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Determinants of crowdfunding adoption among small and medium-sized enterprises in Nairobi City: the moderating role of firm size.

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DETERMINANTS OF CROWDFUNDING ADOPTION AMONG SMALL AND MEDIUM-SIZED ENTERPRISES IN NAIROBI CITY: THE MODERATING ROLE OF FIRM SIZE

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DECLARATION

I affirm that this work has not been submitted or accepted for a degree award by this or any other institution. To the best of my understanding and belief, the document doesn't contain any previously published or written content, with the exception of the research concept itself, where appropriate citations are made.

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DEDICATION

I advocate this work to my family, whose support, inspiration and encouragement – both financial and spiritual – have been invaluable during my academic journey. I express my heartfelt appreciation to my supervisor, Dr. Tabitha Njuguna, for her unwavering support, guidance and patience. Additionally, I am deeply grateful to my business partners and friends from both my organization and the university. May the Almighty Lord bless you all abundantly.

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ABSTRACT

While crowdfunding is a potentially viable and attractive option to get funding, its acceptance and adoption is low among Kenyan small medium enterprises. Therefore, the main objective of this research was to establish the factors that influence the adoption of crowdfunding as a viable financing option for SMEs in Nairobi City, Kenya. The specific objectives were to determine the influence of regulatory support, practical viability, knowledge and infrastructural support on the adoption of crowdfunding as a source of financing by SMEs in Nairobi City. The study also sought to examine how firm size influences the relationship between key determinants and the adoption of crowdfunding among SMEs in Nairobi City County. This study was anchored on the Unified Theory of Use and Acceptance of Technology (UTAUT) and the pecking order theory. The methodology for the proposed study was guided by the positivism philosophy. The study adopted a descriptive cross-sectional research design. The target population consist of 21,100 registered SMEs in Nairobi's CBD Stratified random sampling was utilized in the selection of 392 small medium enterprises. Primary data was gathered using a structured questionnaire that was self-administered through a fill and wait method. To enhance validity, a pilot study and an expert review was carried out. For this study, the Cronbach's alpha cutoff value that was adopted is <0.7. The data obtained from questionnaires was coded and entered into the SPSS. Descriptive statistics, including mean and standard deviation, was used to describe the data. Inferential analysis, using binary logistic regression, was used to examine the association between the dependent and independent variables. The findings of this study offered insights into the barriers and enablers of crowdfunding adoption, offering practical recommendations for policymakers, regulators, and SMEs to enhance crowdfunding uptake as a financing alternative, thereby fostering small medium enterprises' growth and innovation in Nairobi City County. The study established that regulatory support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. In addition, the findings showed that knowledge has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. Moreover, the study established that infrastructure support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. However, the study revealed that practical viability does not have a significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. Also, the study found that firm size has a positive and significant moderating effect on the relationship between regulatory support, knowledge, infrastructure support, and the adoption of crowdfunding among SMEs in Nairobi City County. Therefore, the study recommends that SME owners and managers should enhance their understanding of crowdfunding and financial literacy through educational programs, focusing on campaign creation and financial management. They should also improve digital skills and engage with crowdfunding platforms offering robust technical support. By leveraging their firm's size and assets, SMEs can enhance their attractiveness to investors and improve crowdfunding adoption. Crowdfunding platforms should provide accessible educational resources, such as tutorials and webinars, to boost entrepreneur confidence. Policymakers should simplify the regulatory framework, enforce stronger privacy regulations, and improve oversight to build trust and encourage crowdfunding adoption.

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ABBREVIATIONS AND ACRONYMS

CMA	Capital Markets Authority
GDP	Gross Domestic Product
ICTs	Information and communication technologies
MSEA	Micro and Small Enterprise Authority
MSMEs	Micro, small and medium sized enterprises
NACOSTI	National Commission for Science, Technology & Innovation
NGOs	Non-governmental organizations (NGOs
SMEs	Small and Medium Sized Enterprises
SACCOs	Savings and credit cooperative societies
SU-ISERC	Strathmore University Institutional Scientific Ethics Review Committee
SPSS	Statistical Package for Social Sciences
UTAUT	Unified Theory of Use and Acceptance of Technology

DEFINITION OF KEY TERMS

Crowdfunding

It is a method of raising funds by pooling small contributions from a large number of people, typically via online platforms, to support ventures such as startups, small and medium-sized enterprises (SMEs), projects, or social initiatives, often offering contributors equity, products, or other incentives (Ismaila, 2023).

Crowdfunding Adoption

Crowdfunding adoption is defined as intending, predicting and planning to raise capital using a crowdfunding platform (Islam & Khan, 2021).

Firm Size

The term "firm size" describes the scope of an organization's activities, usually as shown by its total assets, revenue, or workforce (Rahman & Yilun, 2021).

Infrastructural Support

Infrastructural support refers to the availability of support for users of a new concept or technology, especially in terms of the adequacy of information technology infrastructure and support from crowdfunding platforms (Meghouar et al., 2023).

Knowledge

This refers to the level of familiarity and awareness that people have regarding crowdfunding (Adjakou, 2020). It denotes the awareness of these platforms as well as the self-efficacy to use them (Adjakou, 2020)

Practical Viability

Practical viability is defined as the extent to which crowdfunding is perceived as a feasible alternative source of financing when compared to other forms of alternative financing and traditional financing sources (Baber, 2021).

Regulatory Support

Regulatory support generally refers to the existence of government policies that encourage entrepreneurs to adopt crowdfunding, laws to address privacy and security concerns in crowdfunding, and government incentives for using crowdfunding (Meghouar et al., 2023)

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Financial resources are crucial for enterprises to start, sustain, and grow, with funding available from both traditional and alternative sources (Schmitz, 2016). Traditional financing, like bank loans, trade credit and government grants has become more competitive due to the increasing number of businesses seeking funding (Ayres, 2022). However, these sources often require strong credit histories and stringent qualifications, which can be challenging for early-stage SMEs (Schmitz, 2016). As a result, alternate forms of funding, like peer-to-peer lending, venture capital, crowdfunding, invoice financing, and merchant cash advances offer more flexible, accessible funding solutions (Ayres, 2022). These alternatives typically have quicker approval processes and fewer restrictions, making them suitable for businesses struggling with traditional financing requirements (Zogning, Bityé & Emile, 2022). In addition, alternative financing can be tailored to specific business needs, further enhancing financial accessibility for SMEs (Schmitz, 2016).

Crowdfunding is the process of generating money through several people's modest donations, usually through internet platforms, and has rapidly grown as an alternative financing source, with global revenues rising from $0.9 billion in 2010 to $57.33 billion in 2023 (Shneor & Vik, 2020; World Bank, 2023). Although crowdfunding grew exponentially between 2010 and 2015, its growth slowed from 2016 to 2019, before peaking at $60.27 billion, then experiencing a decline during the COVID-19 pandemic (Chang, 2020). Advances in technology have made crowdfunding attractive due to lower capital costs and enhanced customer engagement (Schmitz, 2016; Ayres, 2022). However, adoption among SMEs faces barriers in countries like China, Indonesia, Bangladesh, and Pakistan, with challenges such as inadequate infrastructure, limited awareness, and investor inexperience, while trust, credibility, and social influence remain critical factors shaping crowdfunding’s potential (Liu, Ben, & Zhang, 2023; Khizar & Siddiqui, 2021).

Crowdfunding in Africa is still in its early stages but holds potential, particularly for entrepreneurs and small businesses without access to traditional financing (Kazaure & Zawawi, 2020). Funding volumes have rose from $1.1 million in 2018 to $1.37 million in 2023 (World Bank, 2023). While internet penetration, mobile technology, and digital payments offer opportunities for greater

accessibility, challenges like limited internet, low awareness, and lack of regulatory frameworks persist (Aladejebi, 2020). In Nigeria, demand for alternative financing drives growth, though trust issues, weak regulations, and low financial literacy remain barriers (Zawawi & Hamzah, 2021). East African countries like Ethiopia, Rwanda, and Tanzania have seen steady growth, with Tanzania benefiting from new regulations. However, challenges such as infrastructure and trust issues remain, but crowdfunding is set for further growth with stronger legal frameworks and local initiatives (Marko & Kibona, 2023; Abdallah & Kajuna, 2023).

Crowdfunding in Kenya has emerged as a promising tool for financing various projects, with notable fluctuations in funding volumes from 2018 to 2023. Starting at $190.70 thousand in 2018, it rose to $268.40 thousand in 2020 before experiencing a slight decline in 2021, likely because of the effects of the COVID-19 pandemic. By 2022, the amount increased to $327.90 thousand but slightly dropped to $297.20 thousand in 2023, indicating continued interest despite external factors like economic conditions and investor sentiment (FSD Kenya, 2020; Kazaure & Zawawi, 2020). Mobile money platforms like M-Pesa have played a significant role in facilitating crowdfunding, with local platforms such as M-Changa and Fundi supporting fundraisers (Mchanga-Africa, 2024). However, challenges like low awareness, trust issues, and lack of regulation hinder broader adoption, though the government is gradually recognizing the sector's potential (Matanji, 2019; Kiende, 2021).

Despite the growing recognition of crowdfunding as a financing tool, several knowledge gaps persist. There is confined study on the specific barriers to crowdfunding adoption, especially in developing countries. While trust and regulatory challenges are acknowledged in Nigeria, Tanzania, and Kenya, their interactions and exact impact on crowdfunding remain unclear (Zawawi & Hamzah, 2021; Abdallah & Kajuna, 2023). Additionally, in countries like Bangladesh, Pakistan, and China, the factors influencing full adoption among SMEs are not well explored (Khizar & Siddiqui, 2021; Liu et al., 2023). Another gap is inadequate comprehensive studies on the efficiency of government policies in fostering crowdfunding growth. For instance, in Tanzania and Kenya, research on policy frameworks and their role in promoting crowdfunding remains insufficient (Matanji, 2019; Abdallah & Kajuna, 2023). Addressing these gaps is crucial for enhancing crowdfunding adoption.

1.1.1 Crowdfunding Adoption

Several definitions of crowdfunding have been proposed considering the growing scholarly interest. As stated by Hossain and Oparaocha (2017), crowdfunding is the use of public donation to access financing for new ventures. Belleflamme et al. (2013) defined crowdfunding as making an open call, via the internet, requesting for financial resources either through donations or in exchange of some reward, such as providing the future product or in exchange for equity. Crowdfunding has also been defined as the process of raising capital for a venture by pooling financial resources from many people via the Internet (Schmitz, 2016). Ayres (2022) considered crowdfunding as a form of an open digital financial innovation, via the internet, designed to make financing available through donations or in exchange of some remuneration to support a venture or a project.

As observed by Hervé and Schwienbacher (2019), define crowdfunding as a way of financing projects by gathering small funds from a large number of people, typically through internet-based platforms, enabling entrepreneurs to obtain capital for startups or other business endeavors without relying on traditional financial intermediaries. In addition, Cumming (2020) define crowdfunding as a technique for raising money by combining the efforts of many people, particularly from the online crowd. This model emphasizes social connections and the sharing of resources for funding new ventures and creative projects. For this study, crowdfunding was defined as an internet-based alternative source of financing for businesses that involves raising small amounts of capital from a large pool of people in exchange for some form of remuneration, such as equity stake in the business.

The concept of crowdfunding adoption has been defined differently in the literature. Marko et al. (2023) measured the adoption of crowdfunding in terms of the intention to use crowdfunding in Tanzania. In addition, Baber (2021) operationalized crowdfunding adoption in terms of the intention to use this form of funding, which was measured using these indicators – feeling satisfied after using crowdfunding platforms, desire to use crowdfunding in the future, and preference for crowdfunding over traditional sources of financing. In addition, Adjakou (2020) measured crowdfunding adoption using the perceptions of entrepreneurs in terms reducing the cost of credit, increasing the availability of funding, promoting entrepreneurship, and promoting investment.

Islam and Khan (2021) measured crowdfunding adoption using behavioral intention and use behavior while Wachira and Wachira (2021) conceptualized crowdfunding adoption in terms of raising targeted amounts. For the proposed study, the measures that were used for crowdfunding adoption are intent to adopt crowdfunding and use of crowdfunding. Intent to adopt crowdfunding refers to the willingness or plan of an individual or organization to use crowdfunding as a source of financing in the future, often influenced by factors like perceived benefits, ease of use, and trust in the platform (Baber, 2021). Use of crowdfunding refers to the actual engagement with crowdfunding platforms, such as launching a campaign or contributing funds, based on previous experiences, financial needs, and the perceived success of the platform (Adjakou, 2020).

Despite the growing popularity of crowdfunding as an alternative financing mechanism globally, its adoption among SMEs in developing countries remains significantly low. Globally, only 10% of SMEs are currently using crowdfunding, and just 20% have the intention to use it in the future, while a striking 80% have no intention of adopting it at all (Fernando & Pretheeba, 2024). This slow uptake is particularly problematic given the financing challenges that SMEs in these regions often face due to limited access to traditional credit facilities. Studies such as those by Baber (2021) and Adjakou (2020) have emphasized that while crowdfunding has the potential to reduce financing costs and increase access to capital, many SMEs in developing countries are not fully utilizing it. One of the key underlying factors contributing to this problem is the low level of financial education among SME owners and managers, which affects their understanding, trust, and capacity to engage effectively with crowdfunding platforms (Khizar & Siddiqui, 2021). As such, this study focuses on the determinants of low rate of crowdfunding adoption among SMEs.

1.1.2 Determinants of Adoption of Crowdfunding

In literature, numerous factors have been shown to affect the crowdfunding adoption by entrepreneurs. A study by Meghouar et al. (2023) identified key motivations for crowdfunding adoption among Moroccan micro-entrepreneurs, comprising achievement, financing needs, networking, marketing enhancement, and seeking legitimacy. In addition, Marko et al. (2023) identified environmental factors that influenced the adoption of crowdfunding, which included competitive pressure, client readiness, supplier support and regulatory support. Baber (2021) identified the characteristics of crowdfunding platforms as determinants for their adoption, especially their perceived usefulness and perceived ease of use in Malaysia. Moreover, Doce and

Ching (2021) reported that widespread adoption of crowdfunding in Philippines is hindered by the lack of legal support regarding the crowdfunding processes as well as lack of awareness and familiarity with crowdfunding.

In Africa, various factors influence the adoption of crowdfunding, including the regulatory environment, trust in platforms, and technological barriers (Ismaila, 2023). Other key determinants are environmental factors such as industry and government pressures, data privacy concerns (disclosure of personal projects), and the financial capabilities of entrepreneurs, including financial education and behavior (Adjakou, 2020). Additionally, technological factors like accessibility, complexity, compatibility, and implementation costs are positively correlated with crowdfunding adoption in Benin. In Tanzania, crowdfunding adoption is shaped by factors such as awareness, IT infrastructure, social structures, and legal frameworks (Kajuna & Abdallah, 2023). For the proposed study, the measures that were used as determinants of crowdfunding adoption are regulatory support for crowdfunding, practical viability of crowdfunding, knowledge of crowdfunding, and infrastructural support for crowdfunding.

Regulatory support plays a pivotal role in shaping the adoption of crowdfunding by providing legal clarity, investor protection, and platform accountability. Globally, mature markets like the United Kingdom and the United States reveal that well-established regulatory frameworks have contributed significantly to the growth and institutionalization of crowdfunding, whereas countries with emerging regulatory systems such as India experience lower uptake due to legal uncertainties (Ridley, 2016; Ashta, 2018). In Tanzania, regulatory support was found to be a significant predictor of crowdfunding adoption among microfinance institutions (Marko et al., 2023). In Benin and Nigeria, Adjakou (2020) and Sulaiman et al. (2021) emphasized the role of regulatory frameworks, including licensing, consumer protection, and cybersecurity, in facilitating or hindering adoption. In Kenya, the regulatory environment has made strides with the 2022 Capital Markets Authority's Investment-Based Crowdfunding Regulations, which outline key provisions on platform licensing, investor eligibility, and stakeholder protection (Wakiaga, 2024).

Practical viability refers to the extent to which crowdfunding is perceived as a functional, accessible, and reliable financing alternative by entrepreneurs, particularly in resource-constrained environments. Globally, studies such as Baber (2021) and Islam and Khan (2021) highlight that perceived usefulness, ease of use, trust, and performance expectancy are key dimensions shaping

the viability of crowdfunding platforms. In Asian contexts like Malaysia and Bangladesh, entrepreneurs consider crowdfunding practical when it offers simplicity, trust, and social endorsement, aligning with constructs from the UTAUT framework (Fanea-Ivanovici et al., 2021). In Sub-Saharan Africa, research from Ghana and Nigeria consistently shows that perceived usefulness and ease of use enhance adoption intentions, affirming the importance of these practical considerations (Djimesah et al., 2022; Kazaure et al., 2020). Locally, in Kenya, studies by Musa (2022) and Kibicho and Mungai (2019) confirm that practical viability is moderated by digital access, perceived risk, and regulatory support, making it a critical factor in shaping SME decisions to adopt crowdfunding over other financing alternatives.

Entrepreneurs' knowledge refers to the awareness and understanding of crowdfunding platforms and how to effectively use them for financing business ventures. Globally, studies have shown that knowledge significantly influences the adoption of crowdfunding. For instance, in Portugal, Bernardino and Santos (2020) found that while young entrepreneurs had moderate knowledge of crowdfunding, their awareness positively influenced adoption intentions, as they also identified benefits such as broader market outreach and customer feedback. In Nigeria, Kazaure et al. (2020) found that awareness of crowdfunding had a positive effect on SMEs' intention to use it as a financing option. In Tanzania, Abdallah and Kajuna (2023) established that education, training, and subjective norms significantly improved awareness, which in turn positively affected adoption intentions. In Kenya, Onyango (2018) found that lack of awareness and understanding of crowdfunding platforms hindered the uptake of this financing model among MSMEs. FSD Kenya (2020) similarly noted that traditional financing methods still dominate due to limited awareness and low levels of financial literacy regarding alternative sources like crowdfunding.

Infrastructural support refers to the technological and physical resources required to facilitate the successful adoption and operation of crowdfunding platforms. Globally, the effectiveness and accessibility of crowdfunding depend significantly on the availability of robust technological infrastructure. In Bangladesh, Islam and Khan (2020) found that limited infrastructural support, including inadequate financial and legal frameworks and restricted inbound-outbound money transfer systems, was a major barrier to crowdfunding adoption. Similarly, in Romania, Fanea-Ivanovici et al. (2021) reported that facilitating conditions, including technology and institutional support, positively influenced entrepreneurs' intentions to adopt crowdfunding. In Tanzania,

Abdallah and Kajuna (2023) established a positive relationship between perceived information technology infrastructure and entrepreneurs' intentions to adopt crowdfunding. In the local Kenyan context, Vries (2019) found Kenya to have developed ecosystem, largely attributed to supportive technological infrastructure. Similarly, Shneor et al. (2020) confirmed that Kenya's vibrant crowdfunding ecosystem is underpinned by a robust information and communication technology (ICT) infrastructure. Despite these advancements, infrastructural challenges persist in certain areas, particularly outside urban centers.

1.1.3 Firm Size

Firm size is considered in terms of the firm's resources, specifically its capacity to generate and utilize resources for production (Knott & Vieregger, 2020). Larger firms are seen as having more financial, physical, and human resources, allowing them to achieve economies of scale and manage more complex operations. According to Rahman and Yilun (2021), firm size is the the scope of an organization's activities, usually as shown by its total assets, revenue, or workforce. Kijkasiwat and Phuensane (2020) define firm size as a quantitative measure typically used to describe the number of employees or sales revenue. Diantimala (2021) argues that firm size is generally determined by employment levels or sales volume. Larger firms benefit from economies of scale, which allow them to lower per-unit costs and compete more effectively in the market.

Firm size plays an important function in the adoption of crowdfunding among SMEs, as larger firms tend to have more resources, established networks, and better financial stability, which facilitate their ability to engage in crowdfunding platforms (Peng & Du, 2020). Larger firms can access capital often and are more likely to overcome the challenges of uncertainty and risk associated with crowdfunding. Furthermore, larger firms may benefit more from regulatory support for crowdfunding due to their capacity to navigate complex legal frameworks. Similarly, larger firms are better positioned to leverage their knowledge of crowdfunding and access better infrastructural support, which can enhance their ability to adopt and utilize crowdfunding more successfully compared to smaller firms (Eldridge, Nisar & Torchia, 2021).

Various studies conducted in Kenya have conceptualized firm size differently, highlighting different dimensions of a firm's operations. For instance, Hernández, Yañez-Araque, and Moreno-García (2020) defined firm size using three key indicators: the number of employees, total assets,

and sales revenue. Mahmood and Shahzad (2021) broadened this conceptualization by incorporating additional factors such as market share and the number of branches and locations, alongside total revenue, number of employees, and total assets. Akowe (2023) similarly considered number of employees, total assets, sales volume, and market share as measures of firm size. In the current study, firm size was conceptualized specifically in terms of the number of employees and total assets.

1.1.4 Small and Medium-Sized Enterprises in Kenya

In Kenya, small enterprises are those that have annual sales revenue of less than KES 1 million and employee 10-49 people. Medium-sized enterprises are defined as those having an annual sales turnover of KES 50 million and employee 50-99 people (FSD Kenya, 2020). SMEs play a key role in the Kenyan economy, constituting 98% of all the businesses in the country and accounting for 30% of employment (Wakiaga, 2024). These enterprises contribute 3% of Kenya's Gross Domestic Product (GDP) (Wakiaga, 2024). SMEs operate across various sectors including professional services, retail and manufacturing. The Micro and Small Enterprise Authority (MSEA) is the regulatory authority tasked to promote, develop and regulate SMEs in the country. It also formulates and coordinates policies that integrate and harmonize public and private sector initiatives within the SME sector. Kenya has 7.41 million MSMEs, out of which only 1.6 million are registered (Wakiaga, 2024). According to Nairobi City County Licensing Department, there are about 98,000 SMEs in Nairobi City County (Nairobi City County, 2023). However, there are about 21,100 SMEs in the CBD, which was the focus of this study.

Most SMEs in Kenya struggle with accessing financing from traditional sources (Wachira & Wachira, 2021). SMEs rely on Traditional financing, such as bank loans, government grants, trade credit, and other types of debt financing; however, these sources of financing are increasingly dwindling considering the growing number of businesses seeking these financing (Wakiaga, 2024). These traditional sources of financing are usually competitive, rely on a proven credit history and require enterprises to meet demanding requirements, which poses a challenge for SMEs that are in their early stages (Schmitz, 2016). SMEs also rely on various alternative sources of finance like trade credit, digital lending, borrowing from friends and families, loans from Savings and credit cooperative societies (SACCOs), angel investors, leasing assets, and venture capitalists. Despite these diverse alternative forms of financing, a significant financing gap still exists for SMEs in

Kenya (FSD Kenya, 2020). As a result, alternative sources of financing present a viable alternative for these enterprises. Surprisingly, the uptake of alternative financing sources, like crowdfunding is low (Wachira & Wachira, 2021). Thus, the proposed study aims to establish the determinants of adoption of crowdfunding by SMEs in Nairobi City, Kenya.

1.2 Statement of the Problem

SMEs in Kenya face significant challenges in accessing credit from traditional financial institutions due to factors such as limited collateral, high-interest rates, and stringent credit requirements (Cowan, 2019). These barriers have made it difficult for many SMEs to secure the financing necessary for growth and sustainability. Crowdfunding offers a more inclusive, flexible, and often quicker alternative by bypassing conventional collateral requirements and leveraging digital platforms to connect SMEs with a wider pool of investors (FSD Kenya, 2020). Therefore, the low adoption of crowdfunding is a major concern, not because other sources are entirely absent, but because crowdfunding remains an underutilized tool that could bridge persistent financing gaps, especially in urban economic hubs like Nairobi City.

Crowdfunding presents a viable alternative financing option, but its adoption remains relatively low among Kenyan SMEs (Wachira & Wachira, 2021). National crowdfunding volumes in Kenya increased significantly from $190.70 thousand in 2018 to $327.90 thousand in 2022—an impressive 72% growth—suggesting growing awareness and potential uptake. However, this upward trend reversed in 2023, with volumes falling by 9.4% to $297.20 thousand, indicating a potential plateau and signaling fluctuating investor or SME confidence (World Bank, 2023). Despite this growth trajectory, uptake among SMEs remains limited. A recent study by Mutinda (2023) revealed that only 25% of SMEs in Nairobi City County have adopted crowdfunding, highlighting significant barriers such as lack of awareness, regulatory uncertainty, limited digital infrastructure, and trust issues.

In literature, crowdfunding adoption and its determinants have been conceptualized and measured in varied ways. Meghouar et al. (2023) identified motivations among micro-entrepreneurs such as financing needs, marketing goals, and legitimacy. Marko et al. (2023) found that regulatory support and competitive pressure influenced adoption among microfinance institutions. Ismaila (2023), in a review of crowdfunding in Africa, cited lack of knowledge, infrastructural support, legal

protection, and trust as key barriers, emphasizing the need for robust regulatory frameworks. This study defines crowdfunding adoption in terms of behavioral intention (willingness to use crowdfunding) and use behavior (actual use), as guided by Islam and Khan (2021). While prior studies (e.g., Wachira & Wachira, 2021; Onyango, 2018) explored crowdfunding in Kenya, they differed in focus, context, and methodology. Moreover, findings from other countries cannot be directly applied to Kenya due to differences in political, economic, socio-cultural, technological, environmental, and legal (PESTEL) factors. This study addresses such contextual and methodological gaps by examining determinants of crowdfunding adoption among SMEs in Nairobi City using a descriptive cross-sectional design.

1.3 Objective of the Study

The general objective of this study was to establish the determinants of crowdfunding adoption as a viable financing option for small and medium sized enterprises in Nairobi City County, Kenya.

1.3.1 Specific Objectives of the Study

i. To determine the influence of regulatory support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County

ii. To determine the influence of practical viability of crowdfunding on its adoption as a source of financing for SMEs in Nairobi City County

iii. To determine the influence of knowledge of crowdfunding on its adoption as a source of financing in SMEs in Nairobi City County

iv. To determine the influence of infrastructural support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County

v. To examine how firm size influences the relationship between regulatory support, practical viability, knowledge of crowdfunding, infrastructural support and the adoption of crowdfunding among SMEs in Nairobi City County.

1.4 Research Questions

i. What is the influence of regulatory support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County?

ii. What is the influence of practical viability of crowdfunding on its adoption as a source of financing for SMEs in Nairobi City County?

iii. What is the influence of knowledge of crowdfunding on its adoption as a source of financing in SMEs in Nairobi City County?

iv. What is the influence of infrastructural support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County?

v. How does firm size influence the relationship between regulatory support, practical viability, knowledge of crowdfunding, infrastructural support and the adoption of crowdfunding among SMEs in Nairobi City County?

1.5 Scope of the Study

The conceptual focus of the proposed study was on the determinants of crowdfunding adoption. The dependent variable was crowdfunding adoption while the independent variable was regulatory support for crowdfunding, practical viability of crowdfunding, knowledge of crowdfunding, and infrastructural support for crowdfunding. The context of this research was SMEs in Kenya, in particular Nairobi City. The methodology that was used was the descriptive cross-sectional design. The study's population consisted of 21,100 registered SMEs in Nairobi's Central Business District. The CBD's businesses are diverse, highly regulated, and offer valuable insights into SME operations and challenges. Stratified random sampling was used in choosing a sample size of 392 small medium enterprises. Respondents consisted of owners and managers in selected SMEs. The study was conducted between November 2024 and February 2025.

1.6 Significance of the Study

1.6.1 Policymakers and Regulators

The findings obtained from this study were beneficial for policymakers and regulators. The study provided useful insights that policymakers can use to increase the uptake of crowdfunding. The findings also informed the areas of regulatory support needed to improve the crowdfunding ecosystem in Kenya.

1.6.2 Practitioners

The study was also useful to managers and owners of SMEs intending to utilize crowdfunding as a source of alternative finance. From the study, the determinants of use of crowdfunding were highlighted, which helped owners and managers of SMEs to adopt useful strategies to increase their uptake of crowdfunding.

1.6.3 Academicians and Scholars

The study helped expand existing literature on alternative financing, especially crowdfunding. This research provided the basis for further researcher to better understand the crowdfunding ecosystem.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the existing empirical and theoretical literature on the topic of crowdfunding adoption. The focus of the literature review was on the study objectives. The theory that underpins the study is also discussed.

2.2 Theoretical Review

This section discusses the theories that informed the research. Specifically, this study was anchored on the Unified Theory of Use and Acceptance of Technology (UTAUT).

2.2.1 Unified Theory of Use and Acceptance of Technology

The UTAUT was developed by Venkatesh et al. (2003) to explain people's intentions to adopt an information system as well their subsequent use. This theory asserts that the intention to adopt and use an information system is influenced by four primary constructs, which include performance expectancy, effort expectancy, social influence and facilitating conditions performance expectancy is the belief that a user has in terms of how the technology will improve their performance, productivity, or address the challenges that they are have. Effort expectancy is the extent to which a technology can be used with ease (Sentanoe & Oktavia, 2020). Social influence denotes the influence of external factors, such as support from other people, social norms and peer pressure, on an individual's decision to adopt and use a technology. Facilitating conditions refers to the availability of infrastructure, support and resources needed for the technology to be adopted and use. In addition, UTAUT also posits that personal features, like experience, knowledge, gender and age influence the adoption and use of a technology. UTAUT also been extended to include other variables, such as cost (perceived value), education, geographic location and culture, as predictors of intention to adopt a technology (Bakri, Radzai & Rasid, 2021).

The UTAUT is recognized for its strong explanatory power compared to other technology acceptance models. It provides a comprehensive and realistic framework, making it the benchmark model for understanding technology adoption (Moon & Hwang, 2018). UTAUT has been validated

in numerous studies, demonstrating its applicability across various domains, including crowdfunding adoption (Islam & Khan, 2021; Moon & Hwang, 2018). Its ability to account for multiple factors influencing user behavior, like performance expectancy, effort expectancy, social influence and facilitating conditions adds to its robustness. However, UTAUT is not without criticism. Scholars have argued that the model's complexity undermines its parsimony and that grouping some of its variables could enhance clarity and usability. Despite this, its strengths make it invaluable in technology adoption research.

The study used the UTAUT theory to explain the determinants of crowdfunding adoption as a viable financing option for SMEs in Nairobi City County. Regulatory support for crowdfunding aligns with UTAUT's facilitating conditions, as Kenya's evolving legal framework, such as the Capital Markets Authority's adoption of Investment-Based Crowdfunding Regulations in 2022, aims to address fraud, cyberattacks, and transparency issues, creating a conducive environment for adoption. Practical viability corresponds to performance expectancy, as SMEs in Nairobi often struggle to secure traditional financing, making crowdfunding attractive for reducing risks and increasing financial access (Kim & Hall, 2020). Knowledge of crowdfunding relates to effort expectancy and self-efficacy, reflecting that limited awareness and technical skills in Nairobi hinder adoption, as noted in studies reporting low uptake among Kenyan SMEs (Mutinda, 2023). In addition, infrastructural support, such as Kenya's expanding internet and mobile penetration, ties to facilitating conditions, highlighting the role of digital infrastructure in fostering crowdfunding platforms (Bakri et al., 2021).

2.2.2 Pecking Order Theory

The Pecking Order Theory, formulated by Myers (1984), posits that firms prioritize funding sources based on a hierarchy. They first use internal funds, like retained earnings, as these are the least expensive and do not dilute ownership. When internal funds are inadequate, organizations turn to debt, as it allows them to retain control while leveraging external capital (Guy & Cédric, 2023). Finally, they consider external equity, such as issuing shares or, more recently, crowdfunding, as it typically involves higher costs and ownership dilution. Crowdfunding, often classified under external equity, becomes an attractive option for startups and SMEs when traditional funding sources are limited or inaccessible. This theory provides a framework for understanding why firms may rely on crowdfunding to bridge funding gaps (Martinez et al., 2018).

This theory has numerous strengths. First, it offers a clear and straightforward framework for understanding how firms prioritize their financing options. Secondly, this theory has received vast empirical support by studies showing that firms tend to follow the predicted financing hierarchy in practice (Martinez et al., 2018). The theory accurately reflects the funding behavior of a broad range of firms, particularly SMEs. This theory also addresses the issue of information asymmetry when it comes to access to financing. The theory accounts for information asymmetry between managers and investors, which is a significant factor in financial decision-making (Agyei et al., 2020). It explains why firms might avoid issuing new equity to prevent potential undervaluation by the market due to asymmetric information.

Despite these strengths, the pecking order theory has numerous limitations. The theory heavily relies on the assumption of information asymmetry between investors and managers, which might not always be the primary factor influencing financing decisions (Agyei et al., 2020). Additionally, it may oversimplify the complexities of real-world financial decision-making by focusing mainly on information asymmetry (Martinez et al., 2018). The theory also tends to underestimate the costs and risks associated with high levels of debt, such as financial distress and bankruptcy. he strict hierarchy of financing preferences (internal funds, debt, equity) may not reflect the reality of firms' financing strategies, which can be more complex and situational (Agyei et al., 2020). Despite these limitations, this theory provides an explanatory framework to explain the choice of crowdfunding by startups.

The Pecking Order Theory explains crowdfunding adoption among SMEs in Nairobi City County by highlighting the financing hierarchy that firms follow. According to the theory, SMEs prefer internal financing sources, such as retained earnings, but often face resource constraints (Kuma & Yosuff, 2020). When internal funds are insufficient and traditional debt options are inaccessible due to high costs or stringent requirements, crowdfunding emerges as an alternative form of external equity financing. This approach is particularly relevant in Nairobi, where regulatory support, practical viability, knowledge of crowdfunding, and infrastructural support influence adoption (Miglo, 2023). Enhanced regulations and improved infrastructure reduce barriers, while increasing awareness and trust in crowdfunding platforms enables SMEs to confidently seek this innovative funding option.

2.3 Empirical Review

This section provides past studies review on the determinants of crowdfunding adoption. The section is guided by the study objectives.

2.3.1 Regulatory Support and the Adoption of Crowdfunding

Regulatory support generally refers to the existence of government policies that encourage entrepreneurs to adopt crowdfunding, laws to address privacy and security concerns in crowdfunding, and government incentives for using crowdfunding (FSD Kenya, 2020). Regulatory support is one of the elements of the facilitating conditions under UTAUT. In the Kenyan context, the regulatory environment for the crowdfunding ecosystem is governed by the Investment-based Crowdfunding Regulations formulated by the Capital Markets Authority (CMA) in 2022. These regulations are designed to protect operators of crowdfunding platforms, investors and those who are seeking funding through these platforms. The scope of the regulations includes licensing of crowdfunding platforms, eligibility of investors, fundraising limits, handling of funds raised by investors, and the obligations and duties of crowdfunding platforms. The regulatory environment for crowdfunding in Kenya is considered the leading in comparison to other countries in the East African region.

In Malaysia, Baber (2021) investigated the intention of Islamic banking customers to adopt crowdfunding in the new future. Using a descriptive survey design, Baber (2021) demonstrated that the intent to adopt crowdfunding was positively influenced by the attitudes towards this source of financing. The study also showed that participants were more likely to comply with crowdfunding platforms that complied with Shariah regulations. In Philippines, Doce and Ching (2021) performed a qualitative research to examine the perceptions that managers of MSMEs have towards crowdfunding. This study found that hesitation to the adoption of crowdfunding stemmed from lack of legal support regarding the crowdfunding processes. In contrast, Kenya showcases a well-developed regulatory framework under the Capital Markets Authority's 2022 Investment-based Crowdfunding Regulations, which address platform licensing, investor eligibility, fundraising limits, and stakeholder protections. However, the study focuses on Islamic banking customers in a Shariah-driven Malaysian context which differs from the Kenyan context which focuses on small and medium enterprises hence making the findings less applicable due to

variations in cultural, legal, and economic environments. In addition, the study focused on banking customers using a descriptive survey design, whereas the current study examined small and medium enterprises (SMEs) through a descriptive cross-sectional research design. Further, the study was grounded in religion and attitudes, while the current study was based on the UTAUT.

The positive influence of regulatory support on crowdfunding adoption was also demonstrated in a secondary data study by Ridley (2016), who examined the impact of new regulations on the uptake of crowdfunding in the United Kingdom and United States. The findings from this study indicated that the implementation of new regulations for crowdfunding resulted in crowdfunding becoming an established option for seeking financing. In another study using secondary data, Ashta (2018) reported that the uptake of crowdfunding is higher in countries that have mature regulatory frameworks, like the United States and the United Kingdom and low in those having emerging regulatory frameworks, like India. These findings show the positive effect of mature regulatory environments on the adoption of crowdfunding. These global studies show the positive influence of regulatory support on the adoption of crowdfunding.

Similarly, the Kenyan study emphasizes the positive influence of a well-developed regulatory framework, such as the Capital Markets Authority's 2022 Investment-based Crowdfunding Regulations. In contrast, Baber (2021) in Malaysia found that the intention to adopt crowdfunding was more influenced by attitudes and Shariah compliance rather than regulatory support, suggesting that cultural and religious factors may play a more significant role. The study by Doce and Ching (2021) in the Philippines also pointed out that a lack of legal support was a barrier to crowdfunding adoption, emphasizing the need for a stronger regulatory framework. However, the study was confined to the United States and the United Kingdom, which are more developed, meaning its results may not be directly applicable to Kenya, a developing country. In addition, the study relies on secondary data, whereas the present research used a descriptive cross-sectional design targeting 4,300 SMEs. Moreover, the study examined the positive influence of regulatory support on crowdfunding adoption, whereas the present research focused on exploring the influence of crowdfunding adoption as a viable financing option.

In Tanzania, Marko et al. (2023) conducted an explanatory study to examine the environmental factors that influence the adoption of crowdfunding by micro-finance institutions. The findings from this research indicated that regulatory support and competitive pressure were significant

positive predictors of the decision to adopt crowdfunding by microfinance institutions. In Nigeria, Sulaiman et al. (2021) examined the intention to adopt crowdfunding platforms that are compliant with Shariah regulations. The findings from this study showed that a positive attitude towards Shariah-compliant crowdfunding platforms was positively associated with the intention to adopt them. Sulaiman et al. (2021) stressed the need to develop a regulatory and legal framework for incorporating crowdfunding into existing financing structures. In contrast, the study Ridley (2016) and Ashta (2018) found that in developed markets like the U.S. and the U.K., mature regulatory environments significantly boost crowdfunding adoption.

The Kenyan study also underscores the importance of regulatory frameworks, such as the Capital Markets Authority's 2022 regulations. However, Baber (2021) in Malaysia suggests that cultural factors, especially Shariah compliance, are more influential than regulations, while Doce and Ching (2021) in the Philippines identify legal support as a major barrier. Nonetheless, the study focused on microfinance institutions in Tanzania which differ from SMEs in Kenya hence making the findings less in applicable. The study also used an explanatory study design to explore cause-and-effect associations, whereas the current study employed a descriptive cross-sectional design. Furthermore, the research focused on environmental factors, whereas the current study concentrated on regulatory factors.

In Benin, Adjakou (2020) conducted a mixed methods study to investigate the factors that influence the establishment of crowdfunding as an alternative to formal financing. The study showed the positive effect of regulations and laws, including licensing, governance, cybersecurity instructions, and financial consumers protection, on the adoption of crowdfunding in the country. These regional studies also provide evidence showing the positive effect of the regulatory environment on the adoption of crowdfunding as an alternative source of financing. Similarly, Marko et al. (2023) in Tanzania find that regulatory support is a significant predictor of crowdfunding adoption by microfinance institutions, but also note that competitive pressure plays a key role. In Nigeria, Sulaiman et al. (2021) focus on Shariah-compliant crowdfunding platforms, showing that positive attitudes toward these platforms increase adoption intentions, while calling for a stronger regulatory framework. In contrast, studies by Ridley (2016) and Ashta (2018) focus on developed markets, where mature regulatory environments like those in the U.S. and the U.K. are seen as crucial for boosting crowdfunding adoption. The Kenyan study similarly underscores

the importance of robust regulatory frameworks, like those introduced by the Capital Markets Authority in 2022. However, Baber (2021) in Malaysia suggests that cultural factors, especially Shariah compliance, may outweigh regulatory influences in some contexts. Finally, Doce and Ching (2021) in the Philippines identify the lack of legal support as a barrier, emphasizing the need for stronger regulations. However, the study focuses on the broad regulatory framework, including licensing, governance, and consumer protection, which may not be directly applicable to SMEs in Nairobi, where the specific challenges and dynamics of SMEs may differ. Also, the study used uses a mixed-methods approach, whereas the current research used a descriptive cross-sectional design. In addition, the study examines the overall regulatory environment as a factor influencing crowdfunding adoption, whereas the current study specifically focuses on regulatory support for SMEs.

In the local Kenyan context, Salami (2019) conducted a qualitative study to review the state of alternative financing. Using a secondary data analysis, Salami (2019) highlighted the need for coordinated approach when it comes to regulating the use of alternative financing, especially considering the rapid development of financial technologies. A report by Garvey et al. (2017) observed that crowdfunding is gaining foothold in East Africa, especially Kenya, due to the efforts of financial regulators in the country. Crowdfunding regulations have helped catalyze the crowdfunding ecosystem in Kenya. In contrast, Adjakou (2020) in Benin underscores the positive effect of comprehensive regulations, including licensing, governance, cybersecurity, and consumer protection, on the establishment of crowdfunding as an alternative financing option. These finding align with Marko et al. (2023) finding that regulatory support is a significant predictor of crowdfunding adoption, particularly in Tanzania's microfinance sector.

Furthermore, Sulaiman et al. (2021) in Nigeria (Ridley, 2016) in U.S and (Ashta, 2018) in U.K also emphasize the importance of regulatory frameworks, with developed markets showing a more mature regulatory environment, which has positively impacted crowdfunding adoption. However, while the Kenyan studies focus on regulatory support in a more localized context, studies like Baber (2021) in Malaysia introduce a cultural angle, suggesting that factors like Shariah compliance can play a more significant role than regulatory frameworks in certain regions. However, the study focuses on alternative financing in general, so its findings cannot be directly applied to the specific crowdfunding adoption as a viable financing option for SMEs in Nairobi.

In addition, the study used secondary data analysis whereas the current study adopted a descriptive cross-sectional research design. Further, the study highlights the need for a coordinated regulatory approach to alternative financing in the context of evolving financial technologies, whereas the current study focused more narrowly on the role of regulatory support in SMEs' adoption of crowdfunding.

2.3.2 Practical Viability and the Adoption of Crowdfunding

Practical viability is the degree at which crowdfunding is perceived as a feasible alternative source of financing when compared to other forms of alternative financing and traditional financing sources. In UTAUT, the practical viability of crowdfunding is based on the concepts of effort expectancy and performance expectancy (Fanea-Ivanovici et al., 2021). Performance expectancy is the belief that an innovation will address the challenges that they are facing, enhance their productivity and performance. This is akin to how entrepreneurs believe that crowdfunding will make it easy for them to access funding (Djimesah et al., 2022). Effort expectancy is the degree at which a technology can be used with ease. This can be likened to entrepreneurs' perceptions regarding the degree to which they find it easy to use crowdfunding as a financing source (Baber, 2021; Islam & Khan, 2021).

A study carried out by Baber (2021) in Malaysia sought to assess the factors that influenced the crowdfunding acceptance. Baber (2021) employed a descriptive cross-sectional design in which they collected data using an online survey. The results of this study demonstrated that views toward crowdfunding were positively impacted by perceived utility and ease of use, which subsequently had a positive influence on the intention to use crowdfunding. This aligns with the UTAUT framework, as noted by Fanea-Ivanovici et al (2021) where performance expectancy (the belief that crowdfunding will help solve challenges and improve productivity) and effort expectancy (the belief that crowdfunding is easy to use) are central concepts. While Baber (2021) empirically validates the influence of these perceptions on attitudes and adoption intention, the UTAUT framework offers a broader theoretical basis by linking these perceptions to the practical viability of crowdfunding as a financing alternative. However, the study was conducted in Malaysia, which has a distinct microeconomic environment and regulatory framework, making its findings less applicable to the Kenyan context. In addition, the research utilized an online survey to collect data, whereas the current study utilized a structured questionnaire for data collection. Further, the

research was grounded in individual attitudes, perceived ease of use and usefulness as predictors of adoption, while the Nairobi study focuses on the role of practical viability as a key factor influencing SMEs' decision to adopt crowdfunding.

In Bangladesh, Islam and Khan (2021) examined the motivations that influence entrepreneurs' intention to adopt crowdfunding. The factors investigated in this research were effort expectancy, facilitating conditions, perceived trust, trialability, social influence, and performance expectancy. Islam and Khan (2021) used an explanatory design. The findings from this research showed that social influence, facilitating conditions, effort expectancy, performance expectancy and perceived trust positively influenced the intention to use crowdfunding. However, trialability was an insignificant determinant. In contrast, Baber (2021) focused on the influence of perceived usefulness and ease of use and on attitudes towards crowdfunding, which then affected adoption intentions, aligning with the UTAUT framework that emphasizes effort expectancy and performance expectancy. Nonetheless, the study focused on the Bangladesh, which is a distinct cultural and economic environment compared to Kenya, where the SMEs operate. In addition, the study employed an explanatory design whereas the current study utilized a descriptive cross-sectional design targeting SMEs. The study further examines various factors influencing entrepreneurs' adoption intentions, whereas the current study concentrated specifically on the role of practical viability, which operates as a macro-level factor influencing the adoption of crowdfunding.

In Nigeria, Kazaure et al., (2020) performed a research with the aim of investigating the determinants of SMEs' intention to adopt crowdfunding an alternative financing method. The study adopted an explanatory design where data was gathered using a survey questionnaire with managers and owners of SMEs. The findings indicated that perceived ease of use and perceived usefulness had a significant positive effect on SMEs' intention to use crowdfunding as an alternative financing method. Similar results were found in a Ghanaian study by Djimesah et al. (2022), who examined the factors that influence the intention to use crowdfunding by entrepreneurs. Djimesah et al. (2022) conducted a descriptive cross-sectional study. In particular, the study focused on the elements of perceived usefulness and use of crowdfunding on the intention to adopt it. The findings indicated that the perceived ease of use and usefulness was positively connected to the intention to adopt crowdfunding by entrepreneurs. In contrast, Islam and Khan

(2021) in Bangladesh explores a broader set of factors, and found a positive impact of social influence, facilitating conditions and trust on crowdfunding adoption intentions, while trialability was found to be insignificant. Additionally, Baber (2021) aligns with the UTAUT framework and emphasizes perceived usefulness and ease of use. Nonetheless, the study was carried out in Nigeria, therefore the results may be un applicable to the Kenyan context due to variations in geographic, cultural, and sectoral contexts between the two countries. Additionally, the research employed adopted an explanatory design while the present study adopted descriptive cross-sectional research design. Moreover, the study focuses on focuses on individual-level factors, whereas the current study focused on practical viability as a macro-level factor influencing the adoption of crowdfunding among SMEs.

Another Ghanaian study by Okine et al. (2023) showed the positive effect of perceived usefulness and perceived ease of use on the adoption of crowdfunding. Okine et al. (2023) employed a mixed method sequential explanatory design that entailed collecting quantitative data first for hypothesis testing followed by collecting qualitative data to outline the findings. The results indicated that perceived ease of use and usefulness positively influence crowdfunding usage intention. In contrast, Kazaure et al. (2020) and Djimesah et al. (2022) used purely quantitative designs, with Kazaure et al. focusing on SME owners and managers in Nigeria and Djimesah et al. on entrepreneurs in Ghana. While their findings align regarding the positive influence of perceived ease of use and usefulness, the lack of qualitative exploration in these studies limits their ability to explain the underlying reasons for the observed relationships. However, the study was performed in Ghana hence the results may not directly apply to the Kenyan context because of variances in economic, regulatory and social factors between the countries. Further, the study employed a mixed-method sequential explanatory design, whereas the current study used a descriptive cross-sectional research design. The study focused on individual perceptions of crowdfunding's usefulness and ease of use, whereas the current study focused on practical viability as a critical factor.

In Kenya, Musa (2022) conducted a descriptive cross-sectional study to examine the determinants of adoption of financial innovations by SMEs. The financial innovations examined in the study included mobile loan apps, online banking, crowdfunding and mobile point of sale. Musa (2022) showed that perceived usefulness, ease of use and usability had a positive influence on adoption.

In another descriptive cross-sectional study, Kibicho and Mungai (2019) showed that perceived risk, perceived ease of use and perceived usefulness had a positive influence on the adoption of mobile credit as a source of finance by entrepreneurs. In contrast, Okine et al. (2023) specifically investigate crowdfunding and use a mixed-method sequential explanatory design, combining quantitative data with qualitative follow-up to explain the observed relationships. This contrasts with the purely quantitative designs of Kazaure et al. (2020) and Djimesah et al. (2022), which focus on crowdfunding adoption but lack qualitative insights to explain the underlying reasons behind the observed relationships.

While the Kenyan and Ghanaian studies align in their findings regarding the positive effects of perceived usefulness and ease of use, the mixed-method approach used by Okine et al. (2023) provides deeper insights into the adoption process, which the purely quantitative studies in Kenya, Nigeria, and Ghana do not offer. However, the study focused on a range of financial innovations, including mobile loan apps, online banking, and crowdfunding, whereas the current study focuses specifically on crowdfunding as a financing option for SMEs in Nairobi. In addition, the study covers multiple financial innovations whereas the current study focused on crowdfunding adoption, with a specific emphasis on the impact of regulatory factors. Furthermore, the study investigates general adoption factors, such as perceived usefulness and ease of use, whereas the current study centered on the practical viability, offering insights into how external factors, such as government support and regulation, shape crowdfunding adoption.

2.3.3 Knowledge and Adoption of Crowdfunding

The level of knowledge and awareness that people have regarding an innovation is an important factor that influences its adoption and acceptance (Kazaure et al., 2020). Low awareness and knowledge can lead to low acceptance and adoption of a new concept. According to Djimesah et al. (2022), lack of awareness regarding the merits and drawbacks of new concept hinders its adoption. Similarly, the adoption of crowdfunding by entrepreneurs can be expected to be influenced by their level of awareness. In UTAUT, knowledge is one of the individual characteristics that influence the intention to adopt a new concept (Abdallah & Kajuna, 2023). Given that crowdfunding is still a relatively new concept in the Kenyan context, knowledge constitutes an important variable that can influence the intention to adopt this form of alternative financing.

In Portugal, Bernardino and Santos (2020) conducted an exploratory study to examine the perceived barriers, benefits and knowledge of crowdfunding in young entrepreneurs. Bernardino and Santos (2020) collected data using an online survey. The results showed moderate knowledge of crowdfunding. Respondents in the study also perceived numerous benefits of crowdfunding besides financial advantages, which include marketing the project to a broader audience as well as obtaining feedback from additional customers. The findings also revealed the barriers that could hinder crowdfunding adoption, which included hidden costs, administrative issues, and regulatory issues. In contrast, Djimesah et al. (2022) focus on the role of knowledge in the context of Kenya, emphasizing that low awareness and understanding of crowdfunding's advantages and drawbacks can hinder its adoption. Their study, informed by the UTAUT model, underscores that awareness is a key factor influencing entrepreneurs' intentions to adopt crowdfunding in emerging markets. However, the study results may not be generalizable due to differences in the cultural, ethnic, and organizational contexts between the Portugal and Kenya. In addition, the study used an exploratory design, whereas present research utilized a descriptive cross-sectional design. Furthermore, the study emphasizes knowledge, benefits, and barriers as central themes in crowdfunding adoption, whereas the current study highlights knowledge as a key driver of adoption.

In Bangladesh, Islam and Khan (2020) conducted a qualitative study to explore the reasons for resistance towards the adoption of crowdfunding. The grounded theory approach was employed in this study and data was collected using semi-structured interviews. The findings identified entrepreneurs who were interviewed mentioned lack of crowdfunding know-how as the significant concern that hindered its adoption. Respondents indicated that they lacked training, experience, and knowledge of crowdfunding platforms. In contrast, Bernardino and Santos (2020) conducted an exploratory study using an online survey among young entrepreneurs in Portugal. They found moderate knowledge of crowdfunding and identified benefits beyond financial gains, such as marketing and customer feedback. However, they also noted structural barriers like hidden costs, administrative issues, and regulatory challenges. Additionally, Djimesah et al. (2022) further support the importance of knowledge, particularly in Kenya, noting that low awareness of crowdfunding’s benefits and drawbacks is a key factor in hindering adoption. However, the study was conducted within the context of Bangladesh, and as such, the findings may not be directly applicable to the Kenyan context. In addition, the study collected data through semi-structured interviews, whereas the current study used a structured questionnaire to gather data. Further, the

study focuses primarily on the entrepreneurs' lack of technical know-how whereas the current study centers on knowledge.

Similar findings were reported in a Nigerian study undertaken by Kazaure et al. (2020) providing evidence showing the positive effect of knowledge on the adoption of crowdfunding. In the study, crowdfunding information, measured in terms of awareness, was reported to have a positive influence on the intention to use crowdfunding as a source of financing by SMEs in Nigeria. In Tanzania, Abdallah and Kajuna (2023) examined the association between awareness and intentions to adopt crowdfunding by entrepreneurs. An explanatory design was adopted in this study in which data was gathered using an online survey and analyzed using structural equation modelling. The findings showed that subjective norms, education and training positively influenced crowdfunding awareness, which in turn was established to have a positive effect on adoption intentions.

Similar findings were reported in a study undertaken by Sibanda (2023) in Zimbabwe to examine the relationship between crowdfunding awareness and adoption intentions. Sibanda used an explanatory design and collected data using an online questionnaire. The results from this study indicated that subjective norms and economic education positively influenced crowdfunding awareness, which subsequently influenced adoption intentions. In contrast, Islam and Khan (2020) in Bangladesh highlight that a lack of crowdfunding know-how, including insufficient training and experience, was a significant barrier to adoption. However, the research was carried out in Nigeria, and thus, the results may not be directly generalized to Kenya due to variation in the socio-economic, political, and regulatory contexts of the two countries. Also, the study used a survey approach whereas the current study adopted a descriptive cross-sectional design. Furthermore, the study emphasizes the informational aspect of crowdfunding, which affects decision-making and adoption, whereas the current study looked at how the knowledge might support or hinder the adoption of crowdfunding as a viable financing option for SMEs

In the local Kenyan context, Onyango (2018) analyzed the financial gaps for MSMEs in Kenya as well as the role played by crowdfunding filling this gap and improving financing opportunities for these enterprises. Onyango (2018) conducted an exploratory study that involved the use of both secondary and primary data. The findings of the study identified lack of knowledge regarding crowdfunding platforms as one of the challenges that MSMEs faced when seeking to use this form of alternative financing. This lack of knowledge was reported to have a negative effect on the

acceptance and intention to use crowdfunding. This echoes the findings of Kazaure et al. (2020) in Nigeria, where awareness of crowdfunding was positively linked to the intention to use it as a financing source, showing that a lack of awareness can hinder adoption.

Similarly, Abdallah and Kajuna (2023) in Tanzania and Sibanda (2023) in Zimbabwe report that education, training, and subjective norms positively influenced awareness, which in turn influenced adoption intentions, further highlighting the importance of awareness and knowledge. In contrast, Islam and Khan (2020) in Bangladesh emphasized the lack of know-how, such as insufficient training and experience, as a critical barrier to crowdfunding adoption, which directly ties into the practical challenges entrepreneurs face in learning how to use crowdfunding platforms effectively. However, the study focuses on financial gaps for MSMEs whereas the current research focused on the influence of knowledge on crowdfunding adoption among SMEs. In addition, the study employed an exploratory design while the present study used a descriptive cross-sectional design. Moreover, the study found highlights lack of knowledge about crowdfunding platforms as a challenge for MSMEs whereas this study examined how knowledge itself directly influences the adoption of crowdfunding.

2.3.4 Infrastructural Support and Adoption of Crowdfunding

Infrastructural support refers to the availability of support for users of a new concept or technology (Shneor et al., 2020). In UTAUT, infrastructural support is a facilitating condition, which denotes the extent to which information system's users view the presence of infrastructure in place to support people who use the system. Infrastructural support has the aim of facilitating smooth usage of crowdfunding platforms. Some examples of infrastructural support include feedback channels, providing technical support to users, and equipping users with information about these platforms. In this study, infrastructural support was defined in terms of the adequacy of information technology infrastructure and support from crowdfunding platforms.

A study conducted in Bangladesh by Islam and Khan (2020) also provided evidence showing the influence of infrastructural support in the adoption of crowdfunding. Islam and Khan (2020) conducted a qualitative grounded theory research. The study results indicated that scarcity of support from the government, in terms of monetary and financial regulations, discouraged them from adopting crowdfunding. Respondents mentioned that Bangladesh lacks financial and legal

policies for supporting crowdfunding. They also raised concerns that restrictions placed on inbound-outbound money transfer also discouraged entrepreneurs from using crowdfunding to raise funds. A follow-up study by Islam and Khan (2021) with Bangladeshi entrepreneurs revealed that facilitating conditions positively influenced the adoption of crowdfunding. In this study, facilitating conditions was defined the availability support from crowdfunding platforms to facilitate smooth usage as well as the presence of technical support and feedback channels. Similarly, in Romania, Fanea-Ivanovici et al. (2021) conducted an explanatory study to examine the predictors of crowdfunding intentions among entrepreneurs. The findings showed that facilitating conditions positively influenced the intention to adopt crowdfunding in Romanian entrepreneurs.

However, a Korean study by Moon and Hwang, (2018) presented contradictory findings that showed facilitating conditions did not have an influence on the intention adoptions for crowdfunding. In contrast, the conceptual framing in the UTAUT model, which describes infrastructural support as a facilitating condition, is shared in both studies but further elaborated in the proposed study by focusing specifically on the availability of information technology infrastructure and support from crowdfunding platforms. However, the study was confined to Baglandesh context, and therefore the findings may not be directly applicable to Kenyan context due to differences in regulatory frameworks between the two countries. Also, the study was grounded on qualitative whereas the current study was anchored on positivism philosophy. Further, the study explores on the scarcity of financial and legal support as a key factor whereas the current study explored on a broader range of infrastructural elements that could influence crowdfunding.

The aforementioned study by Abdallah and Kajuna (2023) conducted in Tanzania provided evidence illustrating the influence of infrastructural support on the adoption of crowdfunding. In particular, the findings showed that perceived information technology infrastructure had a positive effect on attitudes towards and the intention to adopt crowdfunding. On the contrary, Sibanda (2023), in Zimbabwe presented conflicting findings. Sibanda (2023) showed that the perceived information technology infrastructure did not have a substantial impact on the intention to adopt crowdfunding. In contrast, Islam and Khan (2020) in Bangladesh emphasized the critical role of government support, particularly in the areas of financial regulations and policies, as a major barrier to crowdfunding adoption. Their findings suggested that a lack of legal frameworks and

money transfer restrictions hindered crowdfunding usage. In a follow-up study (2021), Islam and Khan further identified that facilitating conditions, including platform support and technical assistance, positively influenced crowdfunding adoption. This contrasts with Abdallah and Kajuna's focus on IT infrastructure alone, highlighting the importance of a broader set of facilitating conditions, including regulatory support, to foster crowdfunding adoption. However, the study was confined to Tanzanian context, as such, the findings may not fully capture the dynamics in small and medium enterprises in Nairobi, Kenya. Also, the study emphasize information technology infrastructure as a crucial factor, whereas the Nairobi study likely adopted a broader view of infrastructural support, considering not just technology, but also legal, financial, and regulatory frameworks.

In Kenya, Vries (2019) compared the crowdfunding ecosystem in East African countries and reported that the ecosystem in Kenya is most developed due to the supporting technological infrastructure. The crowdfunding ecosystem in Uganda is undeveloped due to the underdeveloped technological infrastructure. Similarly, Shneor et al. (2020) reported that Kenya has one of the vibrant crowdfunding ecosystems in the region due to a robust information and communication technology infrastructure. The findings align with Abdallah and Kajuna's findings in Tanzania, where IT infrastructure positively influenced attitudes and intentions toward crowdfunding. However, while Kenya's success is attributed mainly to ICT, Abdallah and Kajuna argue that other factors, such as platform support and regulatory conditions, also play a crucial role in Tanzania. In contrasts, Sibanda's (2023) in Zimbabwe, established that IT infrastructure had no significant effect on crowdfunding adoption, suggesting other factors may be more influential. In addition, Islam and Khan (2020) in Bangladesh emphasize the importance of government support, particularly legal frameworks and financial regulations, in hindering or facilitating crowdfunding adoption, which contrasts with the emphasis on technology seen in the East African studies. However, the focused on East African countries, and as such, its findings may not be directly applicable to small and medium enterprises in Nairobi City, Kenya. The study also focused on East African countries, whereas the current study specifically targeted SMEs in Nairobi City, Kenya. Furthermore, the study emphasizes technological infrastructure as the primary driver of crowdfunding development, whereas this study may consider a wider range of infrastructural elements, such as regulatory frameworks, access to financial services, and platform support, which could influence crowdfunding adoption in SMEs beyond just technology.

2.3.5 Firm Size

Firm size refers to the scale of a business, typically measured by indicators such as the number of employees, total assets, revenue, market share, and locations (Hernández, Yañez-Araque & Moreno-García, 2020). It influences a firm's ability to access financial resources, operational stability, and market positioning, all of which are crucial in the adoption of crowdfunding. Larger firms benefit from established regulatory support, financial expertise, and infrastructural capabilities that facilitate crowdfunding adoption, while smaller firms may rely on crowdfunding due to resource constraints but struggle with regulatory compliance, practical viability, and the necessary knowledge to navigate crowdfunding processes effectively (Akowe, 2023). Thus, firm size serves as a key moderator between crowdfunding determinants—regulatory support, practical viability, crowdfunding knowledge, and infrastructural support—and crowdfunding adoption, shaping how firms respond to these factors and justifying its role as the most suitable moderator in this study.

In a study conducted in Italy, Corvino and Doni (2020) examined the moderating effect of firm size on the relationship between relational capital and firm performance. Their analysis, based on data from 73 listed firms between 2011 and 2013, found that firm size influenced this relationship. However, contextual differences between Italy and Kenya, including market conditions, economic structures, and cultural factors, limit the applicability of these findings to SMEs in Nairobi City. Unlike relational capital and firm performance, this study focuses on firm size as a moderator between key crowdfunding determinants—regulatory support, practical viability, crowdfunding knowledge, and infrastructural support—and crowdfunding adoption. Firm size influences access to resources, regulatory compliance, and technological infrastructure, shaping how firms engage with crowdfunding.

Moreover, Mahmood and Shahzad (2021) assessed the moderating impact of firm size and leverage on the relationship between working capital finance (WCF) and profitability among Chinese firms. The study applied the generalized technique of moments technique to analyze panel data from Chinese firms and found that firm size substantially moderated the WCF–profitability association. The findings align with Corvino and Doni (2020), who suggest that firm size moderates the relationship between key business activities and performance, with larger firms

being able to leverage resources more effectively. However, these findings may not directly apply to SMEs in Nairobi City County, as Chinese firms operate under different economic conditions, regulatory frameworks, and financial practices. Furthermore, while the study focused on working capital finance and profitability, there is a gap in understanding how firm size affects the relationship between key determinants of crowdfunding, such as regulatory support and practical viability, in the context of smaller firms.

Also, Ondari, Koech, and Otieno (2020) examined the moderating effect of firm size on the relationship between strategy implementation drivers and organizational performance. The study utilized a combination of explanatory descriptive survey and correlation research designs, revealing a positive and substantial moderating impact of firm size on the association between strategy implementation drivers and performance. The findings align with Akowe (2023), which also highlights the moderating role of firm size in influencing performance outcomes. Both studies demonstrate that larger firms tend to experience stronger, more positive relationships between key variables and performance. However, their findings are based on the tea processing industry, which may not be directly applicable to the diverse range of industries represented by SMEs in Nairobi City County. Furthermore, a gap exists in understanding how firm size influences the relationship between the determinants of crowdfunding, such as regulatory support, practical viability, knowledge of crowdfunding, and infrastructural support, within the context of SMEs in Nairobi. These factors may differ in their impact across industries, and firm size may play a unique role in moderating these relationships for crowdfunding adoption.

2.4 Research Gaps

Contextual, methodological, conceptual and disagreement gaps have been identified in the literature. In the existing literature, crowdfunding adoption as well as its determinants have been conceptualized and measured differently. Baber (2021) investigated the intention of Islamic banking customers to adopt crowdfunding in the future. Meghouar et al. (2023) identified the motivations for the adoption of crowdfunding by micro-entrepreneurs, which included financing needs, their sense of achievement, network building, the need to enhance their marketing and entrepreneurial competence, and seeking legitimacy. In the existing literature, most studies have

examined crowdfunding adoption using the measure of intention to adopt. In this study, crowdfunding adoption was measured using intention as well as actual use behavior.

Considering the various conceptualizations of crowdfunding adoption, this study defined this variable in terms of behavioral intention and use behavior (Islam & Khan, 2021). Behavioral intention is defined as entrepreneurs' willingness to adopt crowdfunding, which was measured using the following indicators: intending, predicting and planning to raise capital using a crowdfunding platform (Islam & Khan, 2021). Use behavior is defined as the actual use of crowdfunding platforms, which was measured using the following indicators – frequently using, browsing and posting on crowdfunding platforms to raise financing for the business (Islam & Khan, 2021). Disagreement gaps have also been identified in the literature, especially in terms of facilitating conditions.

In addition, the contexts and methodologies used in studies also differ. Baber (2021) investigated the intention of Islamic banking customers to adopt crowdfunding in the future using a descriptive survey design. Meghouar et al. (2023) performed an exploratory qualitative multiple-case design study to identify the motivations for the adoption of crowdfunding by micro-entrepreneurs. In Philippines, Doce and Ching (2021) performed a qualitative study to explore the perceptions that managers of MSMEs have towards crowdfunding. Marko et al. (2023) conducted an explanatory study to examine the environmental factors that influence the adoption of crowdfunding by micro-finance institutions in Tanzania. Mutinda (2023) examined the factors that influenced crowdfunding adoption in Kenyan SMEs using a descriptive survey study. Wachira and Wachira (2021) examined the factors associated with successful crowdfunding campaigns using secondary data analysis. Salami (2019) conducted a conducted a qualitative study to review the state of the alternative financing in Kenya. Islam and Khan (2020) conducted a grounded theory qualitative study to explore the reasons for resistance towards the adoption of crowdfunding. Okine et al. (2023) employed a mixed method sequential explanatory design to examine the effect of perceived usefulness and perceived ease of use on crowdfunding adoption in Ghana. Therefore, the proposed study addressed these conceptual, contextual and methodological gaps by examining the determinants of crowdfunding adoption by SMEs in Nairobi City, Kenya using a descriptive cross-sectional design, which has not been used by most researchers on crowdfunding adoption.

Firm size is a critical moderating variable in the relationship between regulatory support, practical viability, knowledge of crowdfunding, infrastructural support, and crowdfunding adoption among SMEs, as it significantly influences how these factors impact businesses of different scales. Larger SMEs typically have more established financial systems, greater market credibility, and better access to regulatory frameworks, which can enhance their ability to adopt crowdfunding compared to smaller firms that may lack these advantages. Additionally, firm size affects practical viability, as larger firms often have more resources to manage crowdfunding campaigns effectively, while smaller firms may struggle with limited expertise and investor confidence. Similarly, knowledge of crowdfunding and infrastructural support may have different impacts depending on firm size, as larger firms may have greater exposure to digital financing options and access to better technology.

Table 2. 1: Summary of Knowledge Gaps

Study	Focus of the study	Findings	Research Gap	Focus of the current study
Salami (2019)	To review the state of the alternative financing	Salami (2019) highlighted the need for coordinated approach when it comes to regulating the utilization of alternative financing, especially considering the rapid development of financial technologies	Methodological (study used secondary data) and conceptual (study focused only on regulatory factors)	The present study also looked at other determinants including practical viability, infrastructure support and knowledge Present study used primary data
Kazaure et al., (2020)	Examining the SMEs' intention determinants to adopt crowdfunding an alternative financing method	Perceived ease of use and usefulness had a significant positive effect on SMEs' intention to use crowdfunding as an alternative financing method.	Conceptual (study focused on perceived usefulness and ease of use) and contextual (study was held in Nigeria)	The present study also looked at other determinants including knowledge of crowdfunding and regulatory and infrastructure support. Present study was conducted in Kenya
Adjakou (2020)	To investigate the factors that impact the establishment of crowdfunding as an alternative to formal financing	The study showed the positive effect of regulations and laws, including licensing, governance, cybersecurity instructions, and financial consumers protection, on the adoption of crowdfunding in the country	Conceptual (study only focused on regulatory support and competitive pressure) and contextual (study was carried out in Tanzania)	Present research was conducted in Kenya The present study also looked at other determinants including practical viability, infrastructure support and knowledge

Baber (2021)	To determine the factors that influenced the acceptance of crowdfunding	Perceived usefulness and ease of use had a positively influenced attitudes towards crowdfunding, which subsequently had a positive influence on the intention to use crowdfunding	Contextual (study conducted in Malysia) and conceptual (study focused only on perceived usefulness and perceived ease of use)	Present study was conducted in Kenya The present study also looked at other determinants including regulatory support, infrastructure support and knowledge
Doce and Ching (2021)	To explore the perceptions that managers of micro, small and medium sized enterprises (MSMEs) have towards crowdfunding	Hesitation to the adoption of crowdfunding stemmed from lack of legal support regarding the crowdfunding processes	Methodological (study was qualitative), contextual (study was conducted in Philippines) and conceptual (study only focused on legal support	Present study was conducted in Kenya The present study also looked at other determinants including regulatory support, practical viability, infrastructure support and knowledge Study was quantitative
Baber (2021)	To determine the factors that influenced the acceptance of crowdfunding	Perceived ease of use and perceived usefulness had a positive influence on attitudes towards crowdfunding, which subsequently had a positive influence on the intention to use crowdfunding	Contextual (study conducted in Malysia) and conceptual (study focused only on perceived usefulness and perceived ease of use)	Present study was conducted in Kenya The present study also looked at other determinants including regulatory support, infrastructure support and knowledge

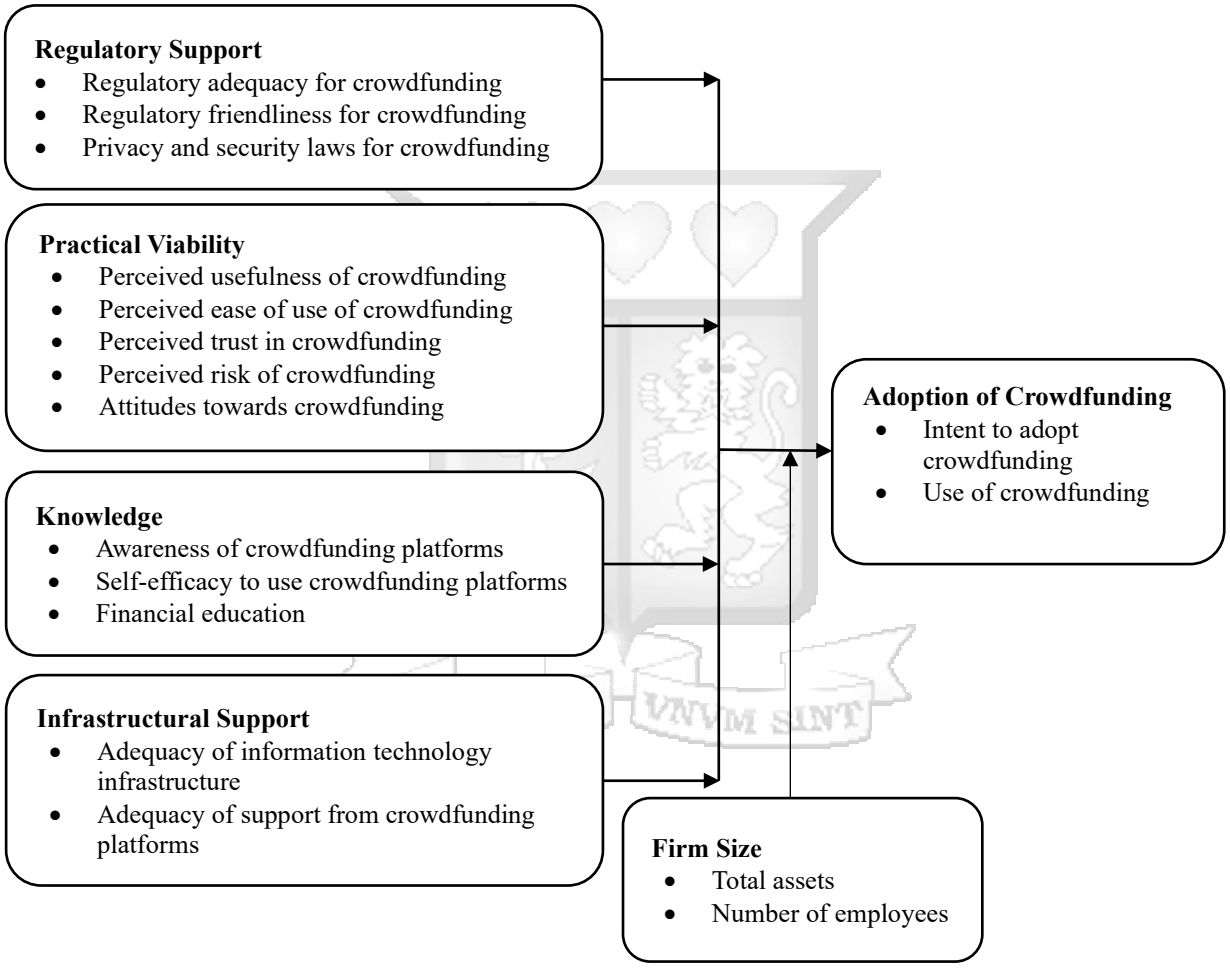
Islam and Khan (2021)	Motivations that influence entrepreneurs' intention to adopt crowdfunding	Perceived trust, facilitating conditions, performance expectancy, effort expectancy and social influence had a positive influence in the intention to use crowdfunding	Conceptual (study focused only on facilitating conditions and performance and effort expectancy) Contextual – study was conducted in Bangladesh	The present study also looked at other determinants including knowledge of crowdfunding. Present study was carried out in Kenya
Marko et al. (2023)	To examine the environmental factors that influence the adoption of crowdfunding by micro-finance institutions	Regulatory support and competitive pressure were significant positive predictors of the decision to adopt crowdfunding by microfinance institutions	Conceptual (study only focused on regulatory support and competitive pressure) and contextual (study was conducted in Tanzania)	Present study was conducted in Kenya The present study also looked at other determinants including practical viability, infrastructure support and knowledge
Corvino and Doni (2020)	To examine moderating effect of firm size on the correlation between relational capital and firm performance	Firm size significantly moderated the working capital finance - profitability relationship	Conceptual (study used relational capital as the independent variable and the dependent variable was firm performance)	The study used regulatory support, practical viability, knowledge of crowdfunding, and infrastructural support as the independent variables. The dependent variable was adoption of crowdfunding

Source: Researcher (2024)

2.5 Conceptual Framework

Figure 2.1 shows the conceptual framework for the proposed study. It outlines the relationship between the dependent variable (adoption of crowdfunding), the moderating variable was firm size (the number of employees and total assets) and the independent variables (regulatory support, practical viability, knowledge of crowdfunding, and infrastructural support).

Figure 2. 1: Conceptual Framework



Independent Variables Moderating Variable Dependent Variable

Source: Researcher (2024)

The conceptual framework is grounded in the Unified Theory of Use and Acceptance of Technology (UTAUT) and the Pecking Order Theory, integrating both behavioral and financial

decision-making perspectives. The independent variables include regulatory support, practical viability, knowledge, and infrastructural support. Regulatory support covers aspects such as the adequacy and friendliness of laws governing crowdfunding, as well as the presence of robust privacy and security measures. Practical viability captures perceptions around the usefulness, ease of use, trust, risk, and attitudes toward crowdfunding, key determinants of technology adoption behavior. Knowledge includes awareness of crowdfunding platforms, financial literacy, and self-efficacy, reflecting the role of informational readiness in influencing adoption. Infrastructural support relates to the availability and reliability of IT systems and the operational support offered by crowdfunding platforms.

The dependent variable, adoption of crowdfunding, is measured through both intent and actual usage. The model introduces firm size as a moderating variable, hypothesizing that larger firms (based on total assets and number of employees) may have different capabilities or motivations influencing their adoption of crowdfunding compared to smaller firms. The application of UTAUT provides insight into how behavioral and technological factors shape SME decisions, while the Pecking Order Theory supports the rationale that firms may turn to crowdfunding as an alternative financing source when internal funds or traditional credit are insufficient. Together, these theoretical lenses offer a comprehensive understanding of the adoption dynamics within Nairobi's SME sector and highlight the strategic role crowdfunding could play in enhancing financial inclusion and entrepreneurial growth.

2.6 Operationalization of Study Variables

Table 2.2 shows the operationalization of the variables in this study. It presents the definition, constructs and measurement scales that were used for these variables.

Table 2. 2: Operationalization of variables

Variable	Definition	Constructs	Measurement Scales	Source
Regulatory support	Regulatory support generally refers to the existence of government policies that encourage entrepreneurs to adopt crowdfunding, laws to	Regulatory adequacy, regulatory friendliness, government support for crowdfunding,	Five-point Likert scale 1 – strongly disagree 2 – disagree 3 – neutral 4 – agree	(Meghouar et al., 2023)

	address privacy and security concerns in crowdfunding, and government incentives for using crowdfunding	and privacy and security laws for crowdfunding	5 – strongly agree	
Practical Viability	Practical viability is defined as the extent to which crowdfunding is perceived as a feasible alternative source of financing when compared to other forms of alternative financing and traditional financing sources. In the literature, the concept of perceived	Perceived usefulness, perceived ease of use, perceived trust, perceived risk, and attitudes towards crowdfunding	Five-point Likert scale 1 – strongly disagree 2 – disagree 3 – neutral 4 – agree 5 – strongly agree	(Baber, 2021)
Knowledge of Crowdfunding	This refers to the level of familiarity and awareness that people have regarding crowdfunding. It denotes the awareness of these platforms as well as the self-efficacy to use them	Awareness of crowdfunding platforms, self-efficacy (technical skills) to use crowdfunding platforms, and financial education	Five-point Likert scale 1 – strongly disagree 2 – disagree 3 – neutral 4 – agree 5 – strongly agree	(Adjakou, 2020)
Infrastructural support	Infrastructural support refers to the availability of support for users of a new concept or technology, especially in terms of the adequacy of information technology infrastructure and support from crowdfunding platforms	Adequacy of information technology infrastructure and adequacy of support from crowdfunding platforms	Five-point Likert scale 1 – strongly disagree 2 – disagree 3 – neutral 4 – agree 5 – strongly agree	(Meghouar et al., 2023)

Adoption of Crowdfunding	Crowdfunding adoption is defined as intending, predicting and planning to raise capital using a crowdfunding platform.	Intent to adopt crowdfunding and use of crowdfunding	Nominal scale 1 – Yes 0 – No	Islam and Khan, (2021)
Firm size	Firm size is the the scope of an organization's activities, usually as shown by its total assets, revenue, or workforce.	Total assets and the number of employees	Five-point Likert scale 1 – strongly disagree 2 – disagree 3 – neutral 4 – agree 5 – strongly agree	Corvino and Doni (2020)

Source: Researcher (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used to conduct the research. The specific elements of the methodology covered in this chapter are the research philosophy, research design, population and sampling, data collection and analysis, steps to ensure the quality of the research and ethical considerations.

3.2 Research Philosophy

Research philosophy is concerned with assumptions regarding how valid knowledge is developed. Two key philosophies exist that can be adopted in research – interpretivism and positivism. Interpretivism holds that knowledge is socially constructed and can be interpreted in multiple ways using subjective methods (Bougie & Sekaran, 2019). The aim of interpretivism is to comprehend and interpret the meanings of human action Rather than generalizing and forecasting cause-and-effect associations. On the contrary, positivism maintains that valid knowledge is one that is factual and collected using objective means. This philosophy emphasizes facts rather than impressions (Saunders et al., 2015). Positivism also assumes that reality can be observed objectively using quantitative methods in order to produce findings that can be generalized. The proposed study was guided by the positivism philosophy. The reason for using positivism is to generate results that can be generalized to SMEs in Nairobi City. In addition, similar studies on crowdfunding adoption have also employed positivism philosophy (Kibicho & Mungai, 2019; Mutinda, 2023).

3.3 Research Design

The research design is the framework that determines the methods and techniques employed to conduct the research (Saunders et al., 2015). Descriptive research design, cross-sectional research design, explanatory research design, and exploratory research design are among the most commonly used research designs, each serving different purposes depending on the study's objectives and nature. For the proposed study, the descriptive cross-sectional research design was adopted. This design is useful for collecting information that can be used to describe a phenomenon in a population of interest. The descriptive cross-sectional research design was also used to

describe the variables and examine the association between them in order describe the phenomenon of interest in the study population. In the proposed study, the descriptive cross-sectional research design was used to examine the relationships between the adoption of crowdfunding and regulatory support, practical viability of crowdfunding, knowledge of crowdfunding, and infrastructural support for crowdfunding. The descriptive cross-sectional research design has also been employed in other similar studies examining the determinants of crowdfunding adoption (Kibicho & Mungai, 2019; Mutinda, 2023).

3.4 Population of the Study

The population represents the entire set of objects, people, or events from which a sample is obtained that can be used to collect generalizable information. According to Nairobi City County Licensing Department, there are about 98,000 SMEs in Nairobi City County (Nairobi City County, 2023). However, the study focused on Nairobi CBD, which has about 21,100 SMEs. Focusing on Nairobi's Central Business District (CBD) is justified due to its high concentration of SMEs, making it a central economic area. The CBD's businesses are diverse, highly regulated, and offer valuable insights into SME operations and challenges (Nairobi City County, 2023). This targeted approach allows for a more relevant and manageable sample, providing a clear understanding of crowdfunding adoption within a key business zone.

The population represents the entire set of objects, people, or events from which a sample is obtained to collect generalizable information. According to the Nairobi City County Licensing Department, there are approximately 98,000 SMEs in Nairobi City County (Nairobi City County, 2023). However, this study focused on SMEs located in Nairobi's Central Business District (CBD), which has about 21,100 registered SMEs. The Nairobi CBD was selected due to its high concentration and diversity of SMEs, making it a critical economic zone. Most SMEs in this area operate in a digitally connected environment and are more likely to be exposed to emerging financial innovations such as crowdfunding due to greater access to the internet, digital financial literacy training, and proximity to financial institutions and support programs. This digital exposure supports the assumption that a majority of SME owners/managers in this area possess baseline knowledge or awareness of crowdfunding.

Although crowdfunding is a relatively new financing mechanism compared to traditional options like debt, equity, or retained profits, selecting a broad population of SMEs is justified. The research instrument included simplified yet conceptually accurate definitions of crowdfunding to ensure respondents understood the scope of the study. Additional pre-testing of the questionnaire helped confirm that SME owners/managers could comprehend the concept. In addition, while targeting SMEs that had already used crowdfunding would offer depth, the purpose of this study was to examine determinants of adoption, including behavioral intention and actual use. Therefore, the study needed to include both users and non-users of crowdfunding to capture the full spectrum of adoption dynamics. Targeting only those who had used crowdfunding would result in biased findings and undermine the study's objective.

Table 3. 1: Target Population

Category of SME	Number in CBD
Informal Sector (Jua Kali)	254
General Trade, Wholesale, Retail, Stores	11,353
Agriculture	1,025
Hospitality	1,750
Professional and Technical Services	3,242
Education, Health and Entertainment	934
Transport and Communications	1,200
Manufacturing, workshops and workshops	1,342
Total	**21,100**

3.5 Sample Design

Sampling entails systematically choosing a few members from the study population to take part in the research (Saunders et al., 2015). Sampling was used due to the practical limitations of collecting data from the entire population. For the proposed study, Yamane's formula was used to determine the sample size:

$$n = \frac{N}{1 + Ne^2}$$

Where: N denotes the estimated population size while e is the error margin (5%).

Using an estimated population of 21,100 SMEs in Nairobi CBD, the sample size that was needed for this study was;

$$n = \frac{21{,}100}{1 + 21{,}100 * 0.05^2}$$

$$n = 392\ SMEs$$

Stratified random sampling was used in the selection of 392 SMEs. Stratified random sampling is a probability sampling method where the population is divided into discrete subgroups, or strata, that have specific features. In this study, the strata were the 8 categories of SMEs. After dividing the population into strata, a random sample was drawn from each subgroup. Random sampling was used in the selection of SMEs in each of the categories. Stratified sampling was used because it leads to more precise estimates for specific subgroups, as it ensures that all key segments of the population are represented. In addition, by focusing on key strata, this method reduces bias and ensures that all relevant subgroups are included, resulting to more generalizable findings. In addition, purposive sampling was employed at the data collection stage to identify and include respondents who had knowledge or experience related to crowdfunding. This approach ensured that the study captured informed perspectives, minimizing potential biases from respondents unfamiliar with the concept. The combination of stratified random sampling for representativeness and purposive sampling for respondent knowledge strengthened the study's validity and relevance to crowdfunding adoption among SMEs.

Table 3. 2: Sample Size Distribution

Category of SME	Target Population	Sample Size
Informal Sector (Jua Kali)	254	5
General Trade, Wholesale, Retail, Stores	11,353	211
Agriculture	1,025	19
Hospitality	1,750	33
Professional and Technical Services	3,242	60
Education, Health and Entertainment	934	17
Transport and and Communications	1,200	22
Manufacturing and workshops	1,342	25
Total	**21,100**	**392**

3.6 Data Collection

In this research, primary data was gathered using a structured questionnaire. The rationale for using questionnaires is due to the effectiveness in collecting data from large samples, convenience and ease of administration (Saunders et al., 2015). The questionnaire comprised three sections. Section

A contained questions to collecting information on respondents' demographics. Section B contained questions on the determinants of crowdfunding adoption including regulatory support, practical viability, knowledge and infrastructural support for crowdfunding. Section C contained questions on the adoption of crowdfunding by SMEs. The statements in the questionnaire used five-point Likert scales to measure the variables in this study. The questionnaires was self-administered through a fill and wait method. Pen-and-paper questionnaires was used in this study. In order to increase the response rate, trained research assistants were used to distribute the questionnaires to eligible respondents.

3.7 Research Quality

This section discusses the steps that were taken to ensure that the study is valid and reliable.

3.7.1 Validity

Validity is the accuracy of the research tools in measuring what it is required to measure (Bell et al., 2022). To enhance validity, and expert review and a pilot study was conducted. In terms of expert review, the questionnaire was developed with the guidance of a supervisor from Strathmore University and was reviewed by a panel of experts. Their feedback was incorporated to make the questionnaire more valid. In addition, a pilot study was conducted with 36 respondents consisting of managers and owners of SMEs who were not be included in the final survey. Bell et al. (2022) recommended 10% of the final sample for a pilot study; thus, the pilot survey used 36 respondents. Feedback from the pilot study was used to improve the questionnaire.

3.7.2 Reliability

Reliability focuses on the consistency of a research tool. The Cronbach's alpha is used to assess the instrument's dependability. According to Bell et al. (2022), a Cronbach's coefficient of <0.7 is considered satisfactory. Bougie and Sekaran (2019) recommended reliability threshold of 0.5 while Greener (2008) considered a value of 0.5 to be reliable. For this study, the Cronbach's alpha cutoff value that was adopted is <0.7 as recommended by Kleiner (2021). The reliability coefficient was calculated to every scale in the questionnaire.

The reliability test results presented in Table 3.3 show that all variables have acceptable internal consistency, as indicated by their Cronbach's alpha values, which range from 0.783 to 0.823.

Specifically, regulatory support has a Cronbach's alpha of 0.783, practical viability has 0.798, knowledge has 0.814, infrastructure support has 0.823, and firm size has 0.808. These values exceed the commonly accepted threshold of 0.70, suggesting that the scales used to measure these variables are reliable and consistent. The number of items for each variable ranges from 6 to 7, indicating a well-structured measurement approach for each construct.

Table 3. 3: Reliability Test Results

Variables	Cronbach's alpha	No. of items
Regulatory Support	0.783	6
Practical Viability	0.798	7
Knowledge	0.814	7
Infrastructure Support	0.823	6
Firm Size	0.808	6

3.8 Data Analysis

Data analysis entails using statistical analysis to process data in order to obtain meaningful insights (Kleiner, 2021). The data collected from questionnaires was coded and entered into the SPSS version 26. Before analyzing the data, it was cleaned by checking for accuracy and completeness. Missing entries were addressed using listwise deletion to ensure that the final dataset analyze is complete. Descriptive statistics, consisting standard deviation and mean, were utilized to describe the data. Inferential analysis, using binary logistic regression, was used to examine the association between the dependent and independent variables. Before performing the binary logistic regression, the data was checked to determine if it meets the assumptions of linearity and multicollinearity. If the data violated these assumptions, appropriate remedies were performed including non-linear transformation, adding lags to the data, and log transformation.

Binary logistic regression model that was used is:

$$Logit\left(\frac{P(Adoption)}{1-P(No\ adoption)}\right) = \beta_0 + \beta_1 REG + \beta_2 PRA + \beta_3 KNO + \beta_4 INFR + \varepsilon$$

Where: P = Adoption of crowdfunding; REG = regulatory support; KNO = Knowledge of crowdfunding; INFR = infrastructure support; $\beta_{0\text{-}4}$= regression coefficients; ε = error function

A moderator is a variable that significantly influences the strength and direction of the relationship between an independent (predictor) variable and a dependent (criterion) variable. This variable has the potential to either amplify or diminish the existing relationship, or it can even alter its direction, shifting it from positive to negative (Babbie, 2021). In this study, logistic regression model was employed to determine how firm size (z) moderates the relationship between the independent variables and dependent variable. The logistic regression model was as follows:

$$Logit\left(\frac{P(Adoption)}{1-P(No\ adoption)}\right) = \beta_0 + \beta_1 REG + \beta_2 PRA + \beta_3 KNO + \beta_4 INFR + \beta_5 FS + \beta_6 REG * FS + \beta_7 PRA * FS + \beta_8 KNO * FS + \beta_9 INFR * FS + \varepsilon$$

Where: P = Adoption of crowdfunding; REG = regulatory support; KNO = Knowledge of crowdfunding; INFR = infrastructure support; $\beta_{1\text{-}4}$= regression coefficients; FS = Hypothesized moderator (Firm Size); β_{6-9} = Coefficient of X_i *FS the interaction term between Firm Size and the combine independent variables; ε = error function

3.9 Ethical Considerations

The ethical considerations for the proposed study are ethical clearance, informed consent, confidentiality and anonymity of respondents. Before proceeding with collecting data, ethical clearance was obtained from the Strathmore University Institutional Scientific Ethics Review Committee (SU-ISERC). Next, permit from NACOSTI was also obtained. Participants also provided informed consent to ensure that participation in the research was willingly. In this respect, the questionnaire was accompanied with a letter of introduction detailing the specifics of the study. Only those who consent were allowed to participate in the study. The collected data was also confidential and was only accessed by the researcher. To ensure the anonymity of respondents, information, such as their names and contact information, were not collected in this study. Therefore, the filled questionnaires were anonymous.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis, interpretation of results, and study findings in relation to the general and specific objectives. The primary objective of the study was to establish the determinants of crowdfunding adoption as a viable financing option for small and medium sized enterprises in Nairobi City County, Kenya. In addition, the study sought to determine the influence of regulatory support, practical viability, knowledge, infrastructural support and firm size on the adoption of crowdfunding among SMEs in Nairobi City County. The results were presented in tables and figures, which include bar charts and pie charts.

4.2 Response Rate

The sample size of the study was 392 small medium enterprises in Nairobi's Central Business District. The response rate was as presented in Table 4.1.Out of 392 questionnaires that were distributed, 320 were completely filled and returned, yielding a response rate of 81.63%. According to According to Babbie (2021), a response rate of 50% is adequate for analysis and reporting, 60% is considered good, and 70% is deemed excellent. Therefore, a response rate of 81.63% was within acceptable limits, ensuring reliable conclusions and recommendations.

Table 4. 1: Questionnaires' Response Rate

Category of SME	Sample Size	Responses	Response Rate
Informal Sector (Jua Kali)	5	4	80.00
General Trade, Wholesale, Retail, Stores	211	179	84.83
Agriculture	19	13	68.42
Hospitality	33	27	81.82
Professional and Technical Services	60	53	88.33
Education, Health, and Entertainment	17	11	64.71
Transport and Communications	22	16	72.73
Manufacturing and Workshops	25	17	68.00
Total	**392**	**320**	**81.63**

4.3 General Information

The general information in this study included respondents' position in the SMEs, number of employees, number of years of business existence, primary source of business financing, primary industry sector of the business and annual revenue range of the business.

4.3.1 Respondents' Position in the SMEs

The respondents were asked to specify their position within the SMEs. From the results, as shown in Figure 4.1, 81.3% were SME owners, while 18.8% indicated that they were managers. The fact that majority of the respondents were owners rather than managers suggests that most SMEs operate with a relatively small number of employees, and as such, may not require a separate managerial layer. This aligns with the common structure of SMEs, where owners often take on multiple roles due to limited staffing.

Figure 4. 1: Respondents' Position in the SMEs

4.3.2 Number of Employees

The respondents were asked to specify the number of employees in their SMEs. As shown in Figure 4.3, 81.3% reported having between 1 and 10 employees, 9.4% had between 11 and 49 employees, and 6.3% had more than 100 employees. In addition, 3.1% indicated that they had between 50 and 99 employees. These findings suggest that the majority of SMEs had between 1 and 10 employees,

suggesting that most SMEs in the sample are micro-enterprises with limited workforce capacity, which may impact their scalability, operational efficiency, and resource management.

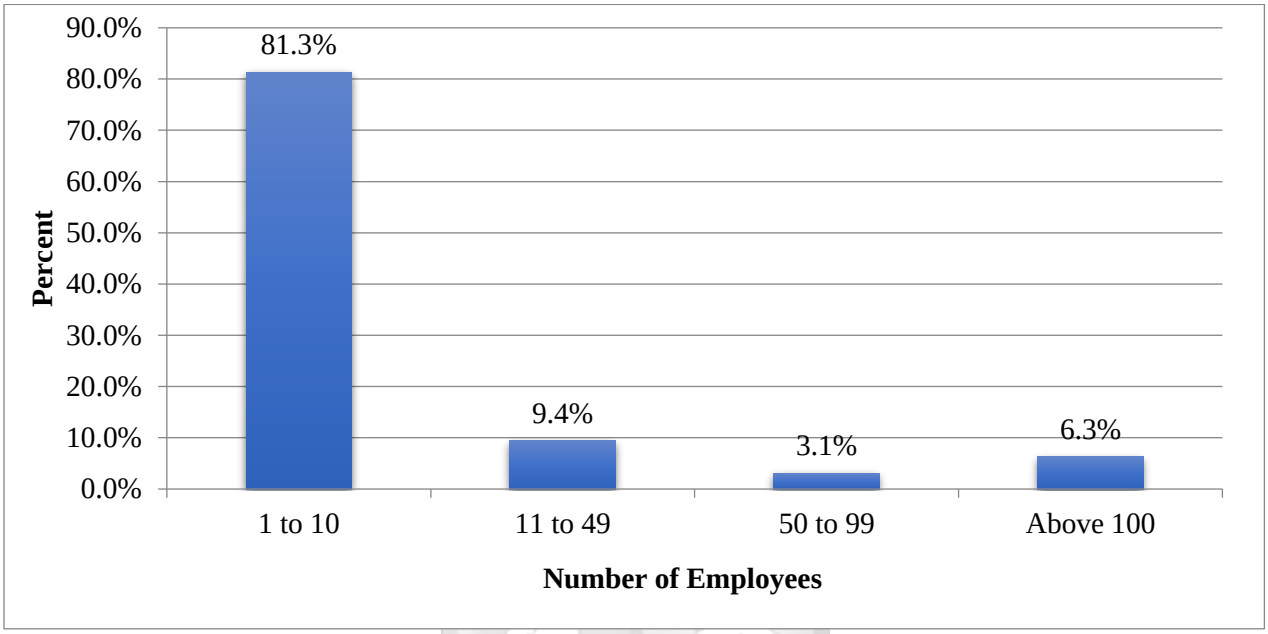


Figure 4. 2: Number of Employees

4.3.3 Number of Years of SME Existence

The respondents were asked to specify the number of years their SMEs had been in operation. As shown in Table 4.3, 43.5% indicated that their SMEs had existed for between 0 and 3 years, 25.0% indicated for between 4 and 6 years, and 21.9% indicated for 11 years or above. In addition, 9.4% indicated that their SMEs had been in operation for between 7 and 10 years. These findings suggest that the majority of SMEs have been in existence for 0 to 3 years, implying a high prevalence of young enterprises, which may indicate a dynamic business environment with frequent new ventures. The findings are in line with Wambui and Mwachia (2024) findings that around 70% of SMEs fail within the first three years of operation, which highlights the challenges faced by new businesses in sustaining long-term viability.

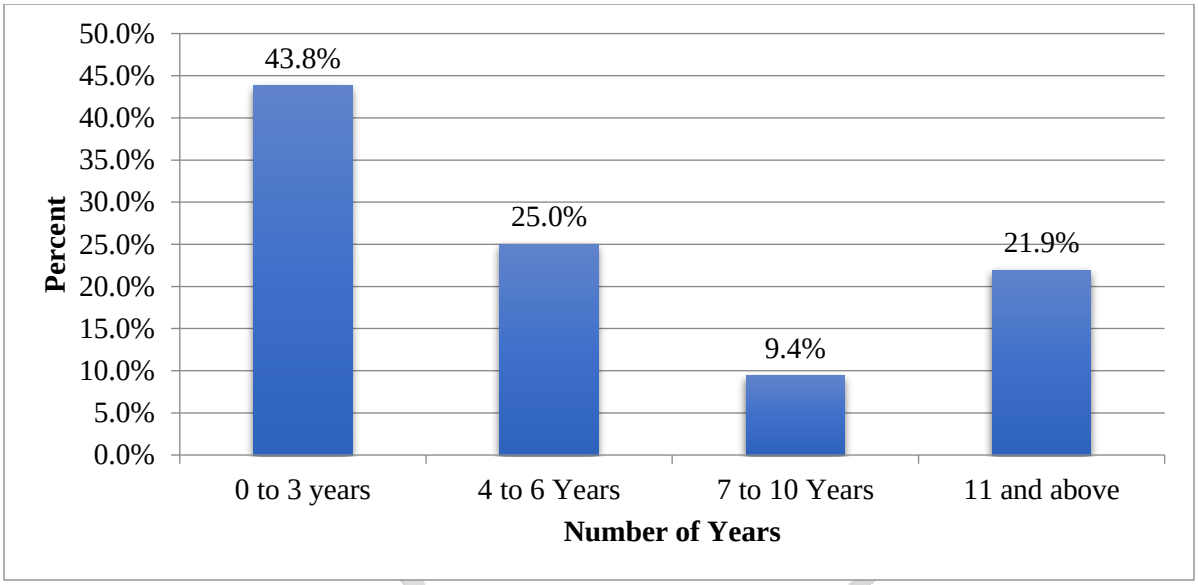


Figure 4. 3: Number of Years of SMEs Existence

4.3.4 Primary Source of Business Financing

The respondents were asked to specify the primary source for financing their business. The findings from Table 4.2 indicate that the majority of respondents primarily rely on personal savings to finance their businesses, with 78.1% of business owners using this method. This suggests a strong dependence on self-funding. Following personal savings, bank loans are the second most common source of financing at 12.5%, indicating some reliance on formal financial institutions. Sacco loans also serve as a significant source, accounting for 9.4% of the responses, while advancements from family and friends represent 34.4%, showing the importance of informal support networks. Moreover, venture capital and government grants are less common, with only 3.1% of respondents utilizing them. Crowdfunding was cited by 6.3% of the respondents as a financing method. The results suggest that business owners in Nairobi's CBD primarily depend on personal savings and informal sources, such as family and friends, for funding. While formal sources like bank loans and Sacco loans play a secondary role, less common sources such as government grants and venture capital are used to a minimal extent. The additional mention of retained earnings by some respondents further emphasizes the role of reinvested profits in sustaining business operations.

Table 4. 2: Primary Source of Business Financing

Source of Financing	Frequency	Percent
Personal savings	250	78.1
Bank loans	40	12.5
Sacco loans	30	9.4
Advancements from family and friends	110	34.4
Venture capital	10	3.1
Government grants	10	3.1
Crowdfunding	20	6.3
Others	10	3.1

4.4.5 Respondents' Business Primary Industry Sector

The respondents were requested to specify the primary industry sector of their business. As demonstrated in Table 4.9, the highest proportion of SMEs operates in the services sector, representing 53.1% of the total. Technology sector follows, accounting for 18.8% of businesses. A notable portion of SMEs are in the retail sector, comprising 15.6% of respondents, while 9.4% operate in other sectors. The manufacturing sector has the lowest representation, making up only 3.1% of SMEs. These findings suggest that the majority of SMEs are concentrated in the services industry, highlighting its dominant role in the business landscape. However, the respondents who indicated that their businesses operate in other sectors were asked to specify them. The results revealed that these sectors include healthcare, production/farming, and publishing.

Table 4. 3: Respondents' Business Primary Industry Sector

Industry Sector	Frequency	Percent
Manufacturing	10	3.1
Services	170	53.1
Retail	50	15.6
Technology	60	18.8
Other	30	9.4
Total	**320**	**100.0**

4.4.6 Annual Revenue Range of the Business

The respondents were asked to indicate the annual revenue range of their business. As shown in Figure 4.4, 46.9% of the respondents indicated that their annual revenue range was less than Ksh 1,000,000, 21.9% indicated that their annual revenue range was between Ksh 1,000,000 and 9,999,999 while 18.8% indicated that their annual revenue range was between Ksh 10,000,000 and 19,999,999. In addition, 12.5% indicated that their annual revenue range was between Ksh

1,000,000 and 9,999,999. This means that the majority of business managers and owners of SMEs in Nairobi CBD generate annual revenue of less than Ksh 1,000,000. The findings imply that while many SMEs operate on a smaller scale, they contribute significantly to the local economy by fostering entrepreneurship, creating employment opportunities, and laying the foundation for future business growth and expansion.

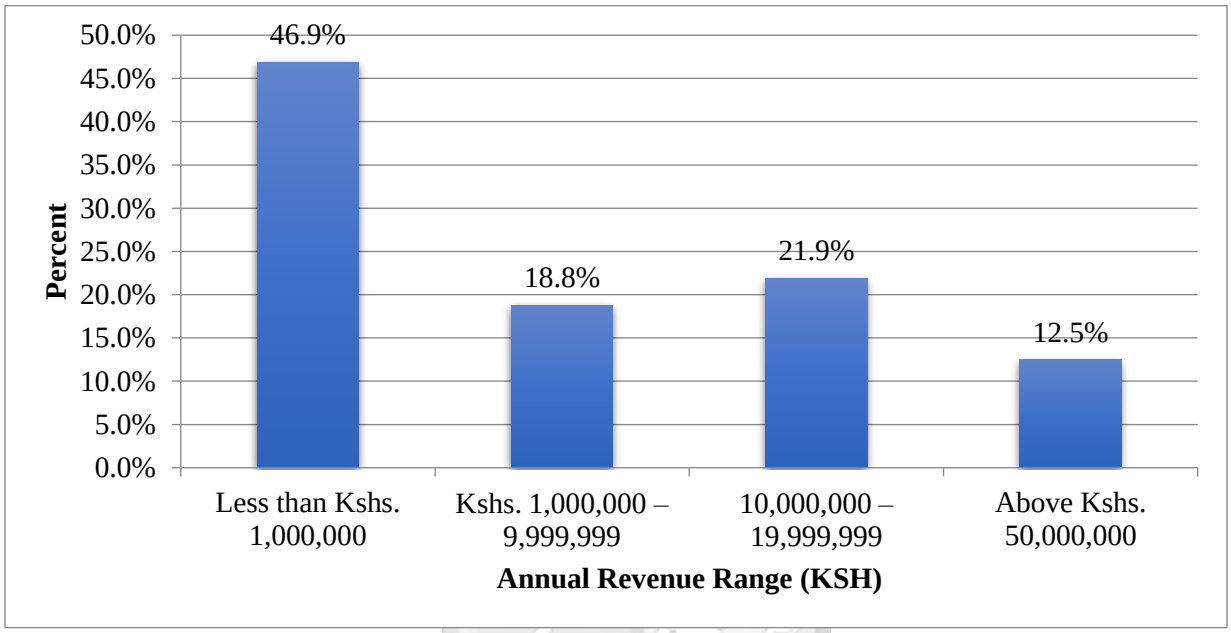


Figure 4. 4: Annual Revenue Range of the Business

4.4 Regulatory Support

The first objective of the study was to determine the influence of regulatory support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. The respondents were asked to indicate the extent to which they agreed or disagreed with various statements regarding regulatory support. As illustrated in Table 4.4, the respondents agreed with a mean of 3.968 (Std. Deviation = 0.8847) that they have high hopes that the regulatory environment for crowdfunding will mature in the future, making crowdfunding a more attractive funding option. This suggests that they believe the regulatory environment for crowdfunding will improve and become more favorable, making crowdfunding a more appealing and viable funding option in the future.

The respondents were neutral with a mean of 2.875 (Std. Deviation = 1.1677) about whether the existing regulations for crowdfunding are friendly, making crowdfunding an attractive funding

option. This implies that while some entrepreneurs may perceive the regulations as adequate, others may view them as restrictive or insufficient, leading to a neutral stance on the matter. Similarly, the respondents were neutral with a mean of 2.781 (Std. Deviation = 1.0837) regarding the presence of privacy and security laws that make crowdfunding a secure financing option. Additionally, the respondents were neutral with a mean of 2.687 (Std. Deviation = 1.0751) about the adequacy of regulations for crowdfunding, which is an important consideration when using crowdfunding.

The mean score of 2.593 (Std. Deviation = 1.0281) suggests that respondents were neutral about whether existing regulations for crowdfunding effectively protect both the platforms and those seeking funding, indicating uncertainty or mixed feelings regarding the sufficiency of these protections. However, the respondents expressed disagreement with a mean of 2.406 (Std. Deviation = 1.0873) with the statement that adequate regulations are enforced to govern crowdfunding activities, which implies a belief that the current regulatory framework may be inadequate or poorly enforced in ensuring the proper functioning and protection of crowdfunding platforms. This suggests a need for stronger, more effective regulatory measures to safeguard both participants and the platforms themselves in the crowdfunding process.

The composite mean of 2.885 suggests that, on average, the respondents from small and medium enterprises (SMEs) in Nairobi City County have a moderate level of agreement regarding the aspects of regulatory support for crowdfunding. This indicates that while there is some recognition of the importance of regulations for crowdfunding, there is no strong consensus about the adequacy or effectiveness of current regulations. The standard deviation of 1.054 shows moderate variability in the responses, implying that opinions are spread out to some extent, with some respondents expressing more positive views while others feel less confident about the regulatory framework.

Table 4. 4: Aspects of Regulatory Support

	Mean	Std. Deviation
There are adequate regulations for crowdfunding, which is an important consideration when using crowdfunding	2.687	1.0751
The existing regulations for crowdfunding are friendly, making crowdfunding an attractive funding option	2.875	1.1677
There are privacy and security laws that make crowdfunding a secure option for financing	2.781	1.0837
I believe there are adequate regulations enforced to govern crowdfunding activities	2.406	1.0873
I believe that existing regulations for crowdfunding are effective in protecting platforms as well as those who are seeking funding	2.593	1.0281
I have high hopes that the regulatory environment for crowdfunding will mature in the future to make crowdfunding an attractive funding option	3.968	.8847
Composite Mean and Standard Deviation	2.885	1.054

4.5 Practical Viability

The second objective of the study was to determine the influence of practical viability of crowdfunding on its adoption as a source of financing for SMEs in Nairobi City County. As shown in Table 4.11, the respondents agreed with a mean of 3.781 (Std. Deviation = 1.193) that crowdfunding can help entrepreneurs access funding to start and expand their businesses. Similarly, the respondents agreed with a mean of 3.750 (Std. Deviation = 0.969) that crowdfunding is a useful source of financing for entrepreneurs. These findings imply that the respondents have a generally positive perception of crowdfunding as a viable and useful financing option for entrepreneurs. The strong agreement with the statement that crowdfunding can help entrepreneurs access funding to start and expand their businesses suggests that there is confidence in its potential to facilitate business growth.

The respondents were neutral with a mean of 3.375 (Std. Deviation = 0.961) about whether crowdfunding is a trustworthy and dependable funding option. This result suggests a degree of skepticism or uncertainty about the reliability of crowdfunding as a financing method. In addition, the respondents were neutral with a mean of 3.156 (Std. Deviation = 1.122) regarding both the ease of using crowdfunding platforms to raise funds and the perception that it is not risky to use

crowdfunding to raise business funds. This aligns with the notion that while crowdfunding offers an accessible source of financing, issues such as platform complexity and perceived financial risks continue to influence its adoption.

Furthermore, the respondents were neutral with a mean of 3.000 (Std. Deviation = 0.969) about whether they trust crowdfunding platforms to protect their personal and business information from unauthorized access. Despite the growing popularity of crowdfunding, trust in the platforms' ability to safeguard sensitive information remains a critical factor influencing its adoption. Moreover, the respondents were neutral with a mean of 2.593 (Std. Deviation = 1.170) about whether there is no risk of their business model being imitated when using crowdfunding to source funds. Entrepreneurs often worry about the potential exposure of their ideas, with imitation being a common fear when sharing business models publicly on crowdfunding platforms.

The composite mean of 3.259 indicates a moderate to slightly positive overall perception of the practical viability of crowdfunding as a funding option for SMEs in Nairobi City County. The standard deviation of 1.072 suggests moderate variability in responses, meaning that while some respondents express more confidence in crowdfunding's practical viability, others remain cautious or skeptical, particularly regarding issues like privacy and the risks associated with crowdfunding platforms.

Table 4. 5: Aspects of Practical Viability

	Mean	Std. Deviation
As a funding option, think crowdfunding is trustworthy and dependable	3.375	.961
I trust that crowdfunding platforms will not expose by personal and business information to unauthorized parties	3.000	.969
I believe it is not risky to use crowdfunding to raise funds for the business	3.156	1.122
When using crowdfunding to source funds, I trust there is no risk of my business model being imitated	2.593	1.170
I believe it is easy to use crowdfunding platforms to raise funds	3.156	1.122
I think crowdfunding is a useful source of financing for entrepreneurs	3.750	.969
I believe crowdfunding can help entrepreneurs access funding to start and even expand their business	3.781	1.193
Composite Mean and Standard Deviation	3.259	1.072

4.6 Knowledge

The third objective of the study was to determine the influence of infrastructural support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. As illustrated in Table 4.12, with a mean of 4.031 (Std. Deviation = 0.637), the respondents agreed that they are aware that crowdfunding is an option for entrepreneurs to access funding. Knowledge of crowdfunding as a financing option is often the first step towards its consideration and use by SMEs, highlighting the importance of informational outreach in promoting alternative funding sources. Also, with a mean of 3.437 (Std. Deviation = 1.118), the respondents were neutral about having some financial knowledge that helps them understand how to use crowdfunding platforms. With a mean of 3.375 (Std. Deviation = 0.961), the respondents were neutral with the statement indicating that their familiarity with various crowdfunding platforms that offer funding opportunities for businesses. This neutral stance may reflect a lack of deep awareness or exposure to the diverse range of crowdfunding platforms available.

Similarly, with a mean of 3.281 (Std. Deviation = 0.944), the respondents were neutral about having sufficient knowledge of crowdfunding as a viable source of funding. This suggests that while respondents may have heard of crowdfunding, they are uncertain about its practical application and benefits for their businesses. Furthermore, with a mean of 3.250 (Std. Deviation =

1.147), the respondents were neutral about their confidence in using crowdfunding platforms to obtain funding. This suggests that while respondents recognize crowdfunding as a potential financing option, they may not feel fully confident in navigating the platforms to secure funding.

In addition, with a mean of 2.937 (Std. Deviation = 1.030), they were neutral about being adequately knowledgeable regarding the financial and economic aspects of crowdfunding as a source of financing for businesses. This suggests that while respondents may understand the basic concept of crowdfunding, they may lack in-depth knowledge about its financial intricacies, such as the costs, risks, and financial returns involved. However, with a mean of 2.281 (Std. Deviation = 1.330), the respondents disagreed that they have previously applied for crowdfunding opportunities to obtain business funding. This finding suggests that despite the awareness of crowdfunding as a potential source of financing, a significant number of respondents have not yet taken steps to engage with crowdfunding platforms.

The composite mean of 3.227 suggests a moderate level of knowledge about crowdfunding among entrepreneurs in Nairobi City County. This indicates that while respondents have a general awareness of crowdfunding, their understanding and experience with it may vary. The standard deviation of 1.024 reflects a considerable spread in responses, suggesting that there is a wide range of knowledge and familiarity with crowdfunding within the sample group, with some individuals having more in-depth knowledge than others. Such variability may be due to differences in exposure to crowdfunding platforms or varying levels of financial literacy.

Table 4. 6: Aspects of Knowledge

	Mean	Std. Deviation
I am aware that crowdfunding is an option for entrepreneurs to access funding	4.031	.637
I have sufficient knowledge about crowdfunding as a viable source of funding	3.281	.944
I am familiar with the various crowdfunding platforms that offer funding opportunities for businesses	3.375	.961
I am confident in my ability to use crowdfunding platforms to get funding	3.250	1.147
In the past, I have applied for crowdfunding opportunities to get funding for the business	2.281	1.330

I have some financial knowledge that help me understand how to use crowdfunding platforms	3.437	1.118
I believe I am adequately knowledgeable regarding the financial and economic aspects of crowdfunding as a source of financing for businesses	2.937	1.030
Composite Mean and Standard Deviation	3.227	1.024

4.7 Infrastructural Support

The fourth objective of the study was to determine the influence of infrastructural support on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. As depicted in Table 4.13, with a mean of 3.750 (Std. Deviation = 0.903), the respondents agreed that the cost of the internet needed to access crowdfunding platforms is affordable. Also, with a mean of 3.406 (Std. Deviation = 0.965), the respondents were neutral about crowdfunding platforms providing adequate technical support to help entrepreneurs when raising funds through their platforms. This suggests that while the respondents acknowledge the availability of technical resources, there is still uncertainty or lack of clarity about the adequacy of these resources.

Similarly, with a mean of 3.281 (Std. Deviation = 0.761), the respondents were neutral about crowdfunding platforms having adequate knowledge and experience in facilitating and raising funds for businesses. This suggests that while respondents recognize the presence of crowdfunding platforms, there is a perception that these platforms may not fully possess the expertise required to effectively guide businesses in securing funds. Furthermore, with a mean of 3.219 (Std. Deviation = 0.961), the respondents were neutral about crowdfunding platforms having adequate communication channels to address any issues they may have. This suggests that while crowdfunding platforms are accessible, there may be concerns regarding the availability and effectiveness of communication channels to resolve user issues.

In addition, with a mean of 3.125 (Std. Deviation = 1.271), the respondents were neutral about the adequacy of internet infrastructure in the country to help entrepreneurs and funders use crowdfunding platforms. This suggests that while some improvements have been made in internet infrastructure, more work is needed to ensure that all entrepreneurs, particularly in developing regions, can fully benefit from crowdfunding opportunities. Furthermore, with a mean of 2.906 (Std. Deviation = 1.157), the respondents were neutral about not experiencing significant

challenges when accessing crowdfunding platforms to raise funds for their businesses. This neutrality suggests that while some respondents may find it relatively easy to access these platforms, others face obstacles that could hinder the adoption of crowdfunding as a financing option.

The composite mean of 3.281 suggests a moderate level of satisfaction with the technical support, communication, and infrastructure available for crowdfunding platforms among entrepreneurs in Nairobi City County. The standard deviation of 1.003 indicates a moderate level of variability in responses, suggesting that while some respondents are generally satisfied, others may face challenges or have differing experiences with the availability and quality of these services. This variability highlights the need for improvement in certain areas, such as internet infrastructure and accessibility, to ensure a more consistent and positive experience for all users of crowdfunding platforms.

Table 4. 7: Aspects of Infrastructural Support

Statements	Mean	Std. Deviation
I believe crowdfunding platforms provide adequate technical support to help entrepreneurs when raising funds through their platforms	3.406	.965
Crowdfunding platforms have adequate communication channels to address any issues that I may have	3.219	.961
I think crowdfunding platforms have adequate knowledge and experience in facilitating and raising funds for businesses	3.281	.761
I think there is adequate internet infrastructure in the country to help entrepreneurs and funders use crowdfunding platforms	3.125	1.271
I do not experience significant challenges when accessing crowdfunding platforms to raise funds for the business	2.906	1.157
I can say that the cost of internet needed to access crowdfunding platforms is affordable	3.750	.903
Composite Mean and Standard Deviation	3.281	1.003

4.8 Firm Size

The fifth objective of the study was to examine how firm size influences the relationship between regulatory support, practical viability, knowledge of crowdfunding, infrastructural support and the adoption of crowdfunding among SMEs in Nairobi City County. As illustrated in Table 4.14, the respondents agreed with a mean of 4.188 (Std. Deviation = 0.635) that the total assets of their firm

significantly contribute to its ability to expand operations. Larger firms with a robust asset base tend to be better positioned to leverage various funding sources, including crowdfunding, as they are perceived as more stable and less risky by potential investors. In addition, with a mean of 3.969 (Std. Deviation = 1.160), the respondents agreed that their firm's employee base has been a key factor in sustaining growth and market presence. A strong employee base enables firms to effectively manage operations, innovate, and respond to market demands, all of which are critical in attracting external financing options like crowdfunding.

Similarly, with a mean of 3.844 (Std. Deviation = 0.871), the respondents agreed that the value of their firm's assets influences its competitiveness in the market. The ability to leverage assets not only improves a firm's financial stability but also enhances its capacity to undertake strategic investments that drive growth and innovation.

Furthermore, with a mean of 3.281 (Std. Deviation = 1.098), the respondents were neutral about whether the size of their firm's workforce allows it to effectively handle increased market demands. This means that the respondents are neither in agreement nor disagreement about their firm's workforce size being adequate to manage growing market demands. Moreover, with a mean of 3.250 (Std. Deviation = 1.119), the respondents were neutral about whether their firm's total assets are sufficient to support long-term financial growth. This suggests that respondents are undecided on whether their firm's total assets are enough to ensure sustained financial growth in the long term. Furthermore, with a mean of 3.000 (Std. Deviation = 1.201), the respondents were neutral about whether the number of employees in their firm is sufficient to meet operational demands. This statement shows that respondents did not express a clear opinion on whether their firm's workforce is large enough to handle day-to-day operational needs.

The composite mean of 3.589 indicates a moderate perception of the role that firm size plays in supporting growth, competitiveness, and sustainability among entrepreneurs in Nairobi City County. This suggests that while firm size is recognized as an important factor, there are varying levels of agreement on its actual impact. The standard deviation of 1.014 reflects a moderate degree of variability in responses, suggesting that while some entrepreneurs believe firm size significantly contributes to their business success, others may experience different challenges or have varying perceptions of its importance. This variability may be due to differences in industry, firm maturity, or the specific operational challenges each firm faces.

Table 4. 8: Aspects of Firm Size

Statements	Mean	Std. Deviation
The total assets of our firm significantly contribute to its ability to expand operations.	4.188	.635
The value of our firm's assets influences its competitiveness in the market.	3.844	.871
Our firm's total assets are sufficient to support long-term financial growth	3.250	1.119
The number of employees in our firm is sufficient to meet operational demands.	3.000	1.201
The size of our firm's workforce allows it to effectively handle increased market demands.	3.281	1.098
Our firm's employee base has been a key factor in sustaining its growth and market presence.	3.969	1.160
Composite Mean and Standard Deviation	3.589	1.014

4.9 Adoption of Crowdfunding

The adoption of crowdfunding serves as the dependent variable in this study. It refers to the decision and extent to which Small and Medium Enterprises (SMEs) in Nairobi City County engage in crowdfunding as a means of raising capital for their businesses. This variable is crucial for understanding how various factors, such as regulatory support, practical viability, knowledge, and infrastructure support, influence the adoption of crowdfunding among SMEs in the region.

4.9.1 Crowdfunding as an Alternative to Traditional Financing Methods

The respondents were asked whether they believe crowdfunding could be a better alternative to traditional financing methods. The results indicate that 68.8% of respondents believe crowdfunding could be a better alternative to traditional financing methods, while 25% were not sure, and 6.3% did not share this belief. This indicates a strong preference for crowdfunding as a viable alternative, highlighting its perceived potential over traditional financing options. The findings suggest that the majority of SMEs in Nairobi City County view crowdfunding as a promising financial solution, particularly due to its accessibility, flexibility, and innovative approach to funding.

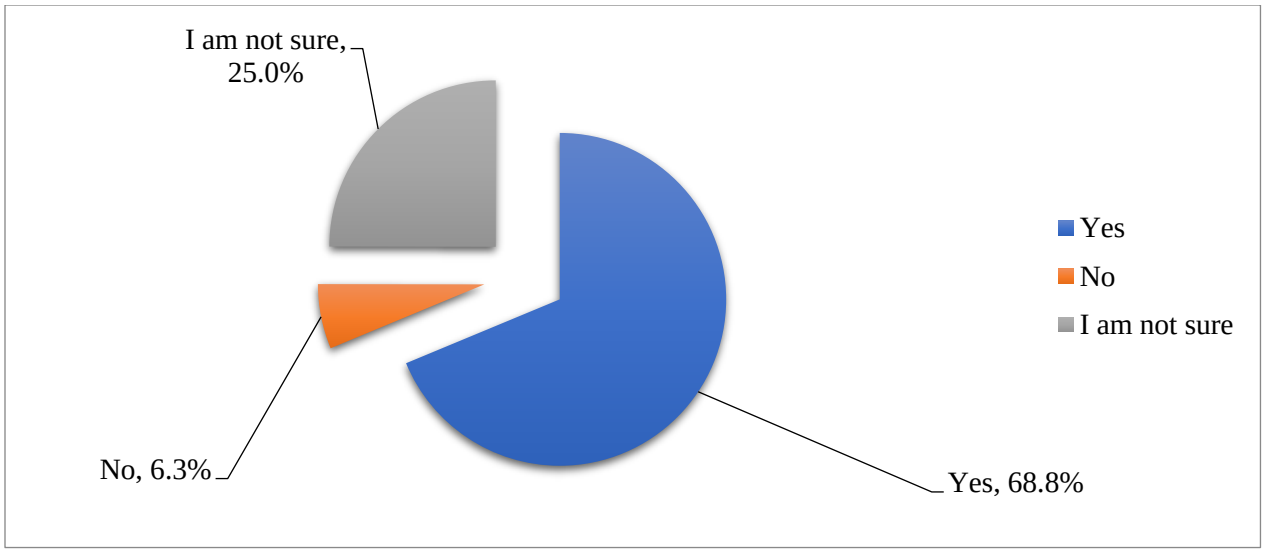


Figure 4. 5: Crowdfunding as an Alternative to Traditional Financing Methods

4.9.2 Experience with Crowdfunding Adoption

The respondents were asked whether they have ever used crowdfunding to finance their business. The results show that 81.3% of respondents have not adopted crowdfunding, while 18.8% have used it. This suggests that while crowdfunding is recognized as a potential financing option, a significant number of SMEs have not yet adopted it. This aligns with the findings of Doce and Ching (2021), who observed that while the awareness of crowdfunding as a financing tool has increased, actual adoption remains relatively low among SMEs, largely due to concerns over platform trustworthiness, lack of understanding, and perceived risks associated with this funding method.

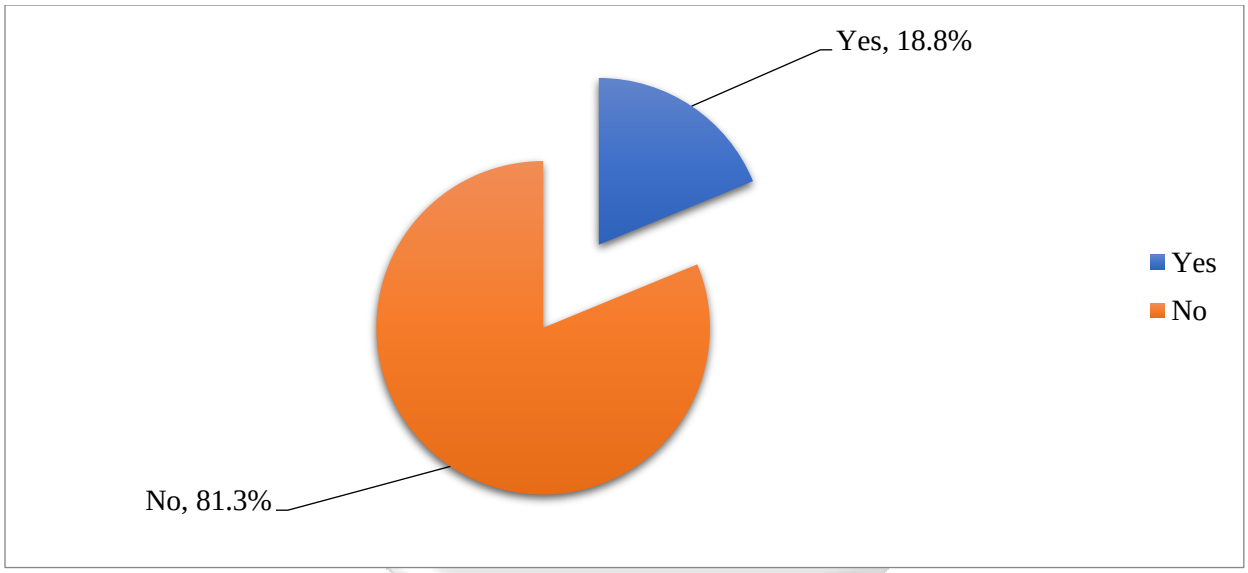


Figure 4. 6: Experience with Crowdfunding Adoption

4.9.3 Frequency of Crowdfunding Usage

The respondents who have used crowdfunding were asked how many times they have raised funds through this method. The results show that 81.3% of respondents have not used crowdfunding at all, 9.4% have used it once, 6.3% have used it 2–3 times, and 3.1% have raised funds more than three times. The findings indicate that majority of the respondents have not used crowdfunding at all. The low frequency of use among SMEs could be attributed to concerns about platform accessibility, limited understanding of crowdfunding processes, and potential risks involved in utilizing such a relatively new funding model.

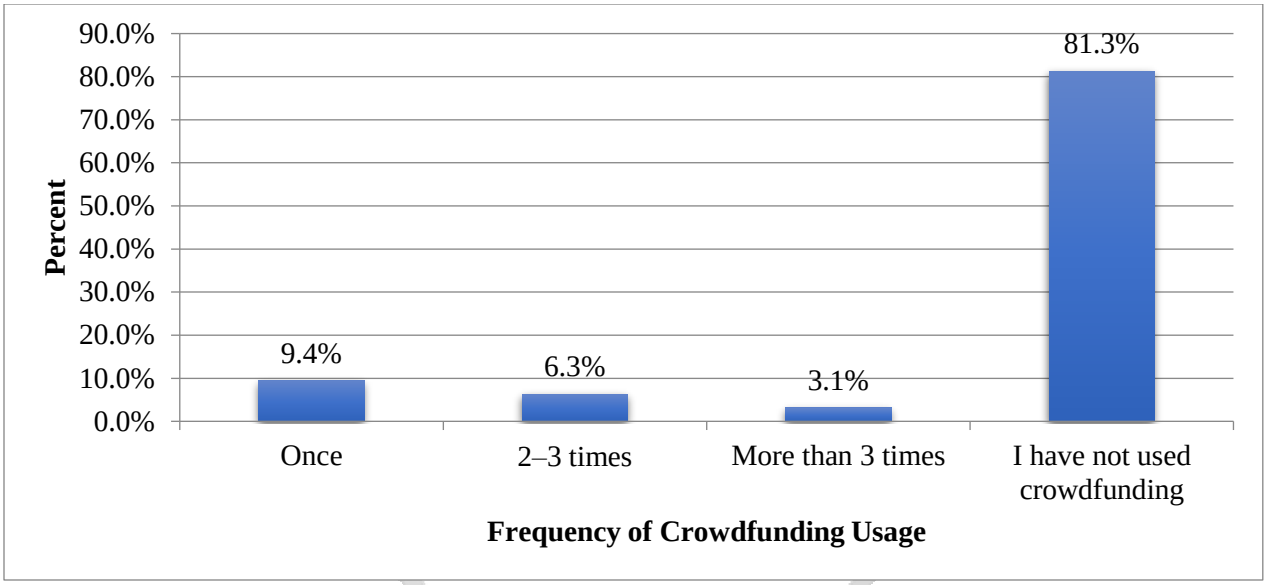


Figure 4. 7: Frequency of Crowdfunding Usage

4.9.4 Crowdfunding Platforms Used for Business

The respondents were asked to indicate which crowdfunding platforms they have used for their business. The results from Table 4.10 indicate that M-Changa, a Kenya-based crowdfunding platform, is the most widely used platform among SMEs, with 34.4% of respondents indicating they have utilized it for their business. This suggests a strong preference for local platforms that are tailored to the Kenyan market. GoFundMe follows as the second most popular crowdfunding platform, with 18.8% of respondents using it. Kickstarter was used by 12.5%, and Indiegogo had the least adoption at 3.1%, showing that while international platforms are utilized, M-Changa is the dominant choice for crowdfunding in Kenya. The findings suggest that M-Changa is the preferred platform for most SMEs in Kenya, likely due to its local relevance and alignment with the needs of Kenyan businesses. While international platforms like Kickstarter, Indiegogo, and GoFundMe are used, they are less popular compared to the local option, reflecting a trend toward choosing platforms that are more accessible and suited to the local market.

Table 4. 9: Crowdfunding Platforms Used for Business

Crowdfunding Platforms	Frequency	Percent
Kickstarter	40	12.5
Indiegogo	10	3.1
GoFundMe	60	18.8
M-Changa (for Kenya-based crowdfunding)	110	34.4
Savings	10	3.1

4.10 Inferential Statistics

The inferential statistics section presents the statistical techniques employed to draw conclusions about the relationships between variables in the study. This includes diagnostic tests to ensure model validity, followed by binary logistic regression analysis to examine the predictors of crowdfunding adoption. Additionally, stepwise binary logistic regression analysis is used to investigate how firm size influences the relationship between key variables and the adoption of crowdfunding among SMEs in Nairobi City County.

4.10.1 Diagnostic Tests

Before conducting logistic regression analysis, diagnostic tests are essential to verify data suitability. These tests, including Multicollinearity, and Linearity Assumption tests, ensure the data meets regression assumptions. Addressing these checks improves model reliability and ensures valid, interpretable results in understanding relationships between variables.

4.10.1.1 Linearity Assumption Test

The Linearity Assumption Test is an important diagnostic step in logistic regression analysis, ensuring that the relationship between continuous independent variables and the log-odds of the dependent variable is linear. A commonly used method to test for linearity is the Box-Tidwell Test, which evaluates whether the logit is a linear function of continuous predictors. According to the results from the Box-Tidwell Test for Linearity, as shown in Table 4.10, the p-values for all variables, regulatory support (0.178), practical viability (0.204), knowledge (0.156), and infrastructure support (0.098), are greater than the typical significance level of 0.05. Since these p-values exceed 0.05, we fail to reject the null hypothesis, suggesting that the relationship between

these variables and the log-odds of the dependent variable is linear. This indicates that the linearity assumption holds true for these variables in the logistic regression model.

Table 4. 10: Box-Tidwell Test for Linearity

Variable	p-value
Regulatory Support	0.178
Practical Viability	0.204
Knowledge	0.156
Infrastructure Support	0.098

4.10.1.2 Multicollinearity Test

The Multicollinearity Test is essential for assessing the degree of correlation among independent variables in the logistic regression model. High multicollinearity can lead to unreliable estimates, skewing the interpretation of results. A Variance Inflation Factor (VIF) greater than 10 shows high multicollinearity, requiring further investigation or adjustment. In this study, the VIF values for all variables, regulatory support (2.008), practical viability (1.364), knowledge (1.686), and infrastructure support (2.924), are all well below the threshold of 10. These results suggest that multicollinearity is not a significant concern in the model.

Table 4. 11: Collinearity Statistics (VIF and Tolerance)

Variable	VIF	Tolerance
Regulatory Support	2.008	0.498
Practical Viability	1.364	0.733
Knowledge	1.686	0.593
Infrastructure Support	2.924	0.342

4.10.2 Binary Logistic Regression Analysis

Binary logistic regression analysis was used to examine the relationship between several predictor variables (regulatory support, practical viability, knowledge, and infrastructure support) and the likelihood of adopting crowdfunding. The analysis includes a model summary and the coefficients for each predictor variable. The model summary in Table 4.23 shows that the logistic regression model has a -2 Log Likelihood value of 45.834, which reflects the overall fit of the model. A lower -2 Log Likelihood value indicates a better fit, meaning the model's predicted values are closer to the observed data. The Cox & Snell R Square value is 0.450, suggesting that the model explains approximately 45% of the variance in the dependent variable. Additionally, the Nagelkerke R

Square value is 0.730, which adjusts for the specifics of logistic regression, indicating that about 73% of the variance in the outcome is explained by the model.

Table 4. 12: Model Summary

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	210.834	0.45	0.73

The Hosmer and Lemeshow Test is used to assess the goodness-of-fit of a logistic regression model. Specifically, it evaluates how well the model predicts the outcome variable based on the data. The results show a Chi-square value of 99.473 with 8 degrees of freedom and a p-value (Sig.) of 0.000. The Chi-square value is used to assess the goodness-of-fit of the model. A significant result (typically when the p-value is less than 0.05) indicates that the model fits the data well. In this case, with a p-value of 0.000, it suggests that the model is a good fit for the data, meaning that the observed and expected values are significantly different, and the model provides a good explanation of the relationship between the variables.

Table 4. 13: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	99.473	8	.000

Regression equation was;

$$Logit\left(\frac{P(Adoption)}{1-P(No\ adoption)}\right) = 1.493 + 0.432REG + 0.291PRA + 0.577KNO + 0.358INFR$$

The constant term has a coefficient (B) of 1.493, with a Wald statistic of 4.256 and a p-value of 0.040, indicating statistical significance. The coefficient falls within the 95% confidence interval (1.060 to 18.741), confirming the reliability of the estimate. This means that when all independent variables are held at zero, the log-odds of adopting crowdfunding are 1.493, corresponding to odds of 4.457.

Regulatory support has a coefficient of 0.432, which lies within the 95% confidence interval of 0.201 to 0.683 (Exp(B) = 1.540; CI for Exp(B) = 1.201 to 1.975), confirming statistical significance. This indicates that for each unit increase in regulatory support, the log-odds of

adopting crowdfunding increase by 0.432. In practical terms, this raises the odds of adoption by 54%, highlighting the importance of supportive regulations in encouraging crowdfunding use.

Practical viability has a coefficient of 0.291, and although it lies within its confidence interval of 0.067 to 0.578, the p-value is 0.102, which is not statistically significant. The corresponding log-odds increase is modest and statistically uncertain, suggesting that practical viability does not reliably influence crowdfunding adoption in this model.

Knowledge shows a coefficient of 0.577, which falls well within its confidence interval of 0.159 to 0.995 (Exp(B) = 1.781; CI = 1.159 to 2.737), indicating a statistically significant effect. This means that for each unit increase in knowledge, the log-odds of adopting crowdfunding increase by 0.577. This translates into a 78.1% increase in the odds of adoption, emphasizing the critical role of awareness and understanding in promoting crowdfunding.

Infrastructure support has a coefficient of 0.358, which is within the confidence interval of 0.090 to 0.626 (Exp(B) = 1.431; CI = 1.090 to 1.878), confirming its significance. This implies that with each unit increase in infrastructure support, the log-odds of adopting crowdfunding increase by 0.358, or the odds increase by 43.1%. Strong digital and financial infrastructure is therefore a significant enabler of crowdfunding adoption.

Table 4. 14: Variables in the Equation

Variable	B	S.E.	Wald	Sig.	Exp(B)	95% CI	
						Lower	Upper
Regulatory Support	0.432	0.129	11.703	0.001	1.54	1.201	1.975
Practical Viability	0.291	0.115	2.69	0.102	1.338	1.067	1.678
Knowledge	0.577	0.22	7.122	0.007	1.781	1.159	2.737
Infrastructure Support	0.358	0.139	6.653	0.009	1.431	1.09	1.878
Constant	1.493	0.735	4.256	0.04	4.457	1.06	18.741

4.10.3 Stepwise Binary Logistic Regression Analysis

The stepwise binary logistic regression analysis was conducted to examine how firm size influences the relationship between regulatory support, practical viability, knowledge of

crowdfunding, infrastructural support, and the adoption of crowdfunding among SMEs in Nairobi City County. This approach allowed for the identification of the most significant factors influencing crowdfunding adoption, with firm size acting as a potential moderator in these relationships. The model summary for moderating effect analysis in Table 4.16 shows that in Step 1, the model has a -2 Log Likelihood value of 210.834, with a Cox & Snell R Square of 0.450 and a Nagelkerke R Square of 0.730. This indicates that the initial model, consisting of Regulatory Support, Practical Viability, Knowledge, and Infrastructure Support, explains a good portion of the variability in the dependent variable. The Nagelkerke R Square value of 0.730 suggests that approximately 73% of the variance in the outcome is accounted for by the model.

In Step 2, when Firm Size and its interaction terms with the independent variables are added, the model's fit improves significantly. The -2 Log Likelihood decreases to 99.661, indicating a better model fit. The Cox & Snell R Square increases slightly to 0.480, and the Nagelkerke R Square rises to 0.775, suggesting that the expanded model now explains 77.5% of the variance, an improvement over Step 1. These results indicate that the inclusion of Firm Size and its interactions with other variables enhances the model's explanatory power and provides a more accurate representation of the factors influencing the dependent variable.

Table 4. 15: Model Summary for Moderating Effect Analysis

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	45.834	0.450	0.730
2	99.661	0.480	0.775

The Hosmer and Lemeshow Test results in Table 4.14 show that both Step 1 and Step 2 of the model are statistically significant, with p-values of 0.000. The Chi-square value increases from 99.473 in Step 1 to 112.173 in Step 2, indicating that the model's fit improved after the changes made in Step 2. Despite the increase in Chi-square, the significance level (p-value) of 0.000 in both steps suggests that the model fits the data well, demonstrating that the observed outcomes differ significantly from the expected outcomes, and the logistic regression model is an appropriate fit for the data.

Table 4. 16: Hosmer and Lemeshow Test for Moderating Effect Analysis

Step	Chi-square	df	Sig.
1	99.473	8	.000
2	112.173	8	.000

As shown in Model 1, regulatory support has a positive effect on the adoption of crowdfunding, with a coefficient (B) of 0.432. This indicates that for each unit increase in regulatory support, the odds of adopting crowdfunding increase. In addition, practical viability has a positive effect on the adoption of crowdfunding, with a coefficient (B) of 0.291, but the p-value (0.102) suggests that this effect is not statistically significant at the 5% level. Furthermore, knowledge has a positive effect on the adoption of crowdfunding, with a coefficient (B) of 0.577, and this relationship is significant (p = 0.007), indicating that as knowledge increases, the odds of adopting crowdfunding increase. Moreover, infrastructure support has a positive effect on crowdfunding adoption, with a coefficient (B) of 0.358. The relationship is significant (p = 0.009), suggesting that more infrastructure support increases the likelihood of adopting crowdfunding.

Regression equation for model 2 was;

$$Logit\left(\frac{P(Adoption)}{1-P(No\ adoption)}\right) = -2.265 + 0.425REG + 0.165PRA + 0.562KNO + 0.342INFR + 0.682FS + 0.756REG * FS + 0.112PRA * FS + 0.548KNO * FS + 0.643INFR * FS$$

In Model 2, the coefficient for firm size is B = 0.682, and its 95% confidence interval ranges from 1.329 to 2.944 in odds ratio (Exp(B)). Since the odds ratio (Exp(B) = 1.978) lies well within this range, the estimate is considered statistically reliable. This means that for each unit increase in firm size, the log odds of adopting crowdfunding increase by 0.682, translating to nearly 98% higher odds of adoption. Therefore, larger firms are significantly more likely to adopt crowdfunding than smaller firms. The interaction term between firm size and regulatory support has a coefficient of B = 0.756, with an odds ratio (Exp(B) = 2.128) and a 95% CI from 1.625 to 2.791, indicating that the effect estimate is within the expected range. This shows that for each unit increase in firm size, the positive effect of regulatory support on crowdfunding adoption increases by 0.756 in log odds, or more than double the odds. This suggests that larger firms benefit more from favorable regulatory frameworks when considering crowdfunding.

For the interaction between firm size and practical viability, the coefficient is B = 0.112, with an odds ratio of 1.118 and a 95% CI ranging from 0.884 to 1.415. Since the odds ratio is contained within this interval, the estimate is consistent but close to the lower bound, implying marginal reliability. This suggests that as firm size increases, the log odds of crowdfunding adoption rise by 0.112 due to practical viability—an increase of about 11.8% in the odds—though this effect is modest and not conclusive. The interaction between firm size and knowledge yields a coefficient of B = 0.548, with an odds ratio of 1.730 and a 95% CI of 1.354 to 2.210. Since the odds ratio is well within the CI, the result is reliable. It implies that for each unit increase in firm size, the log odds of adopting crowdfunding due to knowledge increase by 0.548, leading to approximately 73% higher odds. This underscores the stronger impact of knowledge on adoption among larger firms.

Similarly, the interaction between firm size and infrastructure support is significant, with a coefficient of B = 0.643, an odds ratio of 1.902, and a CI of 1.477 to 2.449. The odds ratio being within the interval confirms statistical consistency. This means that for each unit increase in firm size, the log odds of adopting crowdfunding increase by 0.643 due to better infrastructure support, equating to an approximately 90% increase in odds. This highlights the amplified role infrastructure plays in enabling crowdfunding adoption for larger SMEs. Therefore, the study reveals that firm size significantly moderates the relationship between regulatory support, knowledge, infrastructure support, and the adoption of crowdfunding among SMEs in Nairobi City County. Larger firms experience amplified positive effects from these factors. Specifically, as firm size grows, the likelihood of adopting crowdfunding increases for regulatory support, knowledge, and infrastructure support, though practical viability shows a marginal effect.

Table 4. 17: Variables in the Stepwise Regression Equation

							95% CI	
Step	**Variable**	**B**	**S.E.**	**Wald**	**Sig.**	**Exp(B)**	**Lower**	**Upper**
Step 1	Regulatory Support	0.432	0.129	11.703	0.001	1.54	1.201	1.975
	Practical Viability	0.291	0.115	2.69	0.102	1.338	1.067	1.678
	Knowledge	0.577	0.22	7.122	0.007	1.781	1.159	2.737
	Infrastructure Support	0.358	0.139	6.653	0.009	1.431	1.09	1.878
	Constant	1.493	0.735	4.256	0.04	4.457	1.06	18.741
Step 2	Regulatory Support	0.425	0.126	11.479	0.001	1.531	1.195	1.958
	Practical Viability	0.165	0.085	3.602	0.058	1.179	0.998	1.393
	Knowledge	0.562	0.214	6.935	0.008	1.756	1.153	2.668
	Infrastructure Support	0.342	0.135	6.542	0.01	1.408	1.08	1.834
	Firm Size	0.682	0.203	11.785	0.001	1.978	1.329	2.944
	Firm Size * Regulatory Support	0.756	0.138	30.034	0.027	2.128	1.625	2.791
	Firm Size * Practical Viability	0.112	0.12	3.472	0.063	1.118	0.884	1.415
	Firm Size * Knowledge	0.548	0.125	18.904	0.042	1.73	1.354	2.21
	Firm Size * Infrastructure Support	0.643	0.129	24.925	0.002	1.902	1.477	2.449
	Constant	-2.265	0.775	8.24	0.004	0.104	0.023	0.474

4.11 Chapter Summary

The study examines the factors influencing crowdfunding adoption among SMEs in Nairobi City County, focusing on regulatory support, practical viability, knowledge, infrastructure, and firm size. With an excellent response rate of 81.63%, the study provides reliable insights into the characteristics of SMEs, which are predominantly micro-enterprises with a strong reliance on personal savings and informal funding sources. Despite recognizing the potential of crowdfunding, respondents expressed mixed views on its regulatory support and practicality, with low adoption rates due to concerns about platform trustworthiness, complexity, and risks. Data analysis through diagnostic tests and binary logistic regression revealed that regulatory support, knowledge, and infrastructure positively influence crowdfunding adoption, while practical viability has no significant effect. Stepwise regression further highlighted that firm size moderates the impact of

these factors, with larger firms benefiting more from supportive regulatory environments, greater knowledge, and stronger infrastructure, thus increasing their likelihood of adopting crowdfunding.

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter begins by discussing the findings based on the specific objectives of the study, focusing on the influence of regulatory support, practical viability, knowledge, infrastructural support and firm size on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. It then addresses the study's limitations, followed by conclusions, recommendations for policy and practice, and suggestions for further research.

5.2 Summary of the Findings

The study found that regulatory support significantly and positively influences the adoption of crowdfunding among SMEs in Nairobi City County. Entrepreneurs indicated that favorable regulations can encourage adoption by creating a supportive environment, though many remain uncertain about the current regulatory landscape due to its perceived complexity and restrictiveness. Concerns were raised about inadequate enforcement, privacy and security laws, and the overall ability of the regulatory framework to protect both crowdfunding platforms and users. This regulatory uncertainty has created a cautious outlook among SMEs, underlining the need for clearer, more effective regulations to build trust and promote crowdfunding as a viable financing alternative.

The study found that practical viability does not significantly influence the adoption of crowdfunding among SMEs. While entrepreneurs recognized the usefulness of crowdfunding and its potential to support business growth, concerns about platform trustworthiness, fraud risks, and the complexity of use were prevalent. There was general uncertainty about ease of use, data security, and the protection of intellectual property on crowdfunding platforms. Although SMEs acknowledged crowdfunding as an attractive funding option, these concerns limited their willingness to fully adopt it.

The study revealed that knowledge significantly influences the adoption of crowdfunding. Entrepreneurs with greater understanding of how crowdfunding platforms function were more confident and more likely to adopt the method. However, despite awareness of crowdfunding,

many entrepreneurs lacked detailed knowledge of how to navigate platforms or apply financial principles effectively. This gap in understanding, coupled with uneven financial literacy, hindered full utilization. Many entrepreneurs had not actively pursued crowdfunding due to platform unfamiliarity and usability concerns, highlighting the need for educational initiatives to improve adoption.

The findings indicate that infrastructural support has a positive and significant impact on the adoption of crowdfunding. Entrepreneurs reported that internet access was affordable, which facilitated engagement with crowdfunding platforms. However, there were concerns about the adequacy of technical support, platform expertise, and the quality of communication channels provided by crowdfunding services. While digital infrastructure was generally seen as supportive, ongoing challenges with platform navigation and access limited broader adoption. These insights suggest that improved technical and user support is essential for enhancing the effectiveness of crowdfunding infrastructure.

The study found that firm size significantly moderates the relationship between regulatory support, knowledge, infrastructural support, and crowdfunding adoption. Larger firms were more likely to benefit from these factors and adopt crowdfunding, as they typically have more resources, stable operations, and better access to investment. These firms could more easily leverage their asset base and workforce to attract investors. However, some entrepreneurs expressed concerns about the adequacy of their assets for long-term growth and indicated that workforce limitations might hinder their ability to scale and implement more complex financing tools like crowdfunding.

5.3 Discussion of the Findings

This section discusses the key findings from the study, analyzing the influence of regulatory support, practical viability, knowledge, infrastructural support, and firm size on the adoption of crowdfunding among SMEs in Nairobi City County, comparing the results with existing literature and highlighting their implications.

5.3.1 Regulatory Support and Crowd Funding Adoption

The study established that regulatory support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. This indicates

that for each unit increase in regulatory support, the odds of adopting crowdfunding increase, suggesting that favorable regulatory frameworks encourage crowdfunding adoption by creating a more supportive environment for businesses. This aligns with Baber (2021), who suggested that favorable regulations, such as tax incentives and legal protections, reduce barriers and foster trust in the crowdfunding process, while also supporting Doce and Ching (2021), who emphasized that well-crafted regulations can mitigate the risks associated with crowdfunding, making it a more attractive and secure financing option for SMEs seeking alternative funding sources.

The findings suggest that while there is optimism about the future development of the regulatory environment for crowdfunding, entrepreneurs remain uncertain about the current regulatory landscape. This optimism is consistent with Baber's (2021) observation that a more mature regulatory framework can enhance crowdfunding's attractiveness as a financing option. However, the prevailing sentiment is one of caution regarding the friendliness of existing regulations, which are often seen as overly complex or restrictive, as highlighted by Sulaiman et al. (2021). Such regulatory complexity may limit the potential of crowdfunding as a viable option for small and medium enterprises (SMEs), especially in an emerging market where regulatory clarity is crucial for fostering trust and encouraging adoption. Additionally, concerns regarding privacy and security laws, as well as the adequacy of regulations, reflect a broader sense of regulatory uncertainty that can hinder the confidence of businesses considering crowdfunding as a funding source.

Moreover, the findings point to a perceived gap in the enforcement of adequate regulations, with entrepreneurs indicating a lack of confidence in the current regulatory framework's ability to protect both crowdfunding platforms and those seeking funds. This perception aligns with Ridley's (2016) assertion that regulatory uncertainty is a significant factor influencing the adoption of crowdfunding. Ashta (2018) also emphasized that while regulations exist, their effectiveness in ensuring the security and protection of all parties involved remains a subject of debate. The lack of adequate regulatory enforcement identified in this study mirrors Baber's (2021) claim that insufficient regulatory frameworks are often cited as barriers to the adoption of crowdfunding, particularly in emerging markets. This finding highlights the critical need for more robust and effective regulations that can provide the necessary security and clarity to encourage the widespread use of crowdfunding in SMEs.

5.3.2 Practical Viability and Crowd Funding Adoption

The study found that practical viability does not significantly influence the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. This suggests that factors like the perceived feasibility and practicality of crowdfunding campaigns are not decisive in encouraging SMEs to adopt this funding method. These findings contrast with Kazaure et al. (2020), who argued that practical considerations, including ease of use, cost-effectiveness, and the availability of resources, play a vital role in the adoption of crowdfunding. The study found that entrepreneurs in Nairobi City County recognize the potential of crowdfunding as a useful and accessible source of financing for starting and expanding their businesses. This aligns with the work of Fanea-Ivanovici et al. (2021), who emphasized that crowdfunding platforms provide a flexible means for entrepreneurs to access capital, especially in regions where traditional financing options are limited. Entrepreneurs also acknowledged the usefulness of crowdfunding as a source of financing, reinforcing the idea that crowdfunding offers a viable alternative to conventional funding methods, as noted by Islam and Khan (2021). However, while entrepreneurs see crowdfunding as an attractive option, there remains some skepticism regarding its trustworthiness and dependability as a financing method. Concerns about the reliability of crowdfunding platforms, particularly around potential fraud and project failure, were evident, aligning with the observations made by Kazaure et al. (2020).

In addition, entrepreneurs expressed neutrality regarding the ease of use and perceived risks of using crowdfunding platforms, reflecting concerns about the complexity and usability of these platforms. The apprehensions about the risks associated with crowdfunding align with Kazaure et al. (2020), who noted that while crowdfunding offers opportunities, perceived risks and platform usability issues still impact its adoption. Entrepreneurs were also uncertain about the ability of crowdfunding platforms to protect their personal and business information, echoing Djimesah et al. (2022), who highlighted security concerns among users. Furthermore, the potential for intellectual property risks, such as the fear of business ideas being imitated, was another barrier to crowdfunding adoption. This concern, raised by Baber (2021), shows the caution entrepreneurs exercise when sharing their business models in public crowdfunding campaigns. Despite recognizing the advantages of crowdfunding, these concerns continue to shape entrepreneurs' willingness to adopt this financing method.

5.3.3 Knowledge and Crowd Funding Adoption

The study highlights that knowledge significantly influences the adoption of crowdfunding among SMEs in Nairobi City County, with increased understanding of crowdfunding platforms and their processes leading to a higher likelihood of adoption. This finding shows the importance of familiarity with crowdfunding mechanisms, as entrepreneurs with more knowledge are more confident in leveraging this funding method. The results align with Bernardino and Santos (2020), who also found that a deeper understanding of crowdfunding operations enhances SMEs' willingness to adopt it as a viable financing solution. Their research emphasized that knowledge not only boosts confidence but also helps entrepreneurs navigate crowdfunding platforms effectively, making it a key factor in its successful adoption.

The findings of the study indicate that while entrepreneurs in Nairobi City County are generally aware of crowdfunding as a potential financing option, their knowledge of its practical application remains limited. Entrepreneurs recognize crowdfunding as a viable funding source for their businesses, but their understanding of specific crowdfunding platforms and the financial intricacies involved is relatively shallow. This gap in knowledge is consistent with Bernardino and Santos (2020), who found that many entrepreneurs are aware of crowdfunding but lack a detailed understanding of how to effectively utilize it as a funding mechanism. Moreover, entrepreneurs' financial literacy, which is critical for navigating crowdfunding platforms, is uneven. Many entrepreneurs in Nairobi City County have insufficient knowledge of the financial and economic aspects of crowdfunding, which may hinder their ability to leverage this funding option fully. This finding resonates with Abdallah and Kajuna (2023), who noted that a lack of financial literacy and understanding of crowdfunding's economic implications can deter SMEs from adopting it.

Furthermore, despite the awareness of crowdfunding as a potential financing tool, the study revealed that many entrepreneurs have not actively pursued crowdfunding opportunities for their businesses. This finding aligns with Kazaure et al. (2020), who highlighted that while awareness of crowdfunding is widespread, entrepreneurs often refrain from using it due to concerns about platform complexity and unfamiliarity with the process. Similarly, the lack of confidence in using crowdfunding platforms reflects the observations of Djimesah et al. (2022), who noted that many entrepreneurs hesitate to engage with crowdfunding due to concerns over platform usability. The

study's findings suggest that addressing these knowledge gaps and improving entrepreneurs' financial literacy could enhance their confidence in using crowdfunding platforms. Educational programs and targeted outreach initiatives, as suggested by Dube et al. (2021), could help improve understanding and trust in crowdfunding, ultimately fostering higher adoption rates among SMEs in Nairobi City County.

5.3.4 Infrastructural Support and Crowd Funding Adoption

The study findings show that infrastructure support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. As infrastructure support increases, so does the likelihood of adopting crowdfunding, highlighting the importance of robust digital and financial systems in facilitating the crowdfunding process. This aligns with the work of Moon and Hwang (2018) and Abdallah and Kajuna (2023), who emphasized that well-established infrastructure, including reliable internet access and secure payment systems, enhances the functionality and accessibility of crowdfunding platforms. In developing regions, where technological and financial infrastructure may be underdeveloped, the availability of such resources is particularly important in encouraging SMEs to leverage crowdfunding as a viable financing alternative.

The findings of the study highlight that infrastructural support plays a significant role in the adoption of crowdfunding among SMEs in Nairobi City County. Entrepreneurs reported that the cost of internet access, a crucial factor for engaging with crowdfunding platforms, is affordable, making it easier to connect with these platforms and access potential funding sources. This aligns with the work of Islam and Khan (2020), who argued that affordable internet access lowers barriers to entry for entrepreneurs and investors alike, making crowdfunding more accessible. However, despite the affordability of internet access, there were concerns about the adequacy of technical support and infrastructure. Entrepreneurs expressed uncertainty about whether the technical resources provided by crowdfunding platforms were sufficient to assist them in raising funds. This mirrors Djimesah et al. (2022), who emphasized the need for comprehensive technical support to optimize the use of crowdfunding platforms, particularly for entrepreneurs with limited technical expertise.

Additionally, the findings point to gaps in the knowledge and experience of crowdfunding platforms in supporting businesses. While entrepreneurs acknowledged the presence of platforms, there was a sense that these platforms might not possess the necessary expertise to effectively guide them in raising funds. This aligns with Moon and Hwang (2018), who stressed the importance of platform knowledge and experience, particularly in emerging crowdfunding markets. Moreover, concerns about the adequacy of communication channels on these platforms were also prevalent. Entrepreneurs expressed a neutral stance on whether platforms had sufficient communication channels to address their concerns, a point highlighted by Fanea-Ivanovici et al. (2021), who emphasized that strong communication channels are essential to enhance user satisfaction and ensure successful crowdfunding campaigns. Furthermore, while internet infrastructure has improved, entrepreneurs acknowledged that challenges in accessing crowdfunding platforms remain, reflecting the findings of Shneor et al. (2020), who noted that obstacles such as platform navigation and technical issues can hinder the widespread adoption of crowdfunding as a financing option.

5.3.5 Firm Size and Crowd Funding Adoption

The study reveals that firm size significantly moderates the relationship between regulatory support, knowledge, infrastructure support, and the adoption of crowdfunding in SMEs in Nairobi City County. Larger firms are more likely to benefit from these factors, with increased firm size enhancing the likelihood of crowdfunding adoption, especially when supported by strong regulatory frameworks, greater knowledge, and robust infrastructure. This finding aligns with Akowe (2023), who argued that larger firms have the necessary resources, networks, and expertise to effectively leverage regulatory support, knowledge, and infrastructure, making them more apt to adopt crowdfunding as a financing option compared to smaller firms. Additionally, entrepreneurs with larger firms generally reported that their assets play a crucial role in expanding operations, consistent with Corvino and Doni (2020), who highlighted that a solid asset base provides financial stability and access to various funding sources, including crowdfunding. Larger firms are also perceived as more stable by investors, reducing the risk associated with funding and making crowdfunding a more appealing option.

Furthermore, the value of a firm's assets enhances its competitiveness, making it more attractive for external funding, including crowdfunding. Firms with significant assets are better positioned to secure financing as they can leverage these resources to attract investors, as emphasized by Smith and Zhang (2021). However, the study also noted that some entrepreneurs were neutral about the adequacy of their assets for long-term growth, suggesting that while firms may have sufficient resources for short-term operations, they may encounter challenges in sustaining long-term growth and utilizing crowdfunding as a financing mechanism. The size of a firm's workforce also plays a pivotal role in meeting operational demands, but the study showed varying impacts depending on industry dynamics and firm capabilities, as highlighted by Mahmood and Shahzad (2021). While some entrepreneurs found their workforce adequate, others felt it was insufficient to manage increasing market demands, especially as they seek to scale and adopt more complex financing tools such as crowdfunding.

5.4 Conclusions

The study concludes that regulatory support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. The findings reveal that regulatory support, measured in terms of regulatory adequacy for crowdfunding, regulatory friendliness for crowdfunding, and privacy and security laws for crowdfunding, significantly influences the likelihood of adopting crowdfunding. This indicates that enhancing regulatory support increases the likelihood of crowdfunding adoption, making it a more viable financing option for SMEs.

The study concludes that practical viability does not have a significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. The findings suggest that factors such as perceived ease of use, trust, perceived risk, and attitudes towards crowdfunding, which are typically considered part of practical viability, do not significantly impact the likelihood of adopting crowdfunding. This suggests that, although practical viability may be a consideration, other factors like regulatory support, knowledge, and infrastructure support play a more critical role in influencing the likelihood of crowdfunding adoption among SMEs.

In addition, the study concludes that knowledge has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. The study established that knowledge, measured in terms of awareness of crowdfunding platforms, self-efficacy in using crowdfunding platforms, and financial education, influences the likelihood of adopting crowdfunding. This indicates that improving knowledge increases the likelihood of crowdfunding adoption, as entrepreneurs are more likely to consider it a viable financing option.

Further, the study concludes that infrastructural support has a positive and significant influence on the adoption of crowdfunding as a source of financing in SMEs in Nairobi City County. The study also found that infrastructural support, measured in terms of the adequacy of information technology infrastructure and support from crowdfunding platforms, influences the likelihood of adopting crowdfunding. This suggests that enhancing infrastructural support increases the likelihood of SMEs adopting crowdfunding as a financing option.

Moreover, the study concludes that firm size moderates the relationship between regulatory support, knowledge of crowdfunding, infrastructural support, and the adoption of crowdfunding among SMEs in Nairobi City County. The study established that firm size, measured in terms of total assets and the number of employees, influences the likelihood of adopting crowdfunding. This implies that larger firms are more likely to adopt crowdfunding, as their size enables them to better leverage the resources and support available for successful crowdfunding campaigns.

5.5 Recommendations

5.5.1 Recommendations for Management of SMEs

SME owners and managers should prioritize improving their understanding of crowdfunding and financial literacy to increase the likelihood of adopting crowdfunding as a financing option. The study highlights that while entrepreneurs are generally aware of crowdfunding, their knowledge of how to effectively use it remains limited. To bridge this knowledge gap, SME owners should actively engage in educational opportunities, such as workshops, webinars, and online courses, focusing on both crowdfunding and financial management. These programs can provide practical insights into the mechanics of crowdfunding platforms, campaign creation, and financial planning,

which will allow SMEs to navigate the crowdfunding process with greater confidence and effectiveness.

In addition, SME owners and managers should actively seek to improve their engagement with the available digital infrastructure and technical resources to enhance their ability to adopt crowdfunding as a financing method. While affordable internet access is available, entrepreneurs should invest in improving their digital skills and technological capabilities to better navigate crowdfunding platforms. This can include leveraging online tutorials, workshops, or hiring technical advisors to guide them through the complexities of using crowdfunding platforms effectively. Furthermore, SME owners should proactively seek out platforms that offer robust technical support and customer service, ensuring that any technical issues or challenges faced during the crowdfunding process can be swiftly addressed.

Moreover, SME owners and managers should strategically leverage their firm's size and assets to enhance their ability to adopt crowdfunding as a financing option. As larger firms are more likely to benefit from regulatory support, knowledge, and infrastructure, entrepreneurs should focus on building their firm's financial and operational stability by strengthening their asset base and workforce. This will improve their firm's attractiveness to investors, making crowdfunding a more viable and appealing funding option. SMEs should invest in improving internal resources such as skilled human capital and technological infrastructure to ensure they can manage crowdfunding campaigns effectively.

5.5.2 Recommendations for Crowdfunding Platforms

Crowdfunding platforms should take proactive measures to increase entrepreneurs' knowledge and confidence in using their platforms. Platform managers need to invest in comprehensive educational resources that are easily accessible to SME owners, including clear tutorials, step-by-step guides, and live webinars. These resources should cover the entire crowdfunding process, from campaign setup to fundraising strategies, and provide practical advice on creating engaging and successful campaigns. Additionally, platforms should develop financial literacy programs specifically aimed at educating entrepreneurs on managing campaign budgets, setting financial goals, and understanding the implications of different funding models. Educated entrepreneurs are

more likely to trust and engage with crowdfunding platforms, leading to more successful campaigns.

Crowdfunding platform managers should focus on improving the technical support and communication channels provided to entrepreneurs using their platforms. Despite affordable internet access, entrepreneurs have expressed concerns about the adequacy of technical assistance, which can impact the ease and success of their campaigns. To address this, platform managers should develop more comprehensive support systems, including live chat support, dedicated helpdesks, and one-on-one consultations for entrepreneurs unfamiliar with the technical aspects of crowdfunding. Additionally, the development of user-friendly interfaces and clearer instructions for navigating the platform would help reduce the technical barriers for SMEs.

5.5.3 Policy Recommendation

Policymakers should prioritize simplifying the regulatory framework governing crowdfunding to make it more accessible for SMEs. Current regulations that are perceived as complex or restrictive can act as significant barriers to crowdfunding adoption. Creating clear, simple, and business-friendly regulatory guidelines will enhance the confidence of entrepreneurs and attract more SMEs to explore crowdfunding as a viable financing option. This approach should align with international best practices while considering local market needs and conditions.

Given concerns about privacy and security, the government must enforce stronger privacy and security regulations for crowdfunding platforms. Clear policies that protect personal and financial data will mitigate potential risks and instill confidence in entrepreneurs looking to use crowdfunding. Adequate enforcement of these privacy measures will ensure that crowdfunding remains a secure and trustworthy funding mechanism, particularly for SMEs that may be cautious about sharing sensitive business information.

In addition, policymakers should focus on improving the enforcement of regulations related to crowdfunding to ensure both platforms and fundraisers comply with the legal framework. A robust regulatory environment that is actively monitored will not only help to protect all stakeholders but will also increase trust in the crowdfunding system. Strengthening regulatory oversight can prevent

fraud and abuse, providing a safer environment for both investors and SMEs. This will help mitigate the concerns identified by entrepreneurs regarding the adequacy of current regulations.

5.6 Limitations of the Study

Research limitations stem from methodological constraints that may impact the interpretation of findings. This study focused on small and medium-sized enterprises in Nairobi City County, Kenya, and its generalizability to other business sectors may be limited due to differences in economic conditions, regulatory environments, and market dynamics. In addition, the use of structured questionnaires for data collection poses challenges, including potential validity issues and recall bias. To address these concerns, the investigator designed the questionnaire under the guidance of a Strathmore University supervisor to ensure its validity and reliability. Additionally, a permit from NACOSTI was obtained to uphold confidentiality and anonymity of responses.

5.7 Recommendations for Further Studies

The study sought to establish the determinants of crowdfunding adoption as a viable financing option for small and medium sized enterprises in Nairobi City County, Kenya. Nonetheless, the study was confined to small and medium-sized enterprises in Nairobi Central Business District. Therefore, the findings may not be generalized to SMEs in other parts of Nairobi City and other counties in Kenya. As such, further studies should be conducted on determinants of crowdfunding adoption as a viable financing option for small and medium sized enterprises in other Sub-Counties in Nairobi City County as well as other Counties in Kenya. In addition, the study was limited to four determinants of crowdfunding adoption (regulatory support, practical viability, knowledge and infrastructural support), which explained 73% of crowdfunding adoption. The study therefore recommends that further studies ought to be carried out to investigate other determinants of crowdfunding adoption as a viable financing option for small and medium sized enterprises in Kenya.

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APPENDICES

Appendix 1: Letter of Introduction

Dannington Murage, a student at Strathmore University, is inviting you to participate in a research study titled, "Determinants of Crowdfunding Adoption as a Viable Financing Option for Small and Medium Sized Enterprises in Nairobi City, Kenya." The aim of this research is to determine the factors that influence the adoption of crowdfunding adoption by small and medium sized enterprises in Nairobi City. Your participation will provide useful insights for SMEs and policymakers on how to increase the uptake of crowdfunding.

If you choose to participate, you will fill an informed consent form and complete a questionnaire that will take about 5-10 minutes of your time. The information that you provide will remain confidential and will not be disclosed to any other person. This research is being conducted purely for academic purposes.

If you have any question, you can reach out to the researcher, Dannington Murage by calling 0703375260 or emailing dannington.murage@strathmore.edu.

Appendix 2: Questionnaire

Section A: Respondent Profile Information (Please mark or tick in the appropriate box)

1. Please indicate your position in the business

Owner	
Manager	

2. Please indicate the number of employees in the business

1-10	
11-49	
50-99	
Above 100	

3. Please indicate the number of years the business has existed.

0-3	
4-6	
7-10	
11 and above	

4. What is the primary source of financing for your business?

Personal savings	
Bank loans	
Sacco loans	
Advancements from family and friends	
Venture capital	
Crowdfunding	
Government grants	
Other (please specify)	

5. Please indicate the primary industry sector of your business.

Manufacturing	
Services	
Retail	
Technology	
Other (please specify)	

6. What is the annual revenue range of your business?

Less than Kshs. 1,000,000	
Kshs. 1,000,000 – 9,999,999	
Kshs. 10,000,000 – 19,999,999	
Kshs. 20,000,000 – 49,999,999	
Above Kshs. 50,000,000	

Section B: Determinants of Crowdfunding Adoption

7. Please indicate the degree to which you agree with the following statements regarding regulatory support, practical viability, knowledge and infrastructural support for crowdfunding *SD – strongly disagree, D = disagree, N = Neither disagree nor agree, A = Agree, SA = Strongly agree*

Regulatory support generally refers to the existence of government policies that encourage entrepreneurs to adopt crowdfunding, laws to address privacy and security concerns in crowdfunding, and government incentives for using crowdfunding

	SD	D	N	A	SA
Regulatory Support					
There are adequate regulations for crowdfunding, which is an important consideration when using crowdfunding					
The existing regulations for crowdfunding are friendly, making crowdfunding an attractive funding option					

There are privacy and security laws that make crowdfunding a secure option for financing					
I believe there are adequate regulations enforced to govern crowdfunding activities					
I believe that existing regulations for crowdfunding are effective in protecting platforms as well as those who are seeking funding					
I have high hopes that the regulatory environment for crowdfunding will mature in the future to make crowdfunding an attractive funding option					

Practical viability is defined as the extent to which crowdfunding is perceived as a feasible alternative source of financing when compared to other forms of alternative financing and traditional financing sources

Practical Viability	SD	D	N	A	SA
As a funding option, think crowdfunding is trustworthy and dependable					
I trust that crowdfunding platforms will not expose by personal and business information to unauthorized parties					
I believe it is not risky to use crowdfunding to raise funds for the business					
When using crowdfunding to source funds, I trust there is no risk of my business model being imitated					
I believe it is easy to use crowdfunding platforms to raise funds					
I think crowdfunding is a useful source of financing for entrepreneurs					
I believe crowdfunding can help entrepreneurs access funding to start and even expand their business					

Knowledge refers to the level of familiarity and awareness that people have regarding crowdfunding

Knowledge	SD	D	N	A	SA

I am aware that crowdfunding is an option for entrepreneurs to access funding					
I have sufficient knowledge about crowdfunding as a viable source of funding					
I am familiar with the various crowdfunding platforms that offer funding opportunities for businesses					
I am confident in my ability to use crowdfunding platforms to get funding					
In the past, I have applied for crowdfunding opportunities to get funding for the business					
I have some financial knowledge that help me understand how to use crowdfunding platforms					
I believe I am adequately knowledgeable regarding the financial and economic aspects of crowdfunding as a source of financing for businesses					

Infrastructural support refers to the availability of support for users of a new concept or technology, especially in terms of the adequacy of information technology infrastructure and support from crowdfunding platforms

Infrastructural Support	SD	D	N	A	SA
I believe crowdfunding platforms provide adequate technical support to help entrepreneurs when raising funds through their platforms					
Crowdfunding platforms have adequate communication channels to address any issues that I may have					
I think crowdfunding platforms have adequate knowledge and experience in facilitating and raising funds for businesses					
I think there is adequate internet infrastructure in the country to help entrepreneurs and funders use crowdfunding platforms					

I do not experience significant challenges when accessing crowdfunding platforms to raise funds for the business					
I can say that the cost of internet needed to access crowdfunding platforms is affordable					

Section C: Firm Size

8. Please indicate the degree to which you agree with the following statements regarding firm size *SD – strongly disagree, D = disagree, N = Neither disagree nor agree, A = Agree, SA = Strongly agree*

The term "firm size" describes the scope of an organization's activities, usually as shown by its total assets, revenue, or workforce

Firm size	SD	D	N	A	SA
The total assets of our firm significantly contribute to its ability to expand operations.					
The value of our firm's assets influences its competitiveness in the market.					
Our firm's total assets are sufficient to support long-term financial growth					
The number of employees in our firm is sufficient to meet operational demands.					
The size of our firm's workforce allows it to effectively handle increased market demands.					
Our firm's employee base has been a key factor in sustaining its growth and market presence.					

Section D: Crowdfunding Adoption

Crowdfunding is a method of raising funds by pooling small contributions from a large number of people, typically via online platforms, to support ventures such as startups, small and medium-sized enterprises (SMEs), projects, or social initiatives, often offering contributors equity, products, or other incentives

9. Do you believe crowdfunding could be a better alternative to traditional financing methods?

   Yes [ ]

   No [ ]

   I am not sure [ ]

10. Have you ever used crowdfunding to finance your business?

    Yes [ ]

    No [ ]

11. If you have used crowdfunding, how many times have you raised funds through this method?

    Once [ ]

    2–3 times [ ]

    More than 3 times [ ]

    I have not used crowdfunding [ ]

12. Which crowdfunding platforms have you used for your business? (Select all that apply)

    Kickstarter [ ]

    Indiegogo [ ]

    GoFundMe [ ]

    M-Changa (for Kenya-based crowdfunding) [ ]

    Other (please specify) ……

Thank you for Participating

Appendix 3: Data Collection Letter

Strathmore UNIVERSITY

4th March 2025

Mr Murage Dannington,
dannington.murage@strathmore.edu

Dear Mr Murage,

RE: Determinants of Crowdfunding Adoption as a Viable Financing Option for Small and Medium-Sized Enterprises in Nairobi City County, Kenya: The Moderating Role of Firm Size

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2726/25.** The approval period is from **4th March 2025 to 3rd March 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Appendix 4: NACOSTI Research License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **875441**

Date of Issue: **14/March/2025**

RESEARCH LICENSE

This is to Certify that Mr.. Dannintgon Wambugu Murage of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Determinants of Crowdfunding Adoption as a Viable Financing Option for Small and Medium-Sized Enterprises in Nairobi City County, Kenya for the period ending : 14/March/2026.

License No: **NACOSTI/P/25/416857**

875441

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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See overleaf for conditions