

## ABSTRACT

Small and Medium Scale Enterprises are a major force in the Economic Development of a country since they play a role in employment creation and also GDP growth. MSEs Sector comprises 98% of all businesses in the country, employs more than 4.6 million people (30%) and accounts for 18.4% of the country's Gross Domestic Product (GDP). However, most small-scale businesses are not able to get loans from the formal financial institutions due to stringent regulations and requirement for collateral which most of them do not have forcing them to look for alternative means of acquiring finance through the informal money lending institution of which self-help groups are part. The self-help micro credit groups' main role is to foster financial inclusion through providing small scale business owners easy access to finances without restrictions to help them expand the sizes, numbers and profitability of their businesses, but despite this most businesses are collapsing or stagnating after two to three years of inception. Therefore, the purpose of this study was to determine the role of self-help micro credit groups on growth of small and medium sized investments in Kisii town, Kenya. The specific objectives were to establish the extent to which self-help micro credit groups influence number of investment units, determine the contribution of self-help micro credit groups on investment growth and investigate the role played by self-help micro credit groups on level of profitability. The theoretical framework was anchored on the Neo-Classical theory of investment. Descriptive research design was used in the study targeting a population of 4,370 general traders in the MSE sector upon which a sample size of 353 was drawn. Cluster random sample selection technique was used to access the sample size. Structured questionnaires and secondary data were used to get data. Instruments validity was assessed through peer review and experts judgment, while reliability was ascertained using a test re-test technique. Data was analyzed using descriptive and inferential statistics. The results show that: All the variable means are above 3.0 meaning all the variables were statistically significant. From inferential analysis  $R^2$  was 73.1% showing that Self-help groups had a positive and significant influence on number of investment units; size of investment units and level of profitability for SMEs in Kisii town., this means that 73.1% of size of investment, number of investment and profitability is explained by self-help groups. The study thus recommends that: The traders should continue to invest strategically to their businesses to improve both the number and the sizes of their investment units. The small and medium scale owners should transform their self-help groups to fully-fledged investment organization and build on the need for accumulation as opposed to simply rotational savings which are mainly consumptive. The management of self-help groups must include more products to their repertoire to harness the huge mass of small and medium scale businesses and build an alternative banking system. The government should enact legislation which regulates the informal and alternative banking industry like self-help groups