

Micro and Small Enterprises (MSEs) promotion in Kenya is a viable and dynamic strategy for achieving National goals such as poverty alleviation. In recent years the sector has gained widespread recognition. However, the sector has continually faced several constraints to growth and development. One of them being financial due to limited access to credit facilities. A number of informal micro-finance institutions have come to the rescue of MSEs in access to credit. One such institution is Rotating Savings and Credit Associations (ROSCAs). ROSCA is an indigenous organization of a group of people who make regular contributions to a fund, which in turn is given in whole or in part to each contributor in rotation.

The purpose of this study was to examine the impact of ROSCAs on the growth of Micro and Small Enterprise in Nairobi. Though the number of ROSCAs is generally on the increase among citizens, little research has been done on their impact on the growth of MSEs. The study is important because the findings will provoke interest and encourage the various stakeholders to provide an enabling environment for the growth of the sector.

The study is descriptive survey that sought to evaluate the impact of this type of credit to growth of MSEs. It was conducted in Nairobi and selection of the sample, involved a combination of techniques, viz. cluster, stratified random sampling, simple random, and snowballing. A sample size of 130 MSEs and seven, ROSCA groups were selected. Data was collected through personal interviews in case of individual enterprise owner-manager, and direct administration in case of ROSCA groups leaders. In addition to ROSCA - member enterprises interviewed, 49 nonmember enterprises were also interviewed to establish reasons why they have not joined or formed ROSCAs. Both qualitative and quantitative data were collected. Descriptive statistics, with in-depth content analysis, were summarized under common themes and presented in form of tables, frequencies and percentages.

The findings indicated that ROSCA credit was mainly used in the following areas: buying stock (82% of the respondents), buying assets (62%) and domestic activities (58%). As a result of credit intervention, respondents reported improvement in income, with a positive change ranging from 8% to 500% increase with an average of 115.3%. Other changes included savings (82.3%), sales (57.7%), assets/stock (54.6%), market skills (52.3%) and employing more workers (46.2%). Management practices and working capital also improved.

The enterprises registered a minimal horizontal expansion through opening of new enterprises and business diversification. Only 11.5% of the respondents reported opening new branches on acquiring loans from ROSCA groups. However, no enterprise reported vertical growth, i.e. none changed from micro to small, or small to medium. Other changes reported included improvements in entrepreneurial skills, networking, and family welfare, among others. Nevertheless the enterprises reported a number of constraints, which may have contributed to minimal growth in the enterprises. These included limited amount of working capital, lack of suitable premises, economic uncertainties, lack of adequate equipments for manufacturing enterprises, and socio- political factors, among others. The main reasons given as to why some enterprise owners did not join or form ROSCAs include conflicts, gossips, small loans and negative attitudes. Some respondents, especially men, said that ROSCA micro-finance is highly for women.

In conclusion, the ROSCA micro-finance system / network were found to be effective in assisting the Micro and Small Enterprise to progress and reach some measure of growth. It is therefore recommended that ROSCA groups should be supported and strategically used to promote self-reliance and to help the economic viability among the individuals who source this

type of credit. Aggressive dissemination of information regarding ROSCAs as a source of credit should be done in order to promote this type of microfinance.