzing, managing, and communicating personal financial circumstances that influence the well-ness, and the ability to differentiate viable financial options and discuss financial issues uncomfortably. It has undertaken role in empowering people to make responsible decisions as they endeavor to achieve a sustainable financial state. (Ani, Kelmara, & Wesley, 2016).

Self-Help Groups have played an important role in women’s endowment by making it possible for them to form a team for collective bargain. Because they have minimal economic resources and generally rely on time and non-monetized labor exchange, women’s networks rarely acquire corporate or political benefits. Self-help groups, on the hand, when combined with savings and credit, have enabled women to benefit economically by monetizing their contributions and in the process have empowered them to become change agents. Self-help groups have also aided the building of social capital, which occurs when people learn to work together in a group or organization for a common goal. The ability to associate is determined by how closely societies share rules and values and how well they can put individual interests aside for the good of larger groupings

Equity Bank is one of the financial organizations in Kenya that has been conducting financial literacy trainings. The research narrowed down the study activities in to Machakos Town. The study determined the number of women's self-help groups they had reached out to, as well as their financial performance before and after the trainings. The rise in savings to match budget plans and asset acquisition in their household and businesses were studied to determine their financial performance.

1.2 Statement of the Problem

According to the Equity Bank Group's 2018 financial report, over USD 363 million, or 36.3 billion Kenyan shillings, has been disbursed to over 338,000 women group customers in Kenya as loans since 2007, and 39,070 entrepreneurs have been trained through partnerships with Norfund International Labor Organization, Mastercard Foundation, and Loundin Foundation. The bank has trained over 1.7 million women and youth in financial literacy and money management skills through Financial Knowledge for Africa (FIKA), with loans totaling USD 680 million. The Equity Bank Machakos branch has enrolled and educated 33 women self-help organizations using the Equity Bank Kenya women group lending program. These are active Machakos town women's self-help organization consumers who use the Equity Bank's Machakos branch to save and borrow money.

Equity Bank, through the Equity Group Foundation, introduced financial literacy training in 2010 to improve the financial performance of women self-help group customers. The curriculum trains women self-help group customers on budgeting skills, saving skills, debt management skills, and bank services within twelve weeks after financial facilitation. Many studies have been done in Kenya on financial literacy training for women self-help groups, for example, Mwaniki (2014) found that training in budgeting skills, saving skills, debt management skills, and bank products and services increased the lifespan of women self-help groups and helped members to manage finances better. Empirical studies on the influence of these financial literacy trainings on Financial Performance of Equity Bank Trained Women Self Help Groups is not adequately researched. This study therefore analyzed the influence of training on budgeting skills and debt management skills on financial performance of Equity Bank Trained Women Self Help Groups in Machakos Town, Kenya. The study specifically analyzed how training on budgeting skills and debt management skills influenced financial performance of women self-help groups in Machakos Town. This objective was answered by the following research questions; what is the influence of training on budgeting skills on financial of women self-help groups in Machaokos Town? What is the influence of training on debt management skills on financial performance of women self-help groups in Machakos Town?

2.0 LITERATURE REVIEW

Theoretical Review

Bruce Tuckman's Theory of Group Development

Bruce Tuckman's Theory recognizes the fact that groups do not start off fully formed and functioning, but grow through clearly defined stages from creation as groups of individuals to cohesive task focused teams, Tuckman (1965). Group members get to know one another during the Forming stage, which is the initial stage of self-help groups. They figure out their duties and where they stand in relation to one another. Tuckman also emphasizes how people at this period put their relationships to the test (rivalries begin, etc.). The second stage is the Storming stage, which is characterized by conflict and polarization, as well as the possibility of a revolt against the leader. This is usually a difficult moment for the group, but it is an important step in their growth.

The third phase is the Norming stage, in which members work together to achieve common goals, resulting in Group Cohesion and increased mutual respect. At this point, people feel at ease expressing personal feelings. The fourth stage, Performing, is when roles become more fluid and useful. The group's relationships have stabilized, and the major goal now is to achieve success as a whole. Tuckman and Mary Ann Jensen introduced a fifth stage, Adjourning, in 1977. Self-help groups usually go through all five stages. However, the last stage which is adjourning is not desirable. From this theory, it is clear that the women self-help groups go through the forming stage whereby the women are mobilized to form a self-help group.

This theory fits well with the research because it looks at the aspects that determine the success of women's self-help groups by ensuring that they progress from the Forming to the Performing stages, where they are successful. Tuckman's theory is well-suited to this research since it examines each stage of the influence of Women Self Help Groups on women's financial empowerment, guaranteeing that they progress from the forming to the performing stages in order to empower women in their own initiatives.

2.2.2 Expectancy Theory

According to the expectancy hypothesis, individuals have varied targets and might be more inspired if they have particular anticipations. This hypothesis is about choice and has three components; expectancy, performance and reward. It describes the procedures that specific people go through in order to come up with options. Expectancy theory is an inspiration hypothesis first suggested by Victor Vroom of the Yale School of Management in the field of organizational behavior research. Vroom, believes that, effort, performance and motivation must be related so that an individual can be inspired. Individual elements such as character, competence, understanding and capabilities all have a role in an employees' performance, according to Vroom. The degree of assertiveness in the abilities expected for job execution, the level of backing that may be anticipated from superiors and subordinates, the standard of the materials and equipment, and the ability of necessary information are all elements that can influence an employee's expectation perceptions.

One such management theory that focuses on motivation in institutions is expectation management theory. According to Holdford and Lovelace (2001), intensity of work effort is determined by the belief that one's efforts result in a desired result. Chances and choices are made available by the institutional or macro environment for those entrepreneurs who, once they recognize them help starting or improving their investments and afterwards, their welfare. Small investors' capacity to recognize and take advantage of these chances differs. It also subject on their capacity to obtain details and the desire to act on such information in terms of risk, that is, their attitude (Shane, 2005). Individual characteristics influence the realization of a business opportunity. It also consist of mental and demographic elements like motivations, risk aversion education and training, expertise, age and social status. Business environment variations such as economic, financial, political, legal, and socio-cultural issues have an impact on of opportunity discovery. For example, entrepreneur's income level, cash availability, political certainty, rules governing micro-enterprise and property rights, and the preference for improved social ranks by the entrepreneurs could influence the finding of an entrepreneurial opportunity.

Another stage in the entrepreneurial process is the evaluation of the recognized opportunity and the proper evaluation of an entrepreneurial process of making a decision, the right judgment at this level which leads to exploit the potential (Shane, 2005). The conclusion arrived at in exploiting the opportunity is subject to the purpose of the entrepreneur, and the suitable measure of entrepreneurial decision-making and the consideration which leads to the recognition of entrepreneurial opportunities (Shane, 2005). The entrepreneur's literacy level, understanding or information acquired through work experience, social networks, credit and cost-effective analysis of the business determine how well the opportunity is exploited (Shane, 2005). This theory is quite applicable in this study because women self-help groups are formed by members who are motivated by common set goals and objectives and have common expectation.

2.2 Empirical Review

2.2.1 Budgeting Skills Training and Financial Performance

Ngigi (2017) conducted research on the issue of "Influence of financial literacy training programs on the performance of firms owned by women entrepreneurs in the Equity Bank, Kasarani constituency, Nairobi County." The study's goals were to determine the impact of financial literacy training programs on the performance of businesses owned by women entrepreneurs in Kasarani constituency; to determine how budgeting skills training affects the performance of businesses owned by women entrepreneurs in Kasarani constituency; and to determine how saving skills training affects the performance of businesses owned by women entrepreneurs in Kasarani constituency and to see how debt management training affects the functioning of women-owned enterprises in the Kasarani constituency. Women entrepreneurs' business performance was positively influenced by budgeting skills training, according to the study. The study also discovered that budgeting skills training was critical, since the trained entrepreneurs' revenue increased, their outstanding debt decreased, and their capital base increased. Ngigi (2017) study was carried out in Kasarani constituency, Nairobi County as opposed to the current investigation which was conducted among women groups trained by Equity Bank in Machakos Town, Kenya which is the literature gap filled by the current study.

Mwaniki (2014) conducted another study titled "Influence of financial literacy training on financial performance of Women Self-Help Groups on Equity Bank Isiolo Branch, Isiolo County." The study's goal was to see how financial literacy training affected the financial performance of women customers at Equity Bank's Isiolo branch in Isiolo County. The following objectives guided the study: to determine how budgeting skills training affects the performance of women Self Help Groups customers in the Equity Bank Isiolo branch; to determine how budgeting skills training affects the performance of women Self Help Groups customers in the Equity Bank Isiolo branch; to determine how budgeting skills training affects the performance of women Self; to see how training in saving skills affects the financial performance of women self-help groups in the Equity bank Isiolo branch in Isiolo County; to see how training in debt management skills affects the financial performance of women self-help groups in the Equity bank Isiolo branch; and to see how training on bank products and services affects the financial performance of women self-help groups in the Equity bank Isiolo branch.

The study discovered that budgeting skills training had a good impact on women's self-help groups, as those who were trained managed their finances better, kept a written budget, and made timely financial contributions to the group. The study also discovered that the trained groups had a group budget and project budget ready on time, which aided in resource allocation and increased the group's lifespan. Mwaniki (2014) study was carried out in Equity Bank, Isiolo Branch in Isiolo County as opposed to the current investigation which was conducted among women groups trained by Equity Bank in Machakos Town, Kenya which is the literature gap filled by the current study.

Nduku and Memba (2013) found that budgeting, cash management, savings, and record keeping had a significant impact on the profitability of women-owned businesses in Kitui town, Kitui County, in their study "The role of financial literacy on the profitability of women-owned enterprises in Kitui town, Kitui County." The study's main goal was to figure out how financial literacy affects the profitability of women-owned enterprises. The study's main goal was to figure out how budgeting, cash management, savings, and record keeping affect the profitability of women-owned enterprises. The research was carried out among businesswomen in Kitui, Kenya's Kitui County. A stratified random sampling technique was used to choose a sample of 76 female company owners for the study. The study investigated the characteristics that influence the profitability of women-owned enterprises using descriptive survey research. The data was collected from a sample of selected business women using a self-administered structured questionnaire. The data was coded and entered into a computer to be analyzed. For data analysis, descriptive and inferential statistics were utilized. Women should be trained in financial-related programs, according to the report, in order to improve their capacities. Nduku and Memba (2013) study was carried out in Kitui Town, Kitui County as opposed to the current investigation which was conducted among women groups trained by Equity Bank in Machakos Town, Kenya which is the literature gap filled by the current study.

2.3 Conceptual Framework

Figure 1 shows the relationships among the variables. The independent variables consisted of the budgeting and debt management literacy training. The dependent variable was Financial Performance of Equity Bank Trained Women Self Help Groups.

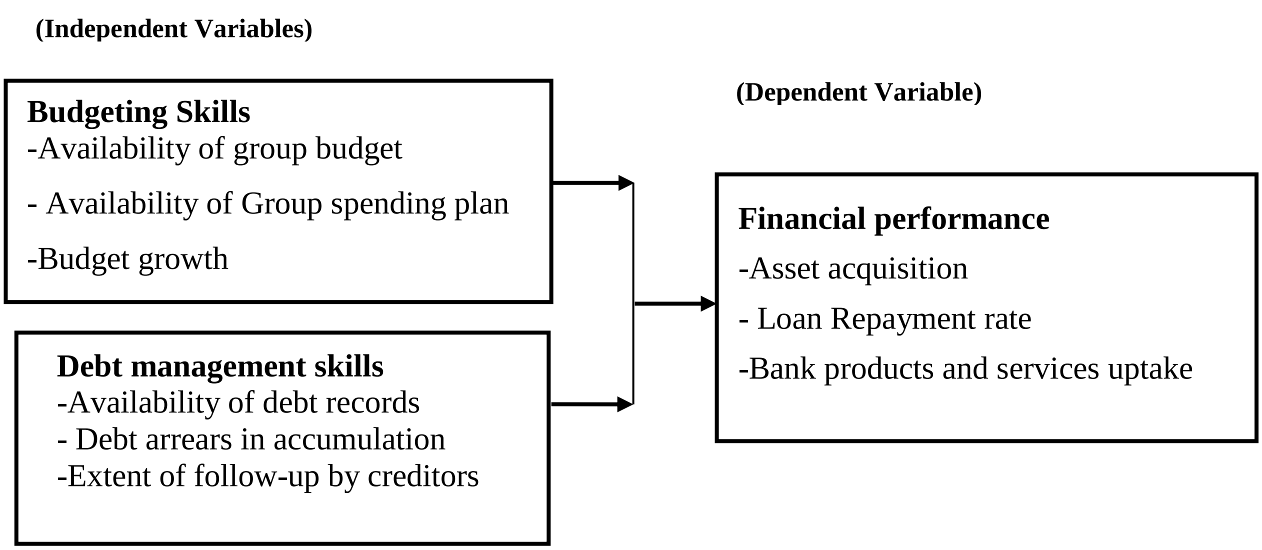

Figure 1: Conceptual Framework

3.0 METHODOLOGY

This study employed a descriptive research design and purposive sampling technique for the officials of the 33 women groups in Machakos Town, Kenya. A questionnaire that was utilized to collect data for the study. It has both open-ended and closed-ended questions. Respondents were able to probe and explain themselves more easily using open-ended queries. For convenience of analysis, closed ended was chosen. The responders were then given questionnaires to fill out. All respondents' privacy was respected. This study used purposive sampling technique. A purposive sampling for the officials of each of the women self-help groups who were the chairperson, secretary and the treasurer. Purposive sampling technique is preferred when studying a specific cultural domain with the competent experts within thus the choice for purposive sampling, Donnella and Arora (2015).

The accuracy of the information gathered was double-checked. The best suited software for evaluating quantitative data was Statistical Package for Social Sciences version 24. Tables, graphs, and charts are used to present the findings. Content analysis was used to examine qualitative data. The following equation was used to assess the relationship between the variables using regression analysis:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where;

Y = Financial performance

α =constant

$\beta_1 \ldots\ldots \beta_4$= Regression Coefficients

X_1= Training on saving skills

X_2= Training on budgeting skills

X_3= Training on debt management skills

X_4= Training on banks products and services skills

ε = the error of term.

4.0 RESULTS

Findings on the respondents' demographic statistics revealed that a majority of the officials of Equity bank trained women self-help groups in Machakos were in the age group of 30-50 years.

Ages of the respondents

Age	Frequency	Percent
20-30 Years	4	4
30-40 Years	33	33
40-50 Years	39	39
50-60 Years	15	15
60+ Years	8	8
Total	99	100

The study also found out that a majority of the respondents' had either secondary or primary school qualifications. This implied that age and the level of education are demographic elements that impact growth and success of women self-help groups.

International Journal of Entrepreneurship and Project Management
ISSN 2518-2838(Online) 2520-9108
Vol.6, Issue 1, No.1. pp 1 - 11, 2021
www.iprjb.org

Respondents' Levels of Education

Level	Frequency	Percent
Primary	31	31
Secondary	51	52
Certificate	3	3
Diploma	9	9
Bachelors Degree	4	4
Postgraduate	1	1
Total	**99**	**100**

Findings on budget training skills established a significant relationship between budget training and financial performance of women self-help groups in Machakos Town. This finding is supported by Ngigi (2017) who established that budgeting skills training was very important as the income generation of the trained entrepreneurs went higher and that the outstanding debt was reduced and capital base increased.

The training on Debt Management Skills helped the women self-help groups in Machakos Town to reduce loan default rates as debt management skills lead to bank repayment schedules. 90% of the respondents reported that training on Debt Management skills negatively influenced the rate of loan defaults among members.The training further led to effective bank schedules for loan repayment, the training further lead to individuals making sure each member paid their loan, the training enabled the groups maintain personal loan payment record for each member and the training also lead to members paying debt on weekly basis**.** Further findings revealed that training on Debt Management skills influenced the rate of loan defaults among members of the groups. (88%) of the respondents reported that the bank rarely followed the members of the groups due to debt owed.The training improved the Women Self-Help Groups' credit graduation rate leading to reduced loan defaulting and therefore leading to improved financial performance.(53%) of the respondents had their credit level increase greatly after training 26% for improved.

4.1 Model Summary

This is a Table that reports the strength of the relationship between the model and the dependent variable. R the multiple correlation coefficients, is the linear correlation between the observed and model predicted values of the dependent variable. Its large value indicates a strong relationship. The R value was 0.468 and the R^2 was 0.22, which indicating a positive correlation. The R^2 value of 22% indicates that 22% of the variance in the dependent variable which is the financial performance in the study could be predicted by the independent variables; saving skills, budgeting skills, debt management skills and bank product services in the study as shown in Table 1.

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468[a]	0.22	0.18	0.53

International Journal of Entrepreneurship and Project Management
ISSN 2518-2838(Online) 2520-9108
Vol.6, Issue 1, No.1. pp 1 - 11, 2021
www.iprjb.org

4.2 Analysis of Variance (ANOVA)

Analysis of Variance is a statistical tool that tells if the dependent variable changes according to the level of the independent variable. Table 2 indicates that the regression model predicts the outcome (dependent) variable significantly with F(6.100), p= 0.000, which was less than 0.05, indicating overall, the model statistically and significantly predicted the outcome dependent variable.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	6.89	4	1.724	6.100	.000[b]
	Residual	24.58	87	0.283		
1	Total	31.48	91			

Predictors: financial performance

The study found that the two financial literacy training variables: budget training and debt management training all had a significant ($p<0.05$) relationship with the financial performance of the Equity Bank trained women self-help groups in Machakos Town. Findings on budget training revealed a significant relationship between budget training and financial performance of Machakos Town women self-help groups ($r=0.255$, $p=0.035<0.05$), implying that adding a unit on budget training will increase financial performance of Machakos Town women self-help groups by 0.255 multiple units. The research question, "How does budgeting skills training influence the financial performance of women self-help groups in Machakos Town?"was answered affirmatively, indicating that the training had a positive impact on the financial performance of women self-help groups in Machakos Town.

Further findings on debt management skills training established a significant relationship between debt management training skills training and financial performance of women self-help groups in Machakos Town, $r=0.600$, $p=0.005<0.05$ indicating that adding a unit on debt management training skills will increase financial performance of women self-help groups in Machakos Town by 0.600 multiple units. The research question, how does training on debt management skills influence financial performance of women self-help groups in Machakos Town? Was answered in affirmative that debt management training skills positively influenced financial performance of women self-help groups in Machakos Town. The final model on influence of literacy training on Women Groups' financial performance is presented as follows and as shown in Table 3.

$$Y = 0.405 + 0.255X_1 + 0.600X_2$$

Table 3: Financial Literacy Training and Financial Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
	(Constant)	0.405	0.516		0.785	0.435
	Budget Training	0.255	0.119	-0.205	-2.141	0.035
1	Debt Training	0.600	0.210	0.275	2.859	0.005

5.0 CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study established that a majority of Women Self-Help Group have been trained on Budgeting Skills although the trainings were not frequent. The training areas included book keeping and budget plans debt repayment as historical data that can be used for budget projections. They also received training on budget plans for intended purposes, budget preparation and cash management skills before taking a loan. Training on budgeting skills was beneficial to financial planning and in managing their finances leading to improved financial performance of women self-help group. The training on budgeting skills was found to be useful to Women Self-Help Group in keeping a written group budget.

The study established that a majority of the Equity bank trained women self-help groups in Machakos Town had access to credit. Training on Debt Management skills by Equity Bank enabled them to access credit as evidenced by the credit graduation levels of the members. Thematic areas on training on the debt management skills provided to the Women Self-help Groups included; training on easy loan repayment ways, training on credit graduation from a lower amount to a higher amount by taking manageable amounts and having a loan repayment plan, saving for an intended purpose loan and timely loan repayment.

Recommendations

The study recommends that Kenyan government policies on women's welfare should include group financial literacy training to raise awareness of company growth and development among Kenyan women's groups. Aside from debt management, budgeting skills, savings skills, and bank goods and services training, which the current study addressed, the policy should incorporate cross-cutting problems such as gender and other women-owned businesses, in addition to the WSHG, into the training curriculum. Secondly, the study recommends that Women Self Help Groups should embrace the skills they are trained on, by adopting an uptake culture so as to optimize the benefits acquired through the skills so as to strengthen their financial performance. Other banks should also offer financial literacy training programs to informal groups such as Women Self Help groups and other forms of organized welfares so as to help curb financial challenges they face in their entrepreneurial endeavors. Banks should also consider training programmes as a continuous requirement for informal groups and other customers in need of the training.

REFERENCES

Ani, C. G. P., Kelmara, M. V. & Wesley, M., (2016). Development of a financial literacy model for university students. *Management Research Review*, *Emerald Group Publishing*, 39(3), 356-376.

Giesler, M. & Veresu, E. (2014). Market-Mediated Multiculturation: the Institutional Shaping of the Ethnic Consumer Subject. *Journal of Consumer Research*, 41 (3), 840-857.

Lusardi, A. (2012). Numeracy, Financial Literacy, and Financial Decision-Making, *Numeracy*, Vol. 5(2).

Mbithe, P.M., Kimundu, G.M. & Shishia, A. (2015). Assessing the accessibility of government loans to women owned SMEs in Machakos County, Kenya. *International Journal of Economics, Commerce and Management*, 3(12).

Mitchelmore, S. and Rowley, J. (2010). *Entrepreneur competencies*: A literature review and development agenda. *International Journal of Entrepreneur Behaviour &Research*.

Mwaniki, (2014). *Influence of financial literacy training on financial performance of Women Self Helps on Equity bank customers Isiolo Branch, Meru County*.

Nduku, P.K. & Memba, F. (2015). The Role of Financial Literacy on the Profitability of Women Owned Enterprises in Kitui Town, Kitui County, Kenya. *Financial Engineering*, 4(6).

Ngigi, M.J.M. (2017). *Influence of financial literacy training programs on performance of business owned by women entrepreneurs: a case of Equity Bank in Kasarani constituency, Nairobi County, Kenya*. Unpublished Thesis, University of Nairobi, Kenya.

Nkundabanyanga, S. K., & Kasozi, D. (2014). Lending terms, financial literacy and formal credit accessibility. *International Journal of Social Economics*, 41(5), 342–361.

Shane, S. (2005). A general theory of entrepreneurship: The individual-opportunity nexus. UK: Edward Elgar.

Van Raaij, W. F., Antonides, G. & de Groot, I. M. (2008). *Financial Capability, Motivation and Behaviour.* Proceedings of the 33rd IAREP/SABE World Meeting, Roma, 2008.

World Bank (2012). World Development Report 2012: *Gender Equality and Development* World Bank.