

A close-up photograph of a person's hands holding a white piggy bank. The person is wearing a dark suit jacket and a light-colored shirt. The piggy bank is a simple, stylized design with two small black dots for eyes and two vertical lines for a snout. The hands are positioned in the center of the frame, with the piggy bank resting in the palm. The background is a blurred, dark grey or black color.

## **State of Chama in Kenya:**

Channel of Micro Small Enterprise intervention

The Kenyan SME sector continue to play an important role in the economy in terms of both contribution to GDP as well as employment at 33% and 35% respectively (KNBS).

Covid-19 has had negative impact on the Kenyan economy with SME bearing the full brunt. The Kenyan government put forth two economic stimuluses towards the private sector in general and SMEs in specific especially to arrest liquidity challenges.

Although these measures are commendable; they run the risk of intervention-target mismatch underpinned on the fact that the intervention may have the intended effect on formal SMEs and not reach majority of SMEs 79% of whom are informal, 81% being micro and small with annual turnover of below Ksh 5 M.

Studies done by Viffa Consult indicate that a majority of micro, small enterprises in Kenya are members of chama groups a platform that plays multiple roles of; source of business finance, market intelligence, information sharing, mentorship, social safety net as well as insurance among others.

These MSE chamas are either registered as self-help groups, cooperatives or unregistered with government but attached to other institutions such as churches, NGOs, Civil Society and Financial Institutions for various purposes.

Viffa conducted an exploratory study through a survey between May 28th and June 6th 2020 with the objective to;

1. Establish sector composition of these Micro Small Enterprises chama groups
2. Establish nature of operation and registration mode
3. Establish the effect of Covid 19 on micro small enterprises
4. Establish proposed appropriate intervention

The study seeks to add to existing body of knowledge on SMEs as well as inform government and development partner SME intervention during and after covid 19 pandemic

## Study Methodology

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### Data Collection tool

Survey Questionnaire  
Telephone interviews

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### Sample Size

100 Chama groups

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### Sampling methodology

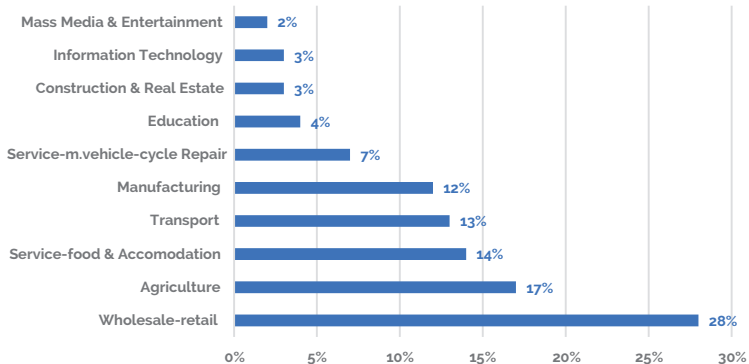
Sample were clustered into Machakos, Kajiado and Nairobi  
Random sampling for MSE chama within each county

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# Study Results

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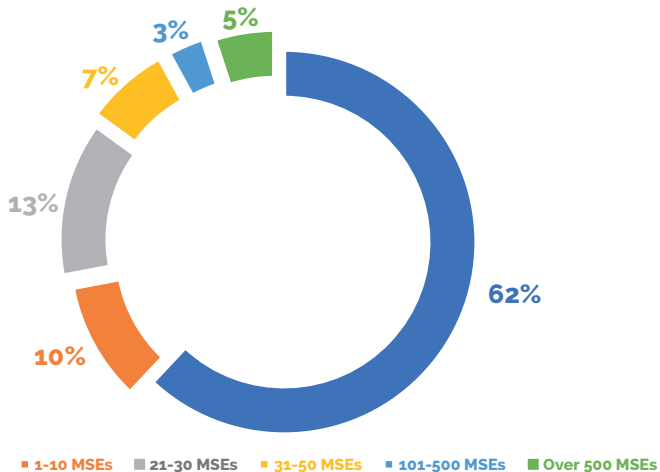
## 1-Micro Small Sector distribution in chama group



**Table 1:** MSE Sector distribution in chama group

**Analysis:** Viffa Consult

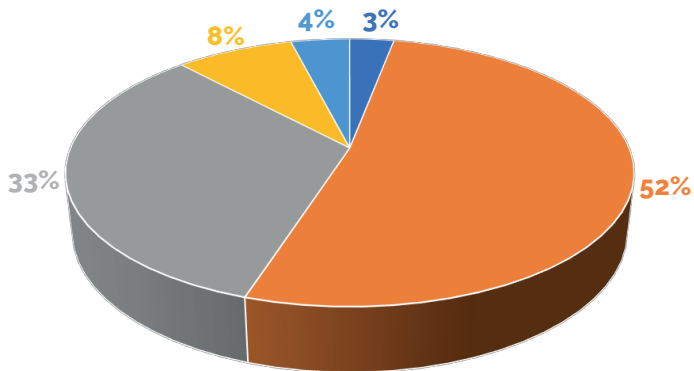
## 2-Number of members in chama group



**Chart 1 :** Number of MSE members in chama group

**Analysis:** Viffa Consult

### 3-Age distribution of MSE owner

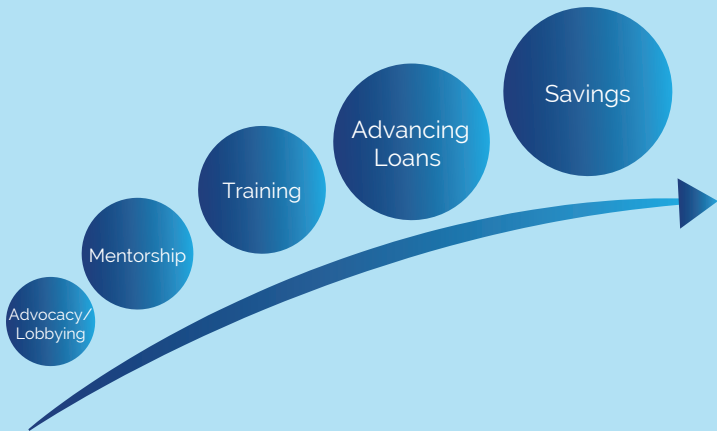


■ 18-25 Years ■ 26-35 Years ■ 36-45 Years ■ 46-50 Years ■ Over 50 Years

**Chart 2:** Age distribution of MSE owner

**Analysis:** Viffa Consult

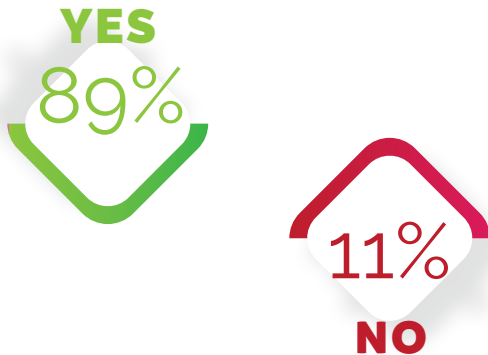
## 4-Role of MSE chama group



**Illustration 1:** Role of MSE chama group

**Analysis:** Viffa Consult

## 5-Registration status of Chama with registrar of societies or company registrar

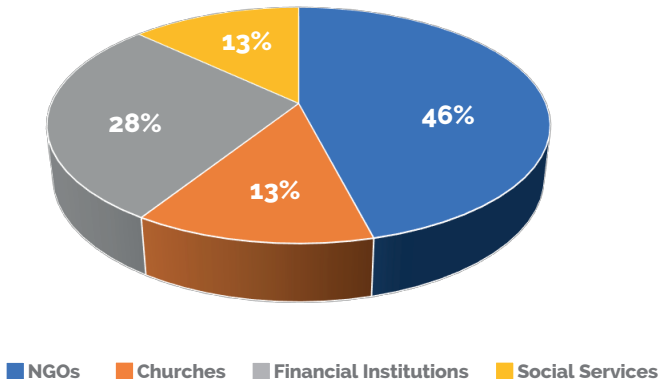


**Illustration 2:** Registration status of chama with registrar of societies/company registrar

**Analysis:** Viffa Consult



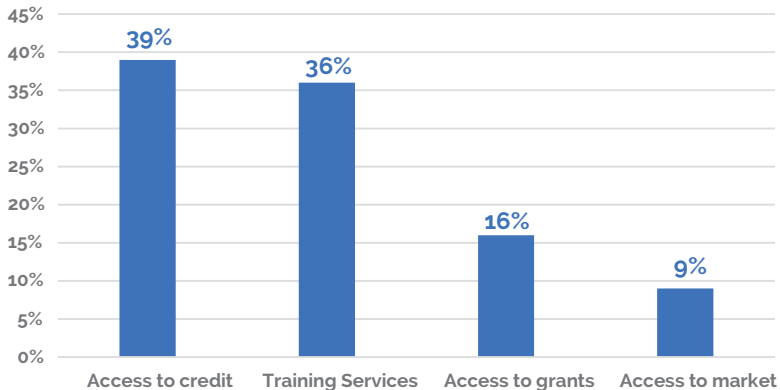
### 3-Age distribution of MSE owner



**Chart 3:** Institutions that MSE chama are registered

**Analysis:** Viffa Consult

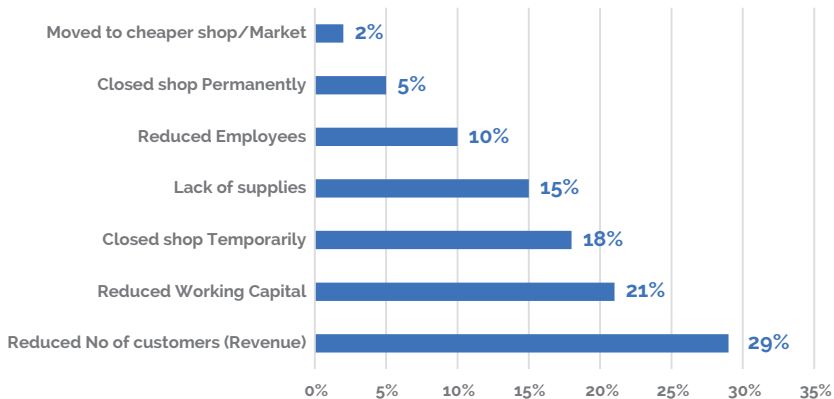
## 7-Reasons for registration with above institutions (Table 6)



**Table 2:** Reasons for registration of chama with Institutions in table 6

**Analysis:** Viffa Consult

## 8-Effect of Covid 19 to MSE members



**Table 3:** Effects of Covid 19 to MSE

**Analysis:** Viffa Consult

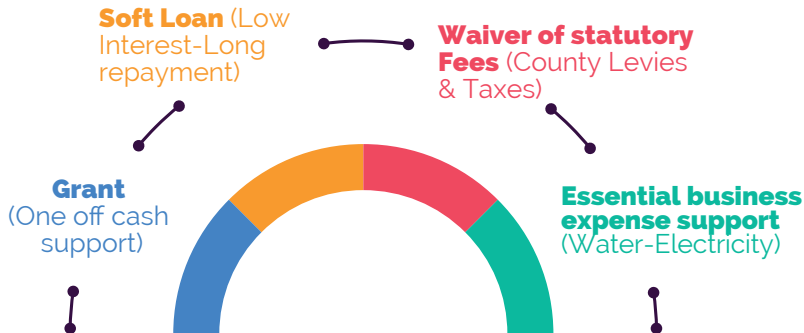
## 9-Location of chama funds



**Illustration 3:** Location of Chama funds

**Analysis:** Viffa Consult

## 10-Intervention needed by MSE members by government and other development partners



**Illustration 4:** Government-Development partner MSE pandemic intervention

**Analysis:** Viffa Consult

MSEs in Kenya traditionally have been closing at an average rate of 75% within 3 years (KNBS 2016). With the advent of Covid 19, the death rate of SMEs has significantly increased hence require urgent and targeted intervention.

Based on the study; Viffa proposes the following intervention to MSEs in Kenya by government and other SME development stakeholders;

- 1. Establishment of a national SME Intervention steering committee. The committee will bring together SME stakeholders and would help synergistically coordinate all SME intervention**
- 2. Mapping of MSE chama groups registred in the following data bases; Registrar of societies, NGOs (Focused on entrepreneurship, economic empowerment as core or as a program), Churches, SACCOs, Financial institutions (banks and Micro Finance Institutions) and social services**
- 3. Establishment of a 3-week standardised entrepreneurship program for MSEs that will be decentralised through the various institutions where SME chama are registered with for forward training of SMEs through the chama group (This practice is widely used by micro finance institutions and NGOs)**
- 4. Government financial stimuli to MSEs channelled through institutions with whom MSE chama's are registered with for onward lending to MSEs either as grant or soft loan**
- 5. Government waiver of county levies and fees**
- 6. Affirmative action of allocating a percentage of national gross import of Rice and Wheat (Top food import according to KENTRADE) to small holder MSE farmers as well as furniture (Top government import according to data from central bank of Kenya) to MSE in manufacture of furniture**



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