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**DETERMINANTS OF CROWDFUNDING SUCCESS AMONG MICRO, SMALL AND
MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA.**

ABDIRAHMAN HAJI

147399

**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN
DEVELOPMENT FINANCE**

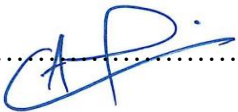
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DECLARATION

This dissertation is my original work and has not been submitted for examination in any other institution. Where previously published or written material by another person has been used, due reference was made.

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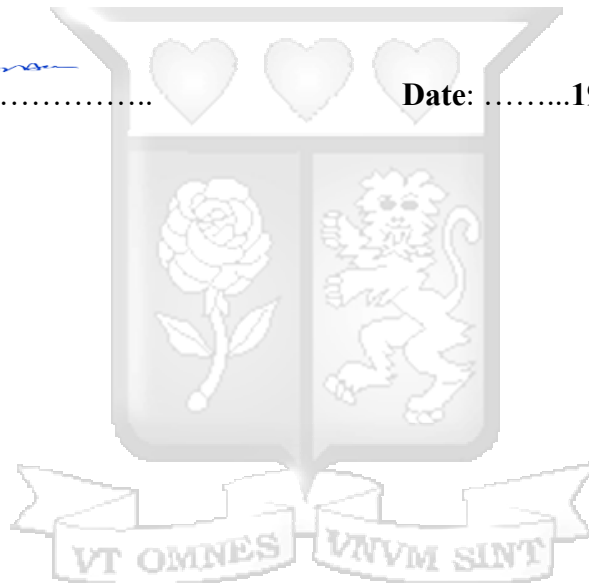
This research dissertation has been submitted for examination with my approval as the university supervisor

Dr Farida Abdul

STRATHMORE UNIVERSITY BUSINESS SCHOOL

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DEDICATION

I dedicate this study to my family for being my support system throughout my academic journey.



ACKNOWLEDGEMENT

I wish to express my sincere gratitude to Strathmore University Business School lecturers. Their unwavering support, encouragement, and belief in my abilities has been instrumental in shaping the direction and scope of this study.



ABSTRACT

Crowdfunding has become an increasingly popular alternative financing mechanism for Micro, Small, and Medium Enterprises (MSMEs) that face persistent challenges accessing conventional financial services. This study explored the determinants of crowdfunding among MSMEs in Nairobi County, Kenya, with a focus on four key factors: entrepreneur's characteristics, market-related factors, regulatory factors and technological factors. The research was anchored on the Transaction Cost Theory and the Diffusion of Innovations Theory, which informed the understanding of financing behaviour and technology adoption. A descriptive research design and positivist research philosophy guided the study, with data collected through structured questionnaires. The target population comprised 399 registered MSMEs, and the sample size was determined using the Yamane formula. Ultimately, 354 valid responses were received, resulting in an 88.7% response rate. Although the study aimed to cover all 17 sub-counties in Nairobi County, responses were successfully collected from 10 sub-counties namely: Embakasi West, Embakasi East, Embakasi North, Embakasi South, Kamukunji, Makadara, Mathare, Roysambu, Ruaraka, and Starehe. A stratified random sampling technique was used to ensure representation across different business sizes. Data was analysed using descriptive statistics, Pearson correlation, and multiple linear regression analysis. Diagnostic tests for normality, multicollinearity, and heteroscedasticity confirmed the model's validity. The findings revealed that entrepreneur's characteristics and market-related factors were statistically significant determinants of crowdfunding success, while technological factors and regulatory factors were not statistically significant. These results highlighted the importance of individual entrepreneurial capacity and effective market strategies in enabling successful crowdfunding initiatives. Although digital infrastructure and regulatory conditions were considered relevant, they did not show a significant direct impact on crowdfunding success. The study concluded that enhancing digital literacy, strengthening entrepreneurial competencies, and improving market visibility can significantly improve crowdfunding outcomes for MSMEs. It recommended that policymakers streamline regulatory processes and create targeted support programs to foster crowdfunding adoption. The research offered valuable insights for entrepreneurs, digital platform developers, and regulatory bodies aiming to enhance financial inclusion and economic resilience through alternative financing models.

Key words: *Crowdfunding, MSMEs, Entrepreneurial Characteristics, Market Conditions, Regulatory Environment, Technology Adoption, Alternative Financing, Transaction Cost Theory, Diffusion of Innovations Theory.*

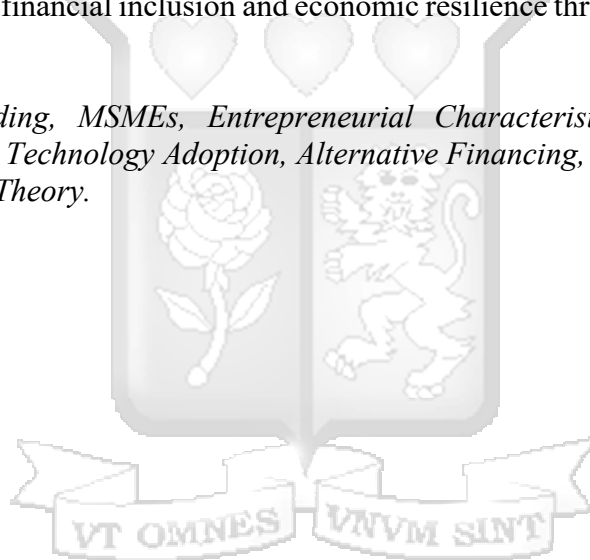
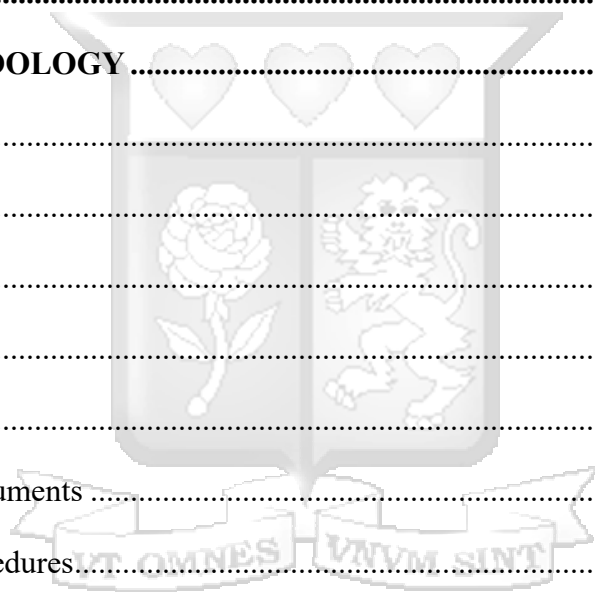


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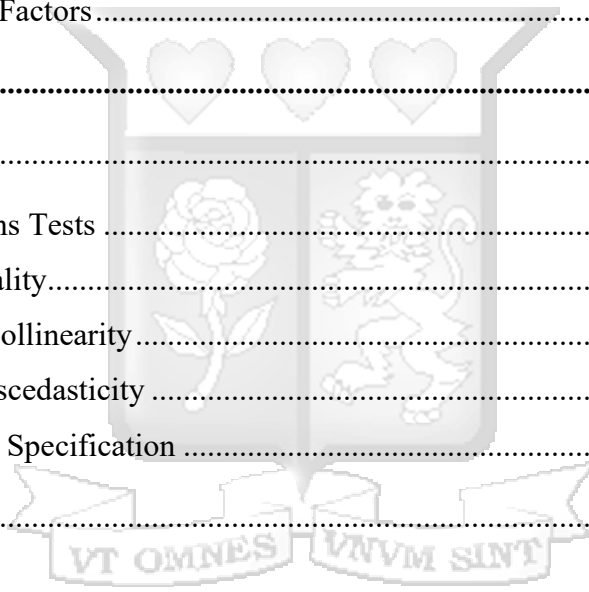
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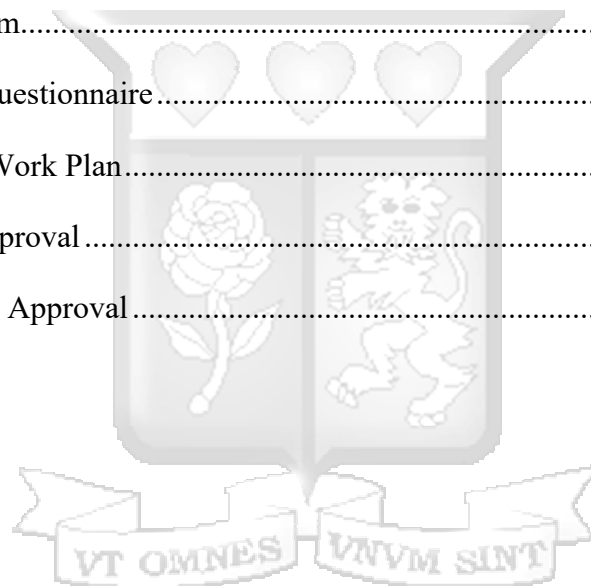
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ABBREVIATIONS & ACRONYMS

AF	Alternative Finance
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
Ksh.	Kenyan Shillings
MSEA	Micro and Small Enterprises Act
MSMEs	Micro, Small, and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
P2P	Peer-to-Peer
SSA	Sub-Saharan Africa
TCT	Transaction Cost Theory



DEFINITION OF TERMS

Alternative Finance	These are financial channels, processes, and instruments that have evolved outside traditional financial systems and operate through online marketplaces (Rubanov & Marcantonio, 2017).
Crowdfunding	Crowdfunding is an alternative financing model that delivers financing from different people or businesses through use of online channels to raise capital (Augustine, 2019).
Equity Crowdfunding	Is a form of crowdfunding in which investors provide capital to a business in exchange for shares or ownership equity, enabling them to participate in the company's future profits and losses (Mollick, 2014).
Financial Sustainability	Financial sustainability refers to an organization's ability to meet its present financial obligations without jeopardizing its long-term financial viability, ensuring continued operation and growth (Wu et al., 2023).
Capital Markets Authority (CMA)	The Capital Markets Authority (CMA) is Kenya's regulatory body responsible for overseeing capital markets, ensuring their efficiency, transparency, and fairness. It also regulates investment-based crowdfunding platforms and other financial market activities (Ngugi & Jagongo, 2021)
Central Bank of Kenya (CBK)	The Central Bank of Kenya (CBK) is the country's primary financial regulatory authority, tasked with formulating monetary policies, regulating banking institutions, and ensuring price stability to maintain economic growth (Mwega, 2014).
Financial Literacy	Financial literacy encompasses an individual's ability to comprehend and apply financial concepts, including budgeting, saving, investing, and business financing strategies, to make informed financial decisions (Lusardi & Mitchell, 2014).

**Information
Asymmetry**

Information asymmetry occurs when one party in a financial transaction possesses superior or more accurate information than the other, potentially leading to market inefficiencies and adverse selection in investment decisions (Akerlof, 1970).

Social Capital

Social capital refers to the networks, relationships, and shared norms within a community that foster mutual trust and cooperation, significantly influencing crowdfunding success by enhancing investor confidence and engagement (Putnam, 2000)



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globally, Micro, Small, and Medium-sized Enterprises (MSMEs) play a crucial role in driving economic growth, generating employment, delivering essential goods and services, and reducing poverty, particularly in emerging markets (IFC, 2024). As noted by IFC, 2024, MSMEs constitute over 90% of businesses worldwide, contribute around 70% to total employment, and make up nearly 50% of global GDP. However, one of the most significant hurdles these businesses face is limited access to financing. IFC, 2024 estimates that the financing shortfall for MSMEs stands at approximately USD 5.7 trillion and could escalate to USD 8 trillion if informal enterprises are factored in. This challenge is even more severe in emerging markets, where 70% of MSMEs struggle to secure adequate funding, and over 1.7 billion adults remain without access to basic financial services (Lin et al., 2022). Research by Lin et al. (2022) and IFC findings highlight that most financially excluded individuals are concentrated in Asia and Sub-Saharan Africa, with women and low-income populations being disproportionately affected.

The importance of MSMEs in the global economy cannot be overstated. Even in highly developed nations like the United States, these enterprises remain the backbone of economic progress, accounting for two-thirds of new jobs and serving as key drivers of innovation and competitiveness (Khokhar et al., 2022). According to a report by the United States Trade Commission (2024), MSMEs contribute 44% to the U.S. economy, making them a substantial part of the country's GDP. The World Bank (2024) further emphasizes that in many low-income nations, MSMEs are the largest employers. However, their sustainability is often jeopardized by a lack of access to essential financial tools such as credit, savings, and insurance. The report highlights that restricted financial access not only stifles MSME growth but also leads to broader economic consequences, including limited job opportunities, constrained business expansion, increased financial vulnerability, and higher transaction costs (World Bank, 2024).

In rapidly expanding economies like India and China, MSMEs play an even more significant role in employment creation and economic development (Mittal & Raman, 2022; OECD, 2022). In India, MSMEs account for 96% of all businesses, contribute to 40% of the country's industrial

production, and make up 42% of total exports (Mittal & Raman, 2022). Additionally, they have provided employment for more than 120 million people across various sectors. However, like other emerging markets, access to capital remains one of the most pressing challenges, with start-ups struggling to secure initial funding and established businesses facing difficulties in obtaining sufficient working capital (Saleh & Ahmad, 2023).

China, home to over 52 million MSMEs, sees these enterprises making up 95% of its total businesses, generating over USD 11 trillion in revenue (OECD, 2022; Li, 2024). MSMEs are integral to China's economy, significantly contributing to GDP, tax revenue, job creation, and exports. According to the OECD (2022), MSMEs represent 98.5% of businesses in China, contribute 60% to GDP, and provide three-quarters of all employment opportunities, including for marginalized groups such as women and young people. Despite these contributions, MSMEs in China struggle with financial constraints due to stringent risk assessment policies by traditional banks, resulting in a considerable financing gap (Li, 2024).

In Africa, MSMEs serve as powerful engines of economic growth, particularly in Sub-Saharan Africa, where they make up 95% of all registered businesses and contribute about 50% to national GDP (Anthony, 2024). As the continent experiences rapid economic transformation, these enterprises play a vital role in driving innovation, creating jobs, and enhancing overall economic development (Sharma & Sharma, 2024). The increasing adoption of digital technologies and connectivity has further enabled African MSMEs to implement innovative solutions that address local challenges (Fedder, 2023). Many of these businesses are fostering inclusive and resilient economies by revolutionizing financial services and agriculture through innovation. However, despite their potential, MSMEs in Africa continue to encounter significant obstacles, including limited access to funding, inadequate infrastructure, and regulatory hurdles (Dela Cruz et al., 2023). It suffices to say that access to finance for MSMEs is a global problem, and more innovative solutions to grow finances available are critical.

1.1.1 MSMEs and the Financing Challenge in Kenya

MSMEs play an important role in job creation, poverty reduction and enhancing overall economic prosperity and social well-being. The sector also plays an important role in social economic transformation and industrial development (Bosire & Nduvi, 2018). MSMEs also contribute

towards economic diversity and productivity since they act as a channel for new ideas and innovation penetrating the market (CBK, 2023)

The last MSME survey conducted by KNBS in 2016 found that there were over 7.4 million MSMEs in Kenya across all sectors and employing about 14.4 million Kenyans (KNBS, 2016). The report finds that MSMEs accounted for about 34% of the national GDP. The definition of MSMEs in Kenya is provided under the Micro and Small Enterprises Act (2012) - MSEA Act 2012, which classifies MSMEs according to either their annual turnover, number of employees, or total financial investment.

Table 1.1 Definition of MSMEs in Kenya

Category	Sector	Annual Turnover (Ksh.)	No. of Employees	Assets/ Investment
Micro	All	Up to 500,000	Less than 10	N/A
Small	All	500,001 – 5 million	10 to 50	N/A
Medium	Manufacturing	500,001 – 100 million	50 to 250	125 million
	Service / Farming	500,001 – 100 million	50 to 250	250 million
	Other	500,001 – 100 million	50 to 250	As determined by Cabinet Secretary
Source: Micro and Small Enterprises Act (2012)				

Small and Medium Enterprises (SMEs) are vital for economic growth and development in every country, especially developing countries such as Kenya. Yet, access to funds is one of the biggest limiting factors in terms of their growth and capacity for expansion (Mulindi, Josea, & Tiriongo, 2023). CBK (2024) projects that MSMEs in the country face a huge financing gap, possibly in the tune of over Ksh 300 billion, despite the central role they play in the national economy and job creation. In Kenya, researchers have highlighted several challenges of accessing finance for MSMEs. Wangondu & Muathe (2023) document the lack of collateral or sufficient security as a major drawback in financing for MSMEs. With limited ability to secure loans from mainstream

commercial banks, MSMEs are left with an option of seeking alternative sources of finance for their ventures (Fedder, 2023). (Onkundi, Munene, & Walubuka, 2023) show that increases in interest rates have also had a significant effect in accessing finance by entrepreneurs. The Central Bank Rate (CBR), the base lending rate for individuals and corporations has been increasing for the last two years, with no reprieve in sight for borrowers (CBK, 2024). Karimi, Baimwera & Miluwi (2023) also find that the informal nature of most of the Micro and small business renders it impossible for them to meet the formal requirements of these mainstream commercial lending institutions. Coupled with the informality are the complex regulatory requirements that discourage banks from lending to MSMEs. Karitu & Muathe (2023) document that regulatory requirement for accessing bank loans remain a huge impediment for accessing finance by MSMEs.

With majority of Kenyan SMEs being in the informal sector, in adequate capacity in business management poses a major challenge to the continuity of their ventures. According to Njoki, (2024), most people who start SMEs lack management training and attempt to operate their businesses while learning and unlearning as they go. In addition, they also do not employ staff with managerial capabilities, often using family labour and relatives, compounding the problem further. But beyond the lack of managerial training, is the more fundamental challenge of lack of financial literacy. Many entrepreneurs may not fully understand financial products or business planning, hindering their ability to secure financing (Madara, Onyango & Nyagol, 2020). Any progress in resolving these issues in terms of developing and identifying alternate funding sources should garner significant attention from the professional, scientific, and larger sociopolitical communities, given the significant role and significance of SMEs in any national economy.

In Kenya various financial services and products tailored to support MSMEs have been documented. Further, because of their significant role in economic growth, job creation, and innovation, significant research efforts have been expended to explore and identify feasible financing options for these businesses. Many researchers find that traditional loans provided by banks, often requiring collateral and a solid credit history, have been a foray for many MSMEs (Mulindi et al., 2023). In addition, and coming second in hierarchy of access, is the microfinance loans offered by microfinance institutions, typically aimed at very small businesses and entrepreneurs with limited access to traditional banking (Kimani, 2020).

MSMEs in Kenya have explored other financing alternatives, including experimenting with equity financing, involving selling shares to investors in exchange for capital, allowing for growth without incurring debt (Mulindi et al., 2023). Even more recently, more innovative alternative finance instruments have been explored, including crowd funding, involving raising funds from many individuals through online platforms, often in exchange for rewards or equity (Madara et al., 2020). However, it is also important to note that crowdfunding may not be entirely advantageous for MSMEs, especially if they do not have a large and dense network. The use of angel investors and venture Capital, with High-net-worth individuals or firms that invest in promising start-ups in exchange for equity or convertible debt have been identified in the Kenyan market (Kimani, 2020). Hitherto, MSMEs have experimented with supply chain financing and lease and asset financing as well (Wangondu & Muathe, 2023).

1.1.2 Crowd Funding as an Alternative Source of Finance for MSMEs

Crowdfunding is an innovative financing concept that links investors and entrepreneurs online. It enables entrepreneurs to raise the required capital through relatively small contributions from numerous investors and to solicit funds through open invitations to finance their projects (Gul, Anjum & Bajwa, 2023). Crowdfunding has emerged as an alternative financing mechanism due to MSMEs' inability to raise funds through mainstream financial channels such as banks. It originates from the broader concepts of crowdsourcing and microfinance, which have been practiced for decades (Karitu & Muathe, 2023). For start-ups seeking to grow in challenging business markets where competition is high, crowdfunding has emerged as a feasible option for financing innovative ideas (Bargoni et al., 2024).

To overcome the scarcity of early funding for start-ups, crowdfunding has evolved as a crucial driver of success for entrepreneurs. Empirical studies provide evidence of the motivations behind adopting crowdfunding. Gul, Anjum, & Bajwa (2023) identify financing, self-affirmation, networking, product awareness, and success story replication as the primary motivations for using crowdfunding. Macht & Weatherston (2014) highlight additional benefits, including consumer testing, reduced legal obligations, and enhanced market visibility.

In Africa, crowdfunding adoption is gaining momentum despite the absence of clear and comprehensive CF regulations. Sibanda (2023) found that due to the absence or early-stage development of specific legislative frameworks for crowdfunding, there is absence of enforcement

and protection mechanisms for contributors and fundraisers. His study also found that economic constraints and limited credit access drive the need for crowdfunding in Zimbabwe. Onyango (2018) similarly observed that economic education and regulatory perceptions shape crowdfunding attitudes in Kenya. However, a meta-analysis by Goyal et al. (2024) revealed regional disparities in crowdfunding awareness, with urban entrepreneurs more likely to embrace the model compared to their rural counterparts.

Equity crowdfunding (ECF) has emerged as a critical financing tool for start-ups in regions like Thailand, where investor behavior and social trust significantly influence crowdfunding success (Panitkulpong et al., 2023). Deepika, Gunawardana, & Banda (2023) further emphasized the role of technological adoption in shaping crowdfunding outcomes. In Kenya, Onyango (2018) found that lending-based crowdfunding platforms have higher success rates than reward-based and equity platforms, underscoring the need for regulatory alignment to enhance investor confidence.

Wachira (2021) examined the factors driving crowdfunding success in Kenya, noting that social media engagement, frequent campaign updates, and a strong online presence contribute to positive outcomes.

Globally, crowdfunding is a booming, diverse, and rapidly evolving sector with high growth and shifting dominance toward lending/equity models. Asia-Pacific region, led by China, dominates the global crowdfunding scene with a market share of about 70.7% (\$215.4 billion), followed by North America with a 20% market share (\$61.1 billion) and Europe with a market share of about 3.4% (\$10.4 billion). Africa's global crowdfunding share was just 0.07% by the end of 2018 (\$209.1 million), with over half the funds processed via international platforms (Adjakou, 2021).

In 2015, East Africa region dominated the Crowdfunding scene in Africa having raised \$44.6 million followed by South Africa which raised \$38.8 million and lastly West Africa with a meagre \$7.3 million. 73.9% of funds raised that year were channelled via international platforms (Disse & Sommer, 2020; Afrikstat, 2016).

Kenya has one of Africa's more active crowdfunding ecosystems in Africa, especially for donation and debt models, with strong dependence on foreign crowdfunding platforms. However, local ecosystem maturity is still low compared to global standards (Vries, 2019). In 2015, MSMEs in Kenya raised \$22.0 million through crowdfunding, with \$21.7 million (98.6%) via foreign

platforms and only \$300,000 via native platforms. Of the total funds raised in Kenya, donation-based crowdfunding accounted for 63% (\$13.86 million) followed by debt-based with a 36% share (\$7.92 million).

Previous studies show that crowdfunding success depends on a mix of project, founder, investor, campaign, and external influences. Projects that are clearly described, include multimedia content, offer attractive rewards, and maintain regular updates tend to perform better. How realistic and modest the funding goal is, as well as the timeframe set for the campaign, also play significant roles. This study focuses on four key determinants of crowdfunding success: entrepreneurial characteristics, prevailing market conditions, regulatory environment, and technology adoption due to their deep relevance to crowdfunding campaign success. These variables offer a clear, structured framework for understanding and guiding crowdfunding success.

However, current studies often fail to account for their overlaps, variations by context, and evolving nature, underscoring a need for more integrated, comparative, and in-depth analysis to fully understand what drives crowdfunding success. Entrepreneurial skills and networks directly affect campaign viability, while market conditions shape investor willingness. Regulatory frameworks influence transparency and trust, whereas technological advancements enable efficient fundraising processes. By addressing these dimensions, this study sought to provide actionable insights into optimizing crowdfunding for MSMEs in Nairobi County.

1.2 Statement of the Problem

The Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Kenya's economic development, contributing over 24% to the country's Gross Domestic Product (GDP), accounting for more than 90% of private sector enterprises, and providing 93% of the national labor force (MSME, 2024). Recognizing this significance, the Kenyan government has implemented policy interventions such as Sessional Paper No. 05 of 2020 to improve MSME access to affordable financing. However, a substantial financing gap persists. According to the CBK (2023), MSMEs receive only Ksh. 783 billion in loans from the formal banking sector, leaving a financing deficit exceeding Ksh. 200 billion. This shortfall underscores the limitations of traditional financial mechanisms in meeting the capital needs of MSMEs, particularly in Nairobi County, where alternative financing solutions like crowdfunding could play a transformative role.

Crowdfunding has gained global traction as a digital-based financial model that allows entrepreneurs to secure funding from a diverse pool of backers via online platforms (Mollick, 2014). In Kenya, platforms like M-Changa have demonstrated success in mobilizing funds for social causes, but the adoption of crowdfunding for MSMEs remains minimal (Masialeli, 2021).

Existing studies on crowdfunding in East Africa tend to be anecdotal, focusing on isolated case studies without offering robust empirical evidence on its effectiveness for MSMEs (Jamil et al., 2023; Koch & Siering, 2019). Many of these studies either emphasize quantitative metrics such as total funds raised or take a qualitative approach centered on entrepreneurs' personal experiences, failing to provide a comprehensive understanding of crowdfunding's success factors. Furthermore, there is a lack of research that contextualizes crowdfunding within the unique socio-economic conditions of Nairobi, where factors such as digital infrastructure, financial literacy, and informal business structures significantly influence MSME financing options (Shneor & Vik, 2020).

Nairobi's MSMEs face unique challenges compared to their counterparts in developed economies. Limited access to digital technology remains a major barrier to crowdfunding adoption, as disparities in internet penetration hinder effective campaign execution. Moreover, low levels of financial literacy impede MSME owners from navigating crowdfunding platforms and structuring compelling campaigns (Moleka, 2023). Another critical issue is Kenya's nascent regulatory framework for crowdfunding, which lacks clear guidelines on platform operations, investor protections, and compliance mechanisms, thus contributing to uncertainty and low adoption rates among businesses (CMA, 2023). These structural constraints are inadequately addressed in existing literature, necessitating a focused investigation into their effects on crowdfunding success in Nairobi.

While previous studies emphasize the role of social capital and network dynamics in crowdfunding success, little is known about how Nairobi's MSMEs leverage their local networks for campaign visibility and funding mobilization (Junaid, 2019). Given Nairobi's tightly knit community structures and high reliance on informal business networks, understanding the influence of trust and peer support on crowdfunding performance is critical. However, there is a lack of empirical studies examining the extent to which these social factors contribute to campaign outcomes.

To bridge these research gaps, this study provided empirical evidence on the determinants of crowdfunding success for MSMEs in Nairobi. It specifically examined financial literacy, digital accessibility, regulatory frameworks, and social capital as key variables influencing crowdfunding, adoption and performance. By doing so, this research aimed to contribute to both academic discourse and practical strategies for enhancing crowdfunding as a sustainable financing solution for MSMEs in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study was to analyze the key determinants influencing the success of crowdfunding as a financing mechanism for Micro, Small, and Medium Enterprises (MSMEs) in Nairobi County, Kenya.

1.3.2 Specific Objectives

To address the general objective, the study attempted to answer the following specific objectives:

- i) To assess the effect of entrepreneur's characteristics on the ability of MSMEs in Nairobi County to raise funds through crowdfunding.
- ii) To evaluate the influence of market-related factors on the success of crowdfunding campaigns for MSMEs in Nairobi County.
- iii) To examine the role of regulatory factors in shaping the success of crowdfunding projects among MSMEs in Nairobi County.
- iv) To investigate the effects of technological factors on the success of crowdfunding campaigns for MSMEs in Nairobi County.

1.4 Research Questions

- i) How do entrepreneurs' characteristics affect the ability of MSMEs in Nairobi County to raise finance through crowdfunding?
- ii) How do market-related factors influence the success of crowdfunding campaigns for MSMEs in Nairobi County?
- iii) How do regulatory factors affect the success of crowdfunding projects among MSMEs in Nairobi County?

- iv) To what extent do technological factors enhance the success of crowdfunding campaigns for MSMEs in Nairobi County?

1.5 Scope of the Study

By utilizing the Transaction Cost Theory (TCT) and the Diffusion of Innovations (DOI) Theory, the study sought to analyze the key determinants of the success of crowdfunding as a means of raising finance for MSMEs in Nairobi County. Conceptually, the study sought to address four key objectives: (i) to identify how entrepreneur characteristics such as skills, networks, and credibility influenced crowdfunding outcomes; (ii) to determine the effect of market conditions, including investor demand, competition, and economic stability, on campaign success; (iii) to establish the role of regulatory frameworks, such as licensing and transparency, in enabling or hindering crowdfunding campaigns; and (iv) to evaluate the contribution of technological factors, including digital platforms, social media, and advanced technologies, to the success of crowdfunding campaigns. These dimensions covered the primary internal and external factors influencing crowdfunding outcomes. Using a stratified sampling, the study sought to identify 399 firms registered in Nairobi County across all the 17 sub-counties. Nairobi County was selected as the study area because it hosted the largest number of registered MSMEs in Kenya, accounting for 268,100 enterprises. The county also exhibited diverse business environments, including both formal and informal enterprises. This made it an ideal setting for exploring the varied dynamics of crowd-funding adoption and success. As Kenya's capital city, Nairobi provided a unique ecosystem characterized by relatively high internet penetration and exposure to digital technologies, which were critical enablers for crowdfunding. The study applied a cross-sectional data inquiry conducted in 2025, ensuring that all data collected reflected the most recent trends in crowdfunding adoption among MSMEs. It enabled the study to analyze the evolving dynamics of MSMEs' engagement with crowdfunding in Nairobi County and draw insights relevant to the current context.

1.6 Significance of the Study

Crowdfunding has gained significant global traction as a viable alternative financing mechanism, with the global crowdfunding market expected to reach \$28.8 billion by 2028, growing at a CAGR of 14.5% (Statista, 2023). In Africa, crowdfunding has emerged as a crucial financial tool, with platforms like M-Changa and GoGetFunding facilitating millions in fundraising annually (OECD,

2022). In Kenya, the adoption of crowdfunding remained relatively low, with regulatory challenges and digital literacy barriers impeding its full potential (CMA, 2023). This study aimed to address these challenges and provide insights beneficial to various stakeholders.

1.6.1 Policy makers and regulators

The regulatory framework for crowdfunding is still developing. This study will help policymakers understand the trends, challenges, and opportunities in crowdfunding, enabling them to develop informed regulatory frameworks that promote transparency, investor confidence, and financial inclusion.

1.6.2 MSMEs

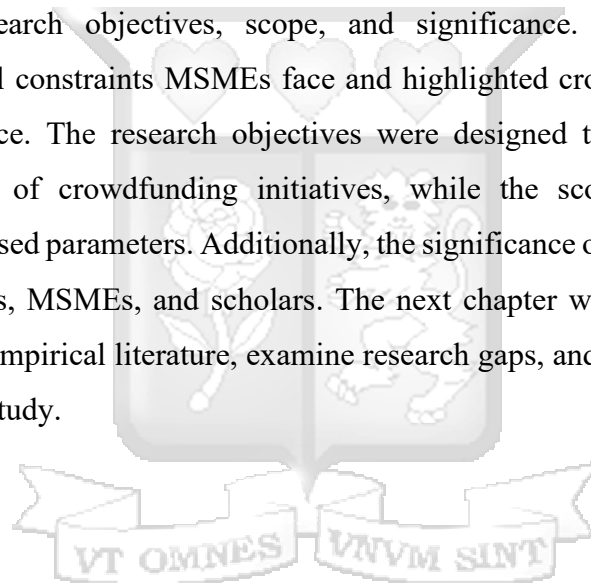
MSMEs seeking to launch crowdfunding campaigns will benefit from the study's findings on best practices, success factors, and strategies used by successful entrepreneurs. This study will offer practical recommendations to enhance their crowdfunding success rates.

1.6.3 Academic and Corporate Researchers

This study will contribute to the academic discourse on alternative financing mechanisms, serving as a valuable reference for scholars, financial analysts, and corporate researchers exploring the sustainability and impact of crowdfunding for MSMEs.

1.7 Chapter Summary

This chapter provided an overview of the study by discussing key aspects such as the background, problem statement, research objectives, scope, and significance. The problem statement underscored the financial constraints MSMEs face and highlighted crowdfunding as a potential alternative funding source. The research objectives were designed to explore critical factors influencing the success of crowdfunding initiatives, while the scope outlined the study's geographical and time-based parameters. Additionally, the significance of the research emphasized its value to policymakers, MSMEs, and scholars. The next chapter will delve into a review of relevant theoretical and empirical literature, examine research gaps, and introduce the conceptual framework guiding this study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section established the theoretical foundation of the study by discussing key theories that supported the concept of crowdfunding. It also reviewed empirical literature on factors influencing crowdfunding success, with a focus on four critical aspects: entrepreneur characteristics, market conditions, regulatory environment, and technology. The discussion was anchored on two principal theories: the Transaction Cost Theory (TCT) and the Diffusion of Innovations (DOI) Theory. Additionally, the section identified existing research gaps and presented the conceptual framework and operationalization of study variables.

2.2 Theoretical Review

This study examined crowdfunding as an alternative financing avenue for MSMEs in Kenya and its role in promoting business growth and sustainability. To provide a solid theoretical foundation, the study drew upon the Transaction Cost Theory (TCT) and the Diffusion of Innovations (DOI) Theory. These theories offered valuable insights into the economic considerations influencing financing decisions and the adoption of innovative financial technologies. TCT helped to explain how cost efficiency shapes MSME financing preferences, whereas DOI shed light on the factors driving crowdfunding adoption among businesses. By contextualizing these theories within the Kenyan business environment, the study aimed to explore how MSMEs in Nairobi overcome conventional financing hurdles and capitalize on digital crowdfunding platforms.

2.2.1 Transaction Cost Theory

The Transaction Cost Theory (TCT) was postulated by Ronald Coase in 1937, and it proposes that in any transaction, both parties will focus on the transaction cost when making economic decisions (Coase, 1937). It emphasizes minimizing costs associated with transactions, such as search, negotiation, and enforcement costs, in business operations. In this relation, the theory explains the risk involved in business transactions and the reason why banks and other financial institutions are reluctant to provide loans to SMEs. Coase (1993) confirms that financing gaps exist since traditional financial institutions' main goal is to reduce the risk of bad loans. Transaction costs include management costs, time costs, information costs, contract costs, credit evaluation costs,

and bad debt costs (Williamson, 1981). These costs often create barriers that prevent small businesses from accessing financing through traditional means (North, 1990; Djankov et al., 2002).

Crowdfunding, as a technology-enabled alternative, can reduce these costs and enhance capital access for small enterprises (North, 1990). However, TCT has limitations, such as overlooking psychological and social factors that influence financial decision-making.

In Kenya, MSMEs face significant financial barriers, including high transaction costs and restrictive collateral requirements, limiting their access to traditional credit (CBK, 2023). Crowdfunding offers a potential alternative that reduces transaction costs and improves financing access. However, adoption remains low due to regulatory uncertainty and limited awareness (CMA, 2023). Digital financial platforms are emerging as a viable alternative, enabling small businesses to access funds without incurring the high costs associated with conventional lending institutions. The growth of mobile-based financial solutions such as M-Pesa and crowdfunding platforms like M-Changa reflects the increasing role of digital financing solutions in reducing transaction costs for Kenyan MSMEs (Mwangi & Ouma, 2012).

By linking TCT to this study, the study aimed to establish the extent to which MSMEs leverage crowdfunding to overcome cost-related financing barriers and whether transaction cost reductions translate to increased adoption rates in Kenya. Understanding this relationship was ideal for providing insights into how digital crowdfunding platforms can be optimized to enhance financial inclusion and business sustainability in Nairobi's MSME sector. The study also examined how crowdfunding intermediaries help minimize information asymmetry and financial risks, further aligning the theory with real-world MSME financing challenges.

2.2.2 Diffusion of Innovations Theory

The Diffusion of Innovations Theory was developed by E.M. Rogers in 1962 to explain how new ideas or innovations gain traction and spread within a social system, ultimately leading to adoption (Rogers, 1962). According to Rogers, adopters of an innovation fall into five categories: innovators, early adopters, early majority, late majority, and laggards. These categories help illustrate the varying speeds at which different individuals or organizations embrace new technologies or concepts. He also considers awareness of innovation, perceptions developed after initial use/testing, adoption, and continued utilization decisions as the main stages of innovation adoption (Rogers, 2010).

In Kenya, crowdfunding is still at a nascent stage, with awareness and adoption varying across different MSME sectors (CMA, 2023). Many MSMEs in Nairobi remain unaware of how crowdfunding can be used as a viable financing tool due to limited technological literacy and regulatory constraints (Onyango, 2018). The slow uptake of crowdfunding can also be attributed to a lack of trust in online platforms, which has hindered wider adoption despite their potential to enhance financial accessibility. However, increased internet penetration and mobile banking in Kenya are driving financial innovations that could accelerate the adoption of crowdfunding (Gichuki, 2022).

DOI helps explain how new ideas and technologies, like crowdfunding, are adopted over time. However, it can oversimplify adoption by grouping all individuals into fixed categories. It often overlooks local factors such as regulation, limited digital access, and cultural barriers that influence uptake in Kenya

By applying the Diffusion of Innovations Theory to this study, we aimed to investigate the factors influencing the adoption rate of crowdfunding among MSMEs in Nairobi. Entrepreneurs with strong expertise, visibility, or reputation act as trusted “change agents” who influence early adopters and shape campaign success. Innovations diffuse more rapidly in markets receptive to new ideas, the openness of the market and existing demand all affect how fast a campaign spreads (Felipe & Ferreira, 2020; Koch & Siering, 2019). Diffusion theory recognizes that the “social system” and its rules can either accelerate or hinder innovation adoption. Clear, supportive regulations foster trust, reduce perceived risks, and signal legitimacy, making it more likely that contributors will support campaigns

Innovations spread more quickly when they are compatible with prevailing technology and easy to use. In crowdfunding, robust, user-friendly online platforms with integrated payment systems, transparent communication channels, and social sharing functionalities make it easier for campaigns to be discovered and supported. Effective technology also enhances the “observability” of campaign progress, helping spread proof of success and encouraging further adoption (Sibanda 2023)

2.3 Empirical Review

This section reviewed various scholars’ studies on the connection between MSME financing and crowdfunding. The study reviewed various determinants drawn from prior literature. These include

entrepreneurial education, innovation, networks, investor perception, financial literacy, digital literacy, market dynamics, regulation, and technology use. Based on frequency of occurrence, relevance to the Kenyan context, and theoretical grounding, the study focused on four key determinants: entrepreneurial characteristics, market conditions, regulatory factors, and technology adoption. It explored how these different factors influence the success of crowdfunding for MSMEs, which are in line with the objectives of this research.

2.3.1 Entrepreneur's Characteristics and Crowdfunding Success

Research has shown that crowdfunding campaigns are influenced by various entrepreneurial attributes (Aden & Ivanov, 2023). These campaigns rely on the entrepreneur's creativity in developing a compelling business idea and transforming it into a sustainable venture (Bernardino & Santos, 2016). Entrepreneurs often face a trade-off between emphasizing their personal profile or showcasing the novelty of their idea (Islam & Khan, 2021). Notably, creativity plays a pivotal role in attracting investors, as it is a key factor in investment decisions in crowdfunding (Liu, Ben, & Zhang, 2023).

According to Aden and Ivanov (2023), innovation fosters new approaches to refining products or services, enhancing business efficiency. Entrepreneurial creativity enables individuals to explore unconventional solutions and go beyond traditional methods (Bernardino & Santos, 2016). This inventive mindset drives new, versatile business opportunities. Creativity is a crucial trait for entrepreneurs, facilitating idea generation, opportunity identification, problem-solving, and innovation (Tenner & Hörisch, 2021). Creative entrepreneurs are more inclined to take risks, communicate effectively, and continuously adapt to changing circumstances (Davis et al., 2017). By leveraging their creativity, entrepreneurs can overcome obstacles, capitalize on opportunities, and establish successful ventures (Warnick et al., 2018). Additionally, factors such as academic background, patent ownership, executive experience, prior project initiations, and personal networks significantly impact crowdfunding success (Meghouar, Ezzahid, & Shneur, 2023).

Bernardino and Santos (2016) highlight that an entrepreneur's personality traits play a crucial role in determining crowdfunding success. Understanding the human capital requirements for managing new ventures and the signals they convey to investors is essential in crowdfunding (Islam & Khan, 2021). Through logistic regression analysis, researchers predict the likelihood of an entrepreneur opting for crowdfunding over traditional financing based on factors such as

opportunity awareness, business planning, and venture management (Liu et al., 2023). However, the extent to which human capital influences crowdfunding outcomes remains an area of further exploration (Davis et al., 2017).

Investor participation in crowdfunding campaigns is shaped by their beliefs, behaviors, and personal backgrounds, including entrepreneurial experience, motivation, education, and business acumen (Tenner & Hörisch, 2021). Survey-based analyses indicate that successful crowdfunding participation is linked to prior engagement in crowdfunding, business expertise, and educational qualifications of the entrepreneur (Meghouar et al., 2023). Furthermore, the duration of a crowdfunding project is a significant factor affecting its success (Block, Colombo, Cumming, & others 2018). A study of 282 German respondents found that supporters of sustainability-oriented crowdfunding initiatives are typically young, well-educated, familiar with crowdfunding, and exhibit lower levels of self-enhancement and conservative values (Felipe & Ferreira, 2020).

Synthesizing the literature, it consistently highlighted the critical role of entrepreneurial characteristics in crowdfunding success (Shneor & Vik, 2020). Factors such as creativity, education, prior business experience, and social capital have been emphasized as fundamental in influencing campaign outcomes (Bernardino & Santos, 2016; Islam & Khan, 2021). While studies in developed economies demonstrate a strong correlation between human capital and crowdfunding success, emerging economies like Kenya face additional barriers, including regulatory constraints and limited access to digital financial literacy resources (Meghouar et al., 2023). Moreover, social capital and prior networking experience appear to be crucial in enhancing investor trust and backer confidence, as supported by Block et al. (2018) and Liu et al., (2023). However, there remains a significant research gap in understanding how cultural and economic dynamics in Nairobi specifically impact these relationships. Future research should further investigate the interaction between entrepreneurial orientation, digital presence, and social capital within Kenya's unique business ecosystem to enhance crowdfunding effectiveness (Davis et al., 2017; Warnick et al., 2018).

2.3.2 Impact of Prevailing Market Conditions on Crowdfunding Success

Shneor and Vik (2020) provide a systematic review of what factors enable crowdfunding success, where they find that market conditions, such as demand, competition and economic stability have significant impacts on crowdfunding outcomes. According to the findings of the 88 studies

reviewed, the push for MSMEs to compete in high competition in each market leads them to differentiate themselves to attract backers. Failure to establish good demand shows an enterprise's inability to meet market needs and make money. Shneor and Vik (2020) point out that strong consumer demand can suggest market viability to prospective backers, who are inclined to invest in campaigns they believe have the potential for tangible, immediate growth. This understanding of market demand in crowdfunding is very relevant in Kenya's MSME sector, where financial needs are determined by demand for most cases in the absence of other financing options (Felipe & Ferreira, 2020).

In Stanko & Henard (2017), how transaction costs affect MSMEs' choice of whether to adopt crowdfunding as an alternative form of financing is explored. They examine how high or low costs of accessing finance determine the selection of SMEs between the use of traditional and crowdfunding methods. When banking fees, interest rates and administrative burdens are high, crowdfunding looks attractive because the initial costs are so low (Zvilichovsky, Inbar, & Barzilay, 2015). Stanko & Henard (2017) argue that platforms such as Kickstarter and Indiegogo reduce information asymmetries and enable cost efficient capital raising (Felipe & Ferreira, 2020). This view is apt to Nairobi's MSMEs for whom the conventional financial systems face similar problems, proposing that the low transaction cost of crowdfunding could increase the adoption rates. Yet, while the authors observe that operational costs associated with the maintenance of an online presence and a meeting platform are likely to offset some of these benefits, it remains the case that the transaction cost advantage of crowdfunding depends on platform type and the digital capacities of MSMEs (Kubo, Verissimo, Uryu, Mieno, & MacMillan, 2021).

Lee and Chiravuri (2019) study examine the impact of initial crowdfunding success or failure on future campaigns of serial crowd funders that repeatedly return to Indiegogo platforms. Their paper finds that initial campaign performance informs entrepreneurs' strategic choices for follow up projects. The complacent view of crowdfunding's potential after first success serves to propel entrepreneurs to seek new markets or product categories. But those who fail the first time tend to reduce funding goals or stay focused in the same category, a behavior correlated with risk aversion (Felipe & Ferreira, 2020). This conforms to Kenya's crowdfunding landscape where repeated campaign efforts could offer repeated insights into how MSMEs can refine their strategies based on market intelligence. The study presents a gap in understanding crowdfunding dynamics in

emerging economies, and posits that Nairobi based MSMEs can build on insights of how past campaign outcomes can guide future adjustments especially in high-risk markets such as East Africa (Zvilichovsky et al., 2015).

Felipe and Ferreira (2020) studied crowdfunding dynamics by looking at factors such as campaign duration, financial goals, and venture category which determine the financing outcome in equity crowdfunding in Brazil. To evaluate their performance, their research was based on 99 crowdfunding campaigns between 2014 and 2017, with logistic regression and survival models used in the analysis. They discovered that success rates were greatly increased by alignment of campaign duration with market expectations and a clear financial goal (Kubo et al., 2021). The study emphasizes that campaign characteristics and high-quality financial planning are paramount to investor confidence and campaign success rates. One gap in this study is the relatively little consideration of regional variation, an important aspect for understanding the market-specific dynamics (Lee & Chiravuri, 2019).

Synthesizing the studies, the prevailing market conditions played a critical role in determining crowdfunding success, as highlighted across various studies (Shneor & Vik, 2020; Felipe & Ferreira, 2020). Factors such as consumer demand, economic stability, competition, and financial planning significantly influence the likelihood of achieving crowdfunding goals (Stanko & Henard, 2017). While reduced transaction costs and strategic campaign planning enhance adoption rates (Zvilichovsky et al., 2015), challenges such as platform operational costs and digital financial literacy gaps remain key barriers, especially in emerging markets like Kenya (Lee & Chiravuri, 2019). Moreover, prior campaign success influences entrepreneurs' future strategies, with risk aversion playing a role in shaping funding goals (Felipe & Ferreira, 2020; Kubo et al., 2021). However, there remains a substantial gap in understanding how the specific economic dynamics of Nairobi, including informal business networks and fluctuating investor confidence, shape crowdfunding success. Further research should explore how localized market conditions affect MSMEs' ability to leverage crowdfunding for growth and sustainability (Felipe & Ferreira, 2020; Shneor & Vik, 2020).

2.3.3 Financial Regulations and Crowdfunding Success

The financial industry has recently witnessed the rapid adoption of digital technologies, including crowdfunding platforms. These platforms bring together borrowers, potential investors, and

service providers, yet they also introduce regulatory challenges related to information disclosures, funding thresholds, and platform insolvency (Alhammad, AlOthman, & Tan, 2021). While regulatory frameworks should address these concerns, existing research does not provide a cohesive view of crowdfunding regulations. A clearer understanding of these frameworks is essential for guiding policymakers in developing or reforming crowdfunding regulations (Garmashev, Sakhno, Peremyshlennikova, Sedova, & Staroselzeva, 2021).

Garmashev et al. (2021) conducted a comparative analysis of crowdfunding regulations across Germany, Russia, the USA, and France, examining crowdfunding as an integral component of investment platforms. Their study identified potential risks and legal challenges within these markets. Findings revealed that while the U.S., France, and Germany have well-defined regulatory frameworks for crowdfunding, Russia lacks specific legislative provisions, resulting in legal ambiguities that hinder investment opportunities. This underscores the importance of establishing clear regulations to enhance investor protection and market stability (Omoyajowo, 2021).

Omoyajowo (2021) examined the regulatory framework for crowdfunding in Nigeria, noting that despite Nigeria hosting the largest number of start-ups in Africa, access to capital remains a significant challenge. Start-up entrepreneurs have increasingly leveraged social networking platforms for crowdfunding, yet the absence of a regulatory framework has created opportunities for fraudulent schemes. Augustine (2019) similarly found that Nigeria lacks a structured conflict resolution mechanism for crowdfunding, highlighting the need for government intervention to establish legal protections and foster investor confidence.

In a broader review of crowdfunding in Africa, Adjakou (2021) analyzed platform sustainability across various regions. The study found that only 22% and 33% of crowdfunding platforms established between 2012 and 2020 in West and North Africa, respectively, remain operational. In contrast, East Africa (70%) and South Africa (55%) have demonstrated greater sustainability. The study also noted that 64% of crowdfunding operations in Africa are foreign based, further emphasizing the need for robust local regulatory frameworks to support domestic platforms and enhance investor confidence (Vries, 2019).

Kenya has taken proactive steps to regulate crowdfunding through the Capital Markets Authority (CMA). The CMA has introduced regulations aimed at mitigating risks such as fraud, doubtful returns, and cybersecurity threats. Since 2022, investment-based crowdfunding platforms in Kenya

have been required to comply with these regulations to provide MSMEs with access to affordable financing. Despite these efforts, Vries (2019) reports that Kenya's crowdfunding ecosystem remains in its infancy, with over 95% of crowdfunding funds sourced from foreign platforms. The CMA's regulatory sandbox initiative provides a flexible space for start-ups to experiment, develop, and innovate within a structured regulatory framework.

In synthesis, the regulatory landscape for crowdfunding varied significantly across different regions, with some countries implementing well-defined frameworks while others struggled with regulatory gaps (Alhammad et al., 2021; Garmashev et al., 2021). Countries such as the U.S., Germany, and France have comprehensive laws that support both investor protection and entrepreneurial growth, whereas nations like Russia and Nigeria face legal ambiguities that hinder crowdfunding effectiveness (Omoyajowo, 2021; Augustine, 2019). In Africa, crowdfunding adoption remains uneven, with East and South Africa showing better platform sustainability compared to West and North Africa (Adjakou, 2021). Kenya's recent regulatory efforts mark an important step towards creating a structured crowdfunding ecosystem, but the dominance of foreign platforms suggests a need for further policy enhancements (Vries, 2019). Future research should examine how regulatory policies impact investor trust, crowdfunding sustainability, and MSME growth in emerging markets, particularly within Kenya's evolving financial landscape (Garmashev et al., 2021; Vries, 2019).

2.3.4 Technological Factors and Crowdfunding Success

The effectiveness of crowdfunding campaigns is largely dependent on the accessibility and adaptability of digital technology platforms (Liu et al., 2023). These platforms serve a dual role by not only disseminating relevant information about various crowdfunding projects but also offering additional services that enhance the overall efficiency of fundraising efforts (Kumar et al., 2024). Selecting an appropriate crowdfunding platform and actively promoting a project on it significantly boosts its exposure and enhances the chances of securing potential investors. Furthermore, meaningful engagement between project initiators and potential backers through these digital platforms plays a vital role in sustaining investor enthusiasm, thereby improving the probability of funding success (Wachira, 2021).

Popular crowdfunding websites, such as GoFundMe and Kickstarter, have enabled millions of businesspeople to raise billions of dollars for their businesses, underscoring the importance of

digital technologies in today's business environment (Kumar et al., 2024). These platforms have empowered aspiring businesses to raise capital and reach a broader audience. Additionally, crowdfunding platforms such as Crowdfunder have emerged as essential avenues for future entrepreneurship. Further, equity crowdfunding platforms allow entrepreneurs to engage with international investors, including venture capitalists, angel investors, and accredited investors, enhancing the overall accessibility and credibility of crowdfunding initiatives (Wachira, 2021).

Existing research underscores the importance of investor interactions in determining the outcome of crowdfunding campaigns. Factors such as the frequency of project updates, the geographical coverage of the platform, and its overall reputation substantially impact the success rate of fundraising initiatives (Liu et al., 2023). Investor trust and willingness to contribute are reinforced when fundraisers actively communicate, provide clarifications, and address concerns within interactive comment sections available on crowdfunding platforms (Wachira, 2021). Additionally, the integration of crowdfunding platforms with social media networks like Facebook, Twitter, and LinkedIn enables fundraisers to expand their audience reach while simultaneously fostering investor confidence through greater transparency (Kumar et al., 2024). These social media integrations enhance project visibility, facilitate trust-building, and ultimately contribute to the overall effectiveness of crowdfunding efforts.

Recent advancements in technology, including payment services, artificial intelligence, and social media reach, continue to augment the success of crowdfunding among entrepreneurs (Liu et al., 2023). The ability of an entrepreneur or organization to harness emerging technological innovations directly impacts campaign success. The introduction of social media as an additional tool for outreach has proven to be invaluable in expanding investor networks and building trust (Kumar et al., 2024). The technology acceptance model suggests that technology-enabled social networks have significantly facilitated trust-building and engagement, strengthening the connection between entrepreneurs and potential funders (Wachira, 2021).

In synthesis, the role of technology in crowdfunding success was well-documented, with multiple studies emphasizing the critical impact of digital platforms, social networks, and real-time interactions (Liu et al., 2023; Kumar et al., 2024). The ability of crowdfunding platforms to offer visibility, interactive engagement, and social media integration greatly enhances the likelihood of attracting investors (Wachira, 2021). While digital crowdfunding technologies have flourished in

developed markets, emerging economies like Kenya face challenges related to platform accessibility, investor trust, and technological infrastructure (Liu et al., 2023). Furthermore, social media and artificial intelligence are reshaping crowdfunding dynamics, providing entrepreneurs with innovative tools to reach potential investors effectively (Kumar et al., 2024). Future research should examine the impact of these technological advancements on investor behavior and explore strategies for increasing technology adoption in crowdfunding ecosystems within developing economies (Wachira, 2021).

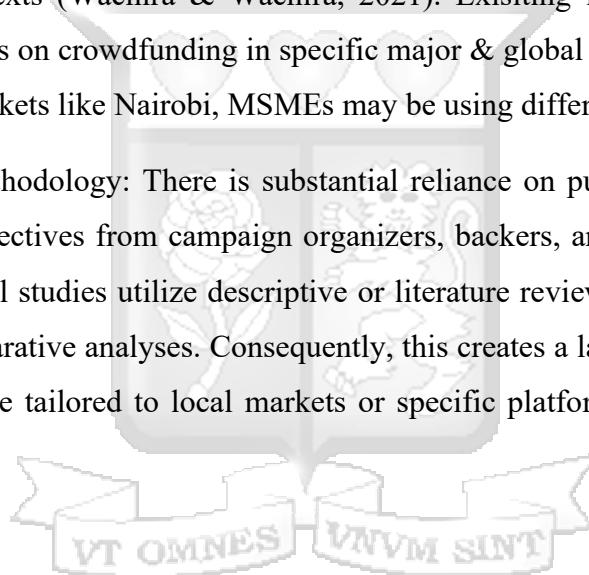
2.4 Summary of Research Gaps

Several key research gaps emerge from the studies on crowdfunding, particularly in relation to global diversity, methodological approaches, and sectoral coverage.

Geographic Focus: Most existing research centers on developed countries such as the China, USA, Germany, and Portugal, leaving limited analysis of crowdfunding dynamics in emerging markets—especially in sub-Saharan Africa and specifically Nairobi, Kenya. Studies often generalize findings from one country or region, overlooking unique economic, legal, and cultural environments found elsewhere, such as in Nairobi County (Shneor and Vik, 2020)

Model Diversity: The literature predominantly examines reward-based crowdfunding, with noticeably less attention on other models like equity, donation, or lending crowdfunding. This narrow focus limits understanding of how different crowdfunding frameworks function and succeed in various contexts (Wachira & Wachira, 2021). Existing literature also indicates a platform bias with a focus on crowdfunding in specific major & global platforms like Kickstarter whereas in emerging markets like Nairobi, MSMEs may be using different and local platforms.

Data Collection and Methodology: There is substantial reliance on publicly available platform data, which means perspectives from campaign organizers, backers, and platform managers are underrepresented. Several studies utilize descriptive or literature review methods rather than in-depth empirical or comparative analyses. Consequently, this creates a lack of nuanced, first-hand insights—especially those tailored to local markets or specific platform experiences (Adjakou, 2021)



Sectoral and Contextual Gaps: Many investigations focus on social ventures with less emphasis on MSMEs as distinct groups. Bernardino & Santos (2016) study is focussed on the motivations of social entrepreneurs for choosing crowdfunding over traditional donation-based financing.

Changing Landscape: Much of the referenced data is dated (often pre-2020), which may not reflect the rapidly evolving state of crowdfunding in regions like Kenya, given regulatory changes, technological advancements, and shifting entrepreneurial behaviours

The empirical review presented related studies, whose closer examination pointed at the presence of knowledge gaps encompassing methodological, conceptual and contextual gaps as summarized in Table 2.1.

Table 2.1 Summary of Research Gaps

Author	Title	Findings	Research Gap
Shneor and Vik (2020)	Crowdfunding Success: A Systematic Literature Review 2010-2017	Analyses 88 academic papers on crowdfunding (CF) success from 2010 to 2017. The findings reveal a predominance of quantitative studies focused on reward-based CF, with significant gaps in equity and donation models. The review highlights the need for broader conceptualizations of success beyond financial metrics, emphasizing psychological and non-financial outcomes. The authors propose evidence-based models of CF success.	-The study focuses primarily on developed economies (USA, China, Germany, UK, S. Korea and Brazil) and lacks an examination of crowdfunding dynamics in emerging markets like Nairobi. -Data Collection Limitations- Research relies heavily on public platform data rather than primary data from fundraisers, funders, and platform managers
Bernardino & Santos (2016)	Financing social ventures by crowdfunding: The influence of	This research investigates how personality traits of social entrepreneurs influence their choice between traditional	-Geographic and Contextual Specificity Gap- The referenced study is set entirely in Portugal and focuses on the

	<p>entrepreneurs' personality traits</p>	<p>donation models and social crowdfunding (CF) for financing social projects, specifically within the context of the Portuguese Social Stock Exchange (PSSE). Utilizing a quantitative approach, data from a questionnaire sent to NGOs and project founders were analysed using logistic regression. Findings reveal that only conscientiousness significantly impacts the likelihood of using PSSE, while traits like agreeableness, neuroticism, openness to experience, and extraversion showed minimal influence.</p>	<p>Portuguese Social Stock Exchange (PSSE) as a crowdfunding platform specifically for social ventures. The economic, regulatory, cultural, and technological environments in Portugal differ significantly from those in Nairobi County, Kenya.</p> <p>-Sectoral Focus: Social Ventures vs. MSMEs- This study exclusively concerned with social ventures and the particular motivations of social entrepreneurs for choosing crowdfunding over traditional donation-based financing. Conversely, research on MSMEs in Nairobi must account for a broader array of ventures, including purely commercial businesses</p>
<p>Tenner & Hörisch (2021)</p>	<p>Crowdfunding sustainable entrepreneurship: What are the characteristics of crowdfunding investors?</p>	<p>The study investigates the characteristics of investors in sustainability-oriented crowdfunding, based on a survey of 282 German respondents. Key findings reveal that typical supporters are young, well-educated, and familiar with</p>	<p>-Geographic and Cultural Scope: The study is based entirely on data from the German population, focusing on the characteristics and values of German crowd funders.</p>

		<p>crowdfunding, exhibiting low levels of self-enhancement and conservative values. The research emphasizes the potential of crowdfunding as a viable financing alternative for sustainable entrepreneurship, which often struggles with traditional funding.</p> <p>Recommendations for project initiators include targeting this demographic to enhance funding success.</p>	<p>-Size: While the research addresses sustainability-oriented entrepreneurship, it does not specifically examine micro, small, and medium enterprises as a distinct category.</p> <p>-Emphasis is on Investor/Backer Characteristics. Limited focus on project, platform, and ecosystem factors</p>
Adjakou (2021)	Crowdfunding: Genesis and Comprehensive Review of Its State in Africa	<p>The provides a comprehensive review of crowdfunding in Africa, highlighting its nascent state compared to developed regions. It reveals that only 22% and 33% of crowdfunding platforms in West and North Africa, respectively, remain operational from 2012 to 2020, while East and South Africa show better sustainability at 70% and 55%. The study underscores a significant reliance on foreign platforms, with 64% of active crowdfunding initiatives being foreign-based. It emphasizes the need for tailored crowdfunding</p>	<p>-Broad Scope: The study adopts a pan-African perspective and examines crowdfunding trends and challenges across the entire continent. Although it highlights some East African countries and provides aggregate data, it does not specifically investigate Nairobi County or even Kenya’s crowdfunding landscape in granular detail</p> <p>-The study relies on exploratory and descriptive methods to map the state of crowdfunding, coverage of</p>

		<p>models to bridge the equity gap and enhance financial inclusion for African entrepreneurs, particularly in French-speaking countries where implementation struggles are pronounced.</p>	<p>platforms, and regional adoption rates. It does not utilize empirical methods (e.g., regression, surveys, interviews) to identify or test determinants of crowdfunding success</p> <p>-The latest comprehensive data points are from 2020 or earlier, and the crowdfunding environment is evolving rapidly in Kenya</p>
<p>Augustine 2019</p>	<p>Crowdfunding and SMEs Financing in Nigeria- Threat and Opportunities</p>	<p>The study explores crowdfunding as a vital alternative financing method for Small and Medium Enterprises (SMEs) in Nigeria, highlighting its potential to enhance economic development. Despite its success in developed countries, Nigeria faces challenges such as low awareness, inadequate regulatory frameworks, and limited internet access. The study identifies crowdfunding models—donation-based, reward-based, and equity-based—and emphasizes the need for government support to establish regulations akin to the US JOBS Act. With over 90% of</p>	<p>-The study focuses exclusively on the Nigerian environment, legal frameworks, and entrepreneurial landscape. Socio-economic, legal, technological, and cultural conditions in Nigeria differ substantially from those in Nairobi, Kenya.</p> <p>-The study is primarily a review of existing literature and theory rather than an empirical analysis of crowdfunding campaigns</p> <p>-Broad review, limited comparative or model-specific analysis</p>

		Nigerian businesses classified as SMEs contributing only 1% to GDP, the paper argues for crowdfunding's role in bridging funding gaps, thereby fostering entrepreneurship and job creation.	
Felipe & Ferreira (2020)	Determinants of the success of equity crowdfunding campaigns	This study investigates the determinants of success in equity crowdfunding (ECF) campaigns in Brazil, analysing 99 start-ups financing campaigns from 2014 to 2017. Key findings reveal that financial goals, venture categories, advisor participation, campaign duration, and the type of equity offered significantly influence both the probability and speed of success. Specifically, campaigns offering pre-established equity had a higher success likelihood. The average successful campaign lasted over 88 days, with a maximum duration of 197 days. The research highlights the need for strategic resource allocation based on these determinants to enhance financial efficiency for stakeholders.	<p>-Geographical- The study is based exclusively on data from Brazil’s equity crowdfunding (ECF) markets and regulatory context</p> <p>-Platform Limitation: Data was drawn from a single major Brazilian ECF platform (Kria), potentially leading to platform-specific biases and omitting the diversity of crowdfunding models</p> <p>-Regulatory and Legal Differences between Brazil and Kenya</p> <p>-The Brazilian study focuses on short-term outcomes (funding raised/success speed) rather than capturing long-term impacts or business growth, which may be highly pertinent to MSMEs evaluating crowdfunding</p>

Omoyajowo (2021)	Regulatory Framework for Crowdfunding in Nigeria	Nigeria has no clear regulatory framework for crowdfunding, leading to risks of fraud and financial losses.	-Need for studies examining the effectiveness of recently introduced crowdfunding regulations in Africa.
Wachira & Wachira (2021)	Crowdfunding in Kenya: Factors for Successful Campaign: The Case of Kickstarter Crowdfunding Platform	The study investigates factors influencing successful reward-based crowdfunding campaigns in Kenya using Kickstarter data. Employing multiple regression and Pearson correlation analyses, it identifies significant correlations between project updates, pledged amounts, backers, and project success, while noting a negative correlation with project goals and funding periods. Out of 173 analysed projects, 80 were successful, indicating a 46% success rate. The research highlights the need for further investigation into other crowdfunding models in Kenya, as the concept remains underexplored in the region.	<p>-Focus on Reward-Based Crowdfunding Only: The study exclusively analyses reward-based crowdfunding campaigns using Kickstarter data and explicitly recommends further research on other models (e.g., equity-based, lending-based, donation-based).</p> <p>-Population- Generalized to All Kenya, Not Just Nairobi MSMEs</p> <p>-The determinants analysed are largely transactional and operational (number of updates, comments, backers, etc.), but the study does not account for broader MSME-level or contextual factors such as firm age, sector, owner education, previous financial history, access to networks, or local regulatory support, all of which may be crucial for</p>

			MSME success in Nairobi County
Stanko & Henard (2017)	Toward a Better Understanding of Crowdfunding, Openness, and the Consequences for Innovation	This study examines the impact of crowdfunding on innovation, utilizing data from Kickstarter campaigns. Key findings reveal that the number of backers significantly influences product market performance, while the amount of funding raised does not. Open search depth enhances market performance, whereas breadth encourages a focus on radical innovation. The study emphasizes that backers serve as valuable early adopters and sources of feedback, with their engagement being crucial for successful product development. Ultimately, entrepreneurs are encouraged to prioritize attracting backers and leveraging their input throughout the innovation process.	<p>-This study exclusively analyses Kickstarter campaigns, primarily in the US, UK, Canada, and Australia, focusing on start-ups and small companies typical in developed economies.</p> <p>-Platform Bias: Kickstarter is a well-established, reward-based platform. In Nairobi, MSMEs may use different crowdfunding models</p> <p>-The research sample includes only successful campaigns (i.e., those fully funded), excluding failed initiatives. This may overestimate positive attributes and downplay barriers relevant to MSMEs in Nairobi, where crowdfunding awareness and success rates may be lower</p>
Koch & Siering, 2019	The recipe of successful crowdfunding campaigns: An Analysis of Crowdfunding	This paper analyses the success factors of crowdfunding campaigns on platforms like Kickstarter, revealing that both individual success factors and their interrelations significantly	<p>-Platform Bias: its exclusive focus is on Kickstarter</p> <p>-The research findings may not directly translate to Kenya due to differences in platform features, user demographics,</p>

	<p>Success Factors and Their Interrelations</p>	<p>influence funding outcomes. Key findings indicate that only 36% of campaigns achieve their funding goals, highlighting the importance of effective project presentation. The study emphasizes the roles of information disclosure, risk assessment, and emotional appeal, with empirical evidence showing that project founders' experience and popularity positively affect funding success. Notably, the presence of strong signals of trustworthiness can diminish the need for extensive information disclosure. The research underscores the necessity for founders to strategically utilize platform features to enhance project visibility and investor confidence.</p>	<p>cultural context, and regulatory environments.</p> <p>-Socioeconomic conditions, digital access, and investor behaviours in Nairobi may differ significantly from those in the original sample. Therefore, while the identified success factors provide valuable insights, their applicability to Nairobi-based MSMEs is constrained, and local contextual factors should be carefully considered</p>
<p>Meghouar et al., 2023</p>	<p>What drives the use of crowdfunding by micro-entrepreneurs in Morocco? – exploring fundraiser</p>	<p>The study investigates crowdfunding motivations among 57 micro-entrepreneurs in Morocco, revealing six key motives: financial needs, legitimacy seeking, sense of achievement, network-building, and enhancements in entrepreneurial and marketing</p>	<p>-Geographical Context- The study focuses exclusively on Moroccan micro-entrepreneurs</p> <p>-Additionally, the study relies on post-campaign interviews, which might introduce retrospective bias as entrepreneurs rationalize their motives after experiencing</p>

	motives and characteristics	competencies. The research highlights that motivations vary based on fundraiser characteristics such as gender, age, education, training experience, and sector affiliation, with financial needs being more pronounced among younger, male, and highly educated entrepreneurs in manufacturing.	crowdfunding, potentially limiting the accuracy of insights regarding initial determinants of success.
Vries 2019	Crowdfunding for startup financing in Kenya, South Africa and Uganda	Research investigates the maturation of crowdfunding as a financing source for SMEs in Kenya, South Africa, and Uganda. It identifies significant financing gaps in these nations, with only 20% of Sub-Saharan African SMEs accessing formal credit. The study reveals that South Africa's crowdfunding ecosystem is developing, with \$22 million raised in 2015, while Kenya's is nascent, and Uganda's is the least developed, relying heavily on donation-based crowdfunding (83%).	-This study presents several limitations. First, much of the data referenced is from 2015, meaning recent developments in Kenya's crowdfunding ecosystem may not be reflected, potentially overlooking new trends, platforms, or success factors relevant today. Secondly, the study did not interview representatives of Kenyan crowdfunding platforms, resulting in fewer Kenya-specific insights into factors influencing campaign success for local MSMEs.

Source: Researcher (2025)



2.5 Conceptual Framework

A conceptual framework visually represents the relationships between key study variables, illustrating how they interact within the research context. In this study, the conceptual framework outlined the connection between alternative financing mechanisms and financial sustainability, highlighting the influence of various determinants on this relationship. The framework below in detail presented the constructs that were applied in measuring the variables of the study.



Independent Variables

Dependent Variable

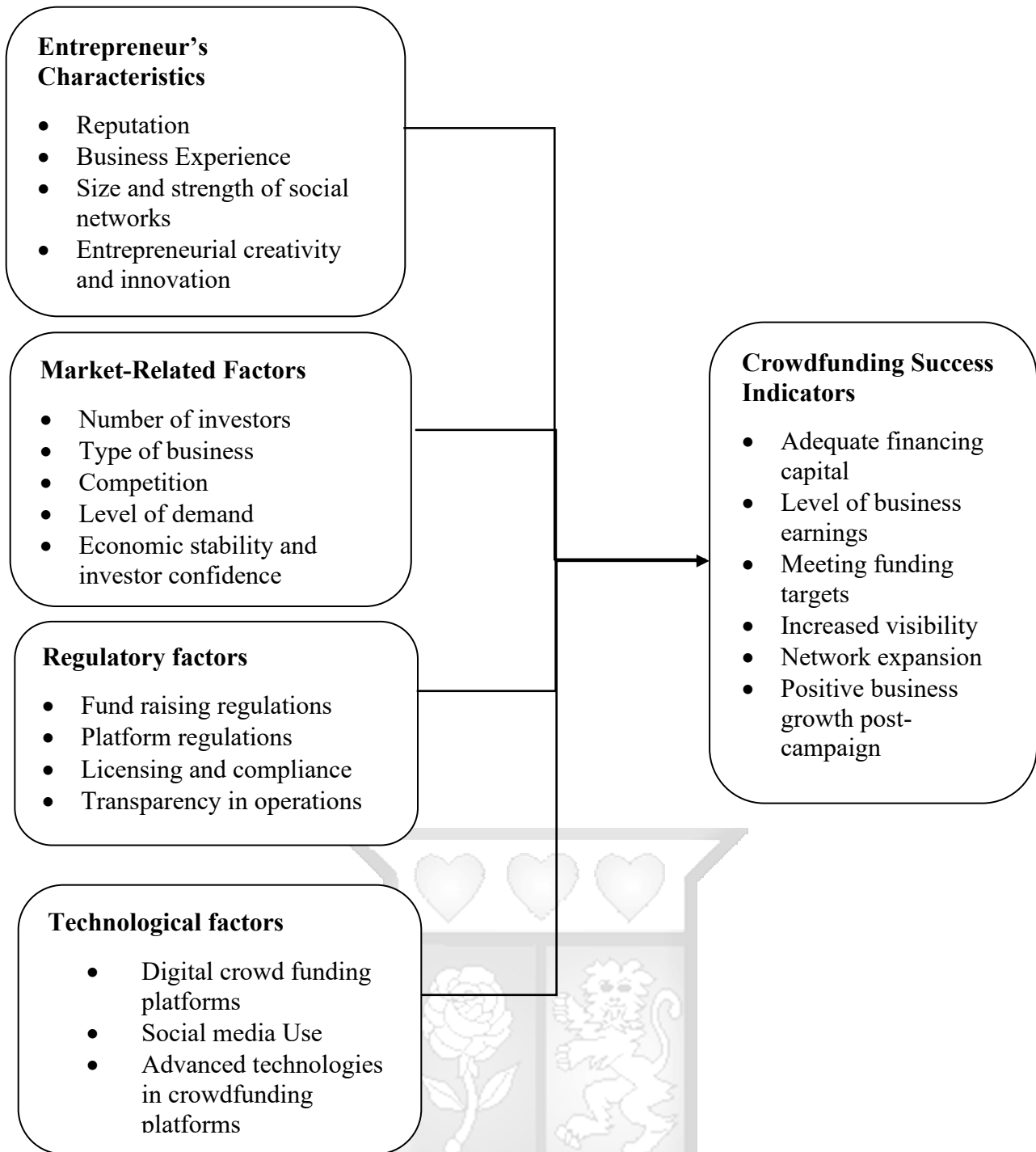


Figure 1: Conceptual Framework

Source: Researcher (2025)

2.6 Chapter Summary

This chapter provides a comprehensive review of existing literature that forms the foundation for this research. The chapter starts by introducing two main theories that underpin the study: Transaction Cost Theory (TCT) and the Diffusion of Innovations (DOI) Theory. The empirical review focused on four central areas and their influence in crowdfunding success: entrepreneur characteristics, prevailing market conditions, financial regulations, and technological advancements. The chapter then identifies current research gaps in the literature, which includes methodological, conceptual and contextual gaps. Finally, the chapter winds up by depicting the study variables in a conceptual framework.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodologies and procedures utilized in carrying out the study. It encompassed research philosophy, design, target population, sampling framework, data collection tools, research protocols, analytical techniques, and ethical considerations. The methodology served as a structured approach to effectively addressing the research objectives and responding to the study's key questions.

3.2 Research Philosophy

A research philosophy provides the framework of beliefs, assumptions, and knowledge that guides the methods and theories applied in a study (Newby, 2014). There are several research philosophies commonly used in academic studies, including positivism, interpretivism, pragmatism, and realism. Positivism emphasizes objectivity, logic, and empirical evidence, focusing on quantifiable data to identify cause-and-effect relationships (Bryman, 2016). It emphasizes objective measurements and statistical analysis to uncover patterns and causal relationships. Interpretivism, on the other hand, prioritizes understanding human experiences and social contexts through subjective interpretation (Saunders et al., 2019). It emphasizes the understanding of human experiences and the meanings individuals attach to them. Pragmatism integrates both positivist and interpretivist approaches, offering methodological flexibility depending on the research problem (Morgan, 2014). It advocates for a problem-solving approach that combines both quantitative and qualitative methods depending on the nature of the research problem. Realism asserts that reality exists independently of human perception but can be studied using scientific methods (Guba & Lincoln, 1994).

This study adopted a positivist research philosophy, as it was best suited for examining the determinants of crowdfunding among MSMEs in Nairobi County. The philosophy is best aligned with the use of quantifiable data to explore the effect of entrepreneurial characteristics, market conditions, regulatory frameworks, and technological adoption on crowdfunding success. Positivism supported the objective measurement of variables such as entrepreneurial characteristics, prevailing market conditions, regulatory environment, and technology adoption. This approach relied on structured methods to collect observable and measurable data, which could

be analyzed statistically to test hypotheses and validate theories (Greenfield & Greener, 2016). By utilizing structured instruments like questionnaires, this study aligned with the positivist emphasis on standardized data collection, ensuring reliability, replicability, and generalizability. Moreover, this approach enabled the identification of patterns and correlations that could inform evidence-based recommendations to enhance access to crowdfunding as an alternative financing model for MSMEs (Newby, 2014; Bryman, 2016).

3.3 Research Design

The research design refers to the overall strategy that integrates different components of the study into a coherent and logical structure to effectively address the research problem (Creswell & Creswell, 2017). This study adopted a descriptive research design, as it sought to analyze the determinants of crowdfunding adoption among MSMEs in Nairobi County. Descriptive research allowed systematic measurement and assessment of variables based on existing theories and frameworks (Kothari, 2017). A descriptive design facilitated structured data collection methods such as surveys and questionnaires, making it well-suited for this study's objective of identifying the relationship between entrepreneurial characteristics, prevailing market conditions, regulatory environment, and technology adoption in crowdfunding. It also enables the use of cross-sectional surveys to capture a snapshot of trends and relationships at a particular point in time. By employing this design, the study ensured accuracy, reliability, and the ability to generalize findings to a broader population of MSMEs in Kenya (Saunders et al., 2019).

3.4 Target Population

The target population for this research consisted of all the registered MSMEs in Nairobi County, as per the KNBS MSME Survey 2016. The target population is defined by the subjects of interest in a study, and who have the characteristics sought by the researcher (Kothari, 2017). According to the KNBS MSME Survey 2016, Nairobi County has 268,100 registered MSMEs, comprising 83,800 micro-enterprises, 14,800 small enterprises, and 14,000 medium enterprises. This study focused only on registered MSMEs. Further, the survey involved all 17 Sub-Counties in Nairobi County, ensuring representation across different business sizes and locations.

3.5 Sampling Design

Sampling design determines the appropriate method for selecting the units to be included in a study (Kothari, 2017). It refers to the systematic process used in research to select a specific portion of

the population for investigation (Sileyew, 2019). The sample size represents a subset of the target population that serves as a basis for generalizing findings (Creswell & Creswell, 2017). This study employed a stratified sampling technique, clustering businesses by Sub-County to ensure each Sub-County was adequately represented. Additionally, businesses were stratified by size: micro, small, and medium enterprises to enhance inclusivity. The study determined the sample size using the Yamane formula (Chaokromthong & Sintao, 2021), ensuring statistical reliability as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= correct sample size, N = population size, and e = Margin of error (MoE), e = 0.05 based on the research condition (Yamane, 1967).

$$\frac{268100}{1 + 268100 (.05)^2} = 399 \text{ firms}$$

Businesses were randomly selected within each stratum to ensure representativeness across micro, small, and medium categories.

Table 3.1 Sample Distribution by Sub-County

Sub-County	Registered MSMEs	Proportion (%)	Sample Size
Embakasi South	16,086	6.0%	24
Embakasi North	15,245	5.7%	23
Embakasi East	17,927	6.7%	27
Embakasi West	14,195	5.3%	21
Makadara	12,396	4.6%	18
Kamukunji	14,745	5.5%	22
Starehe	16,482	6.2%	25
Mathare	13,405	5.0%	20

Kibra	13,806	5.2%	21
Westlands	18,055	6.7%	27
Dagoretti North	15,612	5.8%	23
Dagoretti South	13,984	5.2%	21
Kasarani	16,321	6.1%	24
Roysambu	14,672	5.5%	22
Ruaraka	12,345	4.6%	18
Lang'ata	13,059	4.9%	20
Karen	14,265	5.3%	21
Total	268,100	100%	399

Source: Researcher (2025)

3.6 Data Collection Instruments

Data collection is the process of systematically gathering information from relevant sources (Cooper & Schindler, 2014). According to Kothari (2017), it involves structured procedures to obtain and measure data related to the study’s variables. This research employed a structured questionnaire designed around the operationalized measures of the identified variables. The questionnaire was organized into sections corresponding to the study’s objectives and utilized a 5-point Likert scale. This structured approach facilitated efficient data collection and simplified quantitative analysis. A screening question was informally included to ensure that only MSMEs with experience or intent to use crowdfunding participated.

3.7 Data Collection Procedures

Before data collection, an introduction letter was obtained from Strathmore University's Ethical Review Committee to assure respondents that the information collected was solely for academic purposes. Additionally, a research permit was secured from the National Commission for Science, Technology, and Innovation (NACOSTI) before commencing fieldwork. The study implemented a drop-and-pick method, where questionnaires were distributed directly to MSMEs and retrieved

later. Questionnaires were distributed physically and responses got over a three-week period (March 11–31, 2025). Respondents were given up to two weeks to complete the forms, with reminders sent halfway through the period. When necessary, clarifications were provided to respondents to ensure data accuracy and completeness.

3.8 Research Quality

The questionnaire was pretested by administering a pilot study prior to the main data collection to establish its practical ability to capture the sought information. The pilot study involved 1% of the sample size (399 respondents), equating to four respondents. It helped determine the reliability and validity of the questionnaire in the real study, and how constituent and complete it was in capturing the information of the determinants. These respondents were selected randomly from MSMEs within Nairobi County to ensure representativeness across sub-counties and business sizes. Feedback from the pilot study was used in refining the questionnaire by identifying any ambiguous or unclear questions requiring adjustments. Both reliability and validity tests were conducted to ascertain the quality of the research instrument.

3.8.1 Reliability Tests

Reliability refers to the consistency and stability of results over time, ensuring that a research instrument accurately represents the target population. A study is considered reliable if it produces consistent results when applied under similar conditions (Creswell & Creswell, 2017). This research used Cronbach's alpha, a widely recognized coefficient for assessing the internal consistency of structured questionnaires. A Cronbach's alpha value of 0.7 or higher was regarded as the threshold for determining the reliability of the questionnaire for the main study.

3.8.2 Validity Tests

The study assessed the validity of the questionnaire using content validity, which evaluated whether the measurement tool adequately covered the research questions under investigation. Content validity was ensured by incorporating feedback from the research supervisor during the development of the instrument, verifying that all study objectives were thoroughly addressed (Creswell & Creswell, 2017; Novikov & Novikov, 2013). Additionally, construct validity was assessed through the Kaiser-Meyer-Olkin (KMO) test, Bartlett's test, and factor analysis to measure sampling adequacy. These methods determined whether the number of items assigned to each construct (variable) was appropriate for accurate measurement.

3.9 Data Analysis and Presentation

This study relied on questionnaires to collect quantitative data. Therefore, a quantitative approach was employed for data analysis to evaluate the success of crowdfunding based on various determinants. Data analysis involved refining raw data by organizing, structuring, and transforming it into meaningful insights (Creswell & Creswell, 2017). The study utilized SPSS 26 to conduct quantitative data analysis. Descriptive statistics were used to summarize responses in terms of percentages, frequencies, means, and standard deviations. Additionally, the Spearman rank correlation test was applied to examine the nature of relationships between study variables. The research also incorporated regression analysis to assess the strength of relationships between crowdfunding determinants and its effectiveness as a financing option for MSMEs. The results of the analysis were presented using charts and tables. The following regression model was estimated:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = Crowdfunding Success Indicators (Dependent Variable)

Independent variables, which include:

X_1 is the Entrepreneur's Characteristics

X_2 is Market-related factors

X_3 is Regulatory factors

X_4 is Technology factors

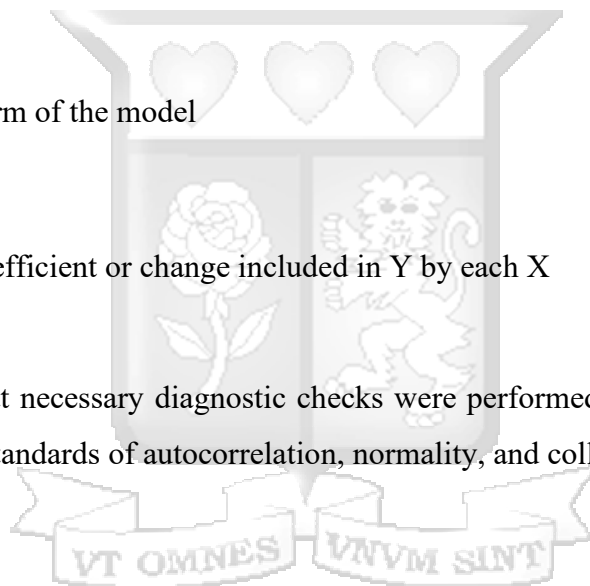
ε represented the error term of the model

α = the constant

$\beta_1 - 3$ = the regression coefficient or change included in Y by each X

3.9.1 Diagnostic Tests

The research ensured that necessary diagnostic checks were performed to ensure the regression model met the required standards of autocorrelation, normality, and collinearity.



3.9.1.1 Normality Test

Normality testing assesses whether the data follows a normal distribution, determining the probability of a random variable exhibiting normality in the dataset (Ghasemi & Zahediasl, 2012). This study applied the Shapiro-Wilk tests, which was suitable for normality assessments, particularly when handling smaller datasets with fewer than 2000 observations. A p-value greater than 0.05 was used to indicate that the residuals followed a normal distribution (Razali & Wah, 2019).

3.9.1.2 Multicollinearity Test

Multicollinearity testing is essential in regression analysis to identify potential correlations among predictor variables (Kothari, 2017). This study employed the variance inflation factor (VIF) and tolerance levels as key diagnostic tools for detecting collinearity. VIF values below 5 and tolerance values greater than 0.1 were used as benchmarks, indicating an absence of multicollinearity issues among the predictor variables included in the regression model (Shrestha, 2020).

3.9.1.3 Homoscedasticity Test

Homoscedasticity occurs when the variability of errors is constant across observations. The Levene's Test for Homogeneity of Variances was used to assess homoscedasticity. A non-significant p-value (Sig. > 0.05) indicated that the variances were equal, satisfying the assumption of homoscedasticity (Bobbitt, 2020).

3.9.1.4 Model Specification Test

To ensure the regression model was correctly specified, the Ramsey RESET test was conducted to check for omitted variable bias. A significant result would have indicated that key explanatory variables were missing from the model, requiring adjustments in model specification (Ramsey, 1969).

3.10 Ethical Considerations

Since the research relied on human participants, various ethical guidelines were considered in this study. For one, the participant was provided with an informed consent form that sought their permission to be included in the survey. Secondly, the study obtained research approval from the Institutional Review Committee of Strathmore University and NACOSTI before conducting the research. The study also ensured that the confidentiality of the respondents was maintained within

the course of the survey. The research data collected was also utilized only for the stated academic goals and was not shared with any unauthorized personnel.

3.11 Chapter Summary

The study adopts a positivist research philosophy, emphasizing objectivity and the use of quantifiable data to explore the influence of entrepreneurial characteristics, market conditions, regulatory frameworks, and technology adoption on crowdfunding success. The study used a descriptive research design and targeted 399 registered MSMEs in Nairobi County. A stratified random sampling technique ensured representation across business sizes and sub-counties. Structured questionnaires served as the primary data collection tool. Data analysis involved descriptive statistics, Pearson correlation, and multiple linear regression analyses. The methodology also included rigorous tests for normality, multicollinearity, and heteroscedasticity to validate the model, along with reliability and validity assessments for the research instruments. Ethical considerations were addressed to ensure the integrity of the research process



CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 Introduction

The fourth chapter was utilized in the presentation of the findings from the collected research data from the field work. The study applied both qualitative and quantitative analysis approaches. The main sections focused on the background profile, descriptive analysis, correlation and regression analysis.

4.2 Response Rate

The background information analysed the profile of the respondents and the businesses that were surveyed, as well as the response rate achieved during data collection.

4.2.1 Response Rate

The study targeted a sample respondent of 395 registered MSMEs in Nairobi County, drawn from the 17 sub-counties. However, a total of 354 responses were successfully collected, representing a response rate of 89.62%. This response rate was deemed adequate for analysis, as it surpasses the 70% threshold recommended for survey research (Mugenda & Mugenda, 2003). The data obtained from the 354 respondents allowed for a comprehensive analysis of the determinants of crowdfunding among MSMEs in Nairobi County. These findings, therefore, provide valuable insights into the crowdfunding landscape, albeit within the constraints of the sub-county coverage.

4.2.2 Business and Respondents Profile

The study sought to analyse the demographic characteristics of the respondents and their businesses. A summary of the respondent and business profiles is presented in Table 4.1.

Table 4.1 Respondent Profile and Business Information

		Frequency	Percent
Age Group	Below 25	31	8.76
	25-34	134	37.85
	35-44	141	39.83
	45-54	47	13.28
	55 and above	1	0.28

	Total	354	100.0	
Education Level	Primary	3	0.85	
	Secondary	66	18.64	
	Diploma	172	48.59	
	Bachelor's Degree	104	29.38	
	Master's degree or higher	9	2.54	
	Total	354	100.0	
Business Location	Embakasi West	39	11.02	
	Embakasi East	63	17.80	
	Embakasi North	70	19.77	
	Embakasi South	52	14.69	
	Kamukunji	30	8.47	
	Makadara	37	10.45	
	Mathare	15	4.24	
	Roysambu	15	4.24	
	Ruaraka	17	4.80	
	Starehe	16	4.52	
	Total	354	100.0	
	Year of Establishment	1997-2010	20	5.65
		2011-2018	156	44.07
2019-2022		171	48.31	
2023-2025		7	1.98	
Total		354	100.0	
Business Size	Micro	56	15.82	
	Small	257	72.60	
	Medium	41	11.58	
	Total	354	100.0	
Business Sector	Retail	301	85.03	
	Manufacturing	53	14.97	
	Total	354	100.0	

Source: Researcher (2025)

The age distribution of respondents indicated that a majority (39.83%) were between 35-44 years, followed closely by 25-34 years (37.85%). Respondents aged 45-54 years comprised 13.28%, while those below 25 years represented 8.76% of the total sample. The lowest representation was observed in respondents aged 55 and above (0.28%). This distribution suggests that the majority of MSME owners or managers actively participating in crowdfunding initiatives in Nairobi County were within the 25-44 years age bracket, which aligns with the entrepreneurial peak age group that actively seeks funding opportunities for business growth. The lower representation of respondents aged 55 years and above indicate that older entrepreneurs rely on more traditional financing methods or have already established financial stability, reducing their need for crowdfunding.

Additionally, the education level analysis revealed that 48.59% of respondents held a diploma, making it the most common level of education. Those with a bachelor's degree followed at 29.38%, while 18.64% had attained secondary-level education. A smaller percentage of respondents (2.54%) had a master's degree or higher, and the lowest representation was from those with only primary-level education (0.85%). These findings suggest that most MSME owners or managers have at least a diploma-level education, indicating a relatively high level of business literacy. The significant percentage of diploma and degree holders also highlights the increasing role of formal education in entrepreneurship and financial decision-making.

The businesses surveyed were distributed across ten sub-counties within Nairobi County, as indicated in Table 4.1. The highest number of businesses were in Embakasi North (19.77%), Embakasi East (17.80%), and Embakasi South (14.69%). Other notable areas included Embakasi West (11.02%), Makadara (10.45%), and Kamukunji (8.47%). The lowest representation came from Mathare (4.24%), Roysambu (4.24%), Ruaraka (4.80%), and Starehe (4.52%). The concentration of respondents in the Embakasi region aligns with its reputation as one of Nairobi's major commercial hubs, housing numerous small and medium-sized enterprises. The limited response from some sub-counties was attributed to logistical challenges, lower business densities, and variations in crowdfunding awareness and participation.

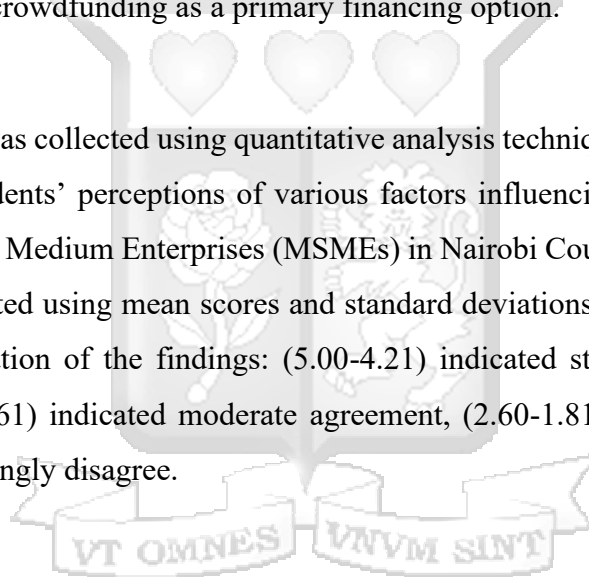
Regarding the business's year of establishment, the study found that the majority of MSMEs surveyed were relatively young, with 48.31% of businesses established between 2019 and 2022. This was followed by 44.07% of businesses that were founded between 2011 and 2018. Only 5.65% of businesses had been operating since 1997-2010, and a small proportion (1.98%) had been

established between 2023 and 2025. These findings suggest that a significant proportion of MSMEs in Nairobi County are less than five years old, indicating a strong wave of new business ventures in recent years. This also underscores the potential demand for crowdfunding, as newer businesses typically face greater financial constraints and seek alternative funding sources. The low percentage of long-established businesses (1997-2010) indicated that older enterprises may have already secured traditional financing or built sufficient capital reserves to sustain operations.

The classification of businesses by size showed that 72.60% of respondents operated small enterprises, while 15.82% managed micro-enterprises, and 11.58% were categorized as medium-sized enterprises. This distribution aligns with Kenya's business landscape, where small enterprises dominate the MSME sector. The high representation of small businesses suggested that these firms are more actively engaged in crowdfunding efforts as they seek expansion opportunities. The relatively lower number of medium-sized businesses indicated that they have greater access to formal financing channels, reducing their reliance on crowdfunding. However, the study findings revealed that 85.03% of respondents operated in the retail sector, while 14.97% were engaged in manufacturing only. The overwhelming dominance of the retail sector suggested that most crowdfunding participants are involved in consumer-driven businesses, where quick access to funds can significantly impact inventory management, business expansion, and operational stability. The relatively lower proportion of manufacturing businesses was attributed to the higher capital requirements and longer investment cycles associated with this sector, which limited their reliance on crowdfunding as a primary financing option.

4.3 Descriptive Analysis

The main research data was collected using quantitative analysis techniques with a 5-point Likert-scale to measure respondents' perceptions of various factors influencing crowdfunding success among Micro, Small, and Medium Enterprises (MSMEs) in Nairobi County, Kenya. The analysed research data was presented using mean scores and standard deviations, with the following scale adopted in the interpretation of the findings: (5.00-4.21) indicated strongly agree, (4.20-3.41) indicated agree, (3.40-2.61) indicated moderate agreement, (2.60-1.81) indicated disagree, and (1.80-1.00) indicated strongly disagree.



4.3.1 Crowdfunding Success Indicators (Dependent Variable)

This section examined the effectiveness of crowdfunding as a financing mechanism for MSMEs by assessing whether crowdfunding campaigns met financial expectations, improved business visibility, and contributed to post-campaign growth.

Table 4. 2 Crowdfunding Success Indicators

	N	Mean	Std. Deviation
My crowdfunding campaign raised adequate financing capital.	354	3.6384	.95169
My business earnings increased after a successful campaign.	354	3.6356	.87456
My campaign met its funding targets.	354	3.5763	.96165
My business gained increased visibility through crowdfunding.	354	3.7734	.83235
Crowd funding expanded my business network.	354	3.7684	.84994
My business experienced growth in post-campaign.	354	3.6431	.87747
Overall Scores	354	3.6725	0.8926

Source: Researcher (2025)

In Table 4.2, the overall mean stood at 3.6725, with a corresponding standard deviation of 0.8926, indicating a moderate but consistent perception of the positive outcomes associated with successful crowdfunding campaigns. Specifically, most participants agreed that crowdfunding led to increased business visibility (mean = 3.7734, SD = 0.83235). This pointed to the role of crowdfunding in enhancing the public profile of MSMEs, thereby expanding their reach and market awareness. Similarly, the contribution of crowdfunding to business network expansion was recognized with a mean score of 3.7684, accompanied by a standard deviation of 0.84994. Respondents acknowledged that crowdfunding initiatives fostered new relationships with investors, customers, and other key stakeholders, which were instrumental in supporting long-term business development. Another noteworthy indicator was post-campaign business growth (mean = 3.6431, SD = 0.87747), signifying that many enterprises experienced tangible improvements in operational scale or product offerings following their crowdfunding efforts. Moreover, the adequacy of financing capital secured through crowdfunding campaigns scored a mean of 3.6384

(SD = 0.95169), suggesting that while most participants believed they acquired sufficient funds, there were variations in experiences across different businesses. Business earnings improvement post-campaign was also rated positively (mean = 3.6356, SD = 0.87456), reflecting the perception that financial inflows from crowdfunding translated to better income streams, albeit with varied success levels among respondents. The indicator with the lowest mean score was the achievement of funding targets (mean = 3.5763, SD = 0.96165), implying that while crowdfunding offered a viable alternative to traditional financing, reaching full funding goals remained a challenge for many MSMEs. These variations underscored the importance of strategic campaign planning, effective investor engagement, and enhanced promotional efforts to maximize crowdfunding success. Overall, the average score of 3.6725 across all crowdfunding success indicators indicated a moderate but consistent consensus on the positive impact of crowdfunding on MSME outcomes, with a standard deviation of 0.8926, suggesting a reasonable degree of variability in responses. These findings highlight the value of crowdfunding as a growth enabler, while underscoring the need for targeted strategies to enhance its effectiveness.

4.3.2 Entrepreneur’s Characteristics

This section examined the role of entrepreneur-specific traits in determining the success of crowdfunding campaigns among MSMEs. It assessed the impact of business skills, networking abilities, creativity, and trustworthiness in influencing investor confidence and campaign outcomes.

Table 4. 3 Entrepreneur’s Characteristics

	N	Mean	Std. Deviation
My business skills and experience help me run effective crowdfunding campaigns.	354	4.1780	.69353
My ability to build and sustain networks positively impacts crowdfunding.	354	4.1582	.65866
Creativity and innovation improve my crowdfunding outcomes.	354	4.1271	.73996
Trustworthiness and credibility attract investors to my campaigns.	354	4.1554	.73453
Overall Scores	353	4.1547	0.7074

Source: Researcher (2025)

Table 4.3 revealed an overall mean score of 4.1547 and a standard deviation of 0.7074, indicating a high level of consensus on the critical role of personal traits and skills in achieving favourable crowdfunding outcomes. Specifically, most respondents agreed that business skills and experience enhanced their ability to run effective crowdfunding campaigns (mean = 4.1780, SD = 0.69353). This finding underscored the value of having relevant business acumen in planning, executing, and managing campaigns to attract and retain investor interest. Similarly, the ability to build and sustain networks was rated highly (mean = 4.1582, SD = 0.65866), suggesting that entrepreneurs with strong social and professional connections were better positioned to mobilize financial support from a wider pool of backers. Creativity and innovation also received notable endorsement from respondents (mean = 4.1271, SD = 0.73996), emphasizing the importance of novel ideas, compelling campaign content, and unique value propositions in capturing investor attention. Furthermore, trustworthiness and credibility (mean = 4.1554, SD = 0.73453) were seen as essential traits that foster investor confidence, making campaigns more likely to gain support from both personal and external networks. Overall, the average score of 4.1547 across all entrepreneur characteristics indicated strong consensus on their importance in determining crowdfunding success, with a standard deviation of 0.7074 suggesting low variability in responses. These findings reinforced the critical influence of personal competencies and credibility in enhancing investor trust and improving campaign outcomes for MSMEs.

4.3.3 Market-Related Factors

This section explored external market conditions that influenced crowdfunding success. It assessed the impact of product/service demand, investor confidence, competition, and economic stability on the outcomes of MSME crowdfunding campaigns.

Table 4. 4 Market-Related Factor

	N	Mean	Std. Deviation
Demand for products/services in my industry impacts crowdfunding success.	354	4.22316	.78832
Investor confidence in Nairobi's market enhances campaign outcomes.	354	3.66855	1.08217
Competition among MSMEs affects my ability to attract backers.	354	3.57910	1.03246

The general economic stability influences crowdfunding effectiveness.	354	4.19492	.83063
Overall Scores	354	3.9164	0.9419

Source: Researcher (2025)

In Table 4.4, the overall mean stood at 3.9164, with a standard deviation of 0.9419, indicating a positive but moderately varied perception of how external market conditions affect crowdfunding outcomes. The highest-rated market-related factor was demand for products and services, with a mean of 4.2232 and a standard deviation of 0.78832. This emphasized the importance of operating within high-demand industries, where increased consumer interest translates into stronger investor appeal and campaign performance. Respondents strongly agreed that a thriving market demand significantly bolstered their crowdfunding success, as it signalled growth potential and reduced investment risk. General economic stability followed closely with a mean score of 4.1949 (SD = 0.83063), suggesting that a stable macroeconomic environment positively influenced investor behaviour and the overall effectiveness of crowdfunding initiatives. Economic predictability was seen as a key enabler for both entrepreneurs and backers, promoting confidence in long-term returns. Investor confidence in Nairobi's market was moderately rated (mean = 3.6686, SD = 1.08217), indicating that while some participants perceived favourable investor sentiment, others remained cautious due to market volatility or perceived risk. The relatively high standard deviation further reflected a lack of uniformity in perceptions, potentially driven by sector-specific differences or past experiences with funding campaigns. Competition among MSMEs received the lowest mean score of 3.5791 (SD = 1.03246), implying that intense competition within the crowdfunding space presented a challenge to many entrepreneurs. The findings suggested that while crowdfunding opportunities existed, businesses needed to differentiate themselves effectively to capture investor interest amid a crowded marketplace. Overall, the average score of 3.9164 across all market-related factors indicated strong consensus on their importance in shaping crowdfunding success, with a standard deviation of 0.9419 suggesting moderate variability in responses. These findings affirm that favourable market conditions and economic environments significantly enhance crowdfunding outcomes, while highlighting the need for strategic positioning in competitive sectors.

4.3.4 Regulatory Factors

This section analysed the influence of regulatory conditions on crowdfunding success. It examined licensing requirements, platform transparency, policy support, and the presence of clear crowdfunding guidelines.

Table 4. 5 Regulatory Factors

	N	Mean	Std. Deviation
Clear licensing and compliance requirements simplify crowdfunding.	354	4.14689	.86866
Transparency in crowdfunding platforms is critical for campaign success.	354	4.21254	.79972
Policies in Kenya support MSME adoption of crowdfunding.	354	3.50708	1.06365
Lack of clear crowdfunding guidelines hinders my campaigns.	354	3.19209	1.11001
Overall scores	354	3.7647	0.9692

Source: Researcher (2025)

In Table 4.5, the overall mean stood at 3.7647, with a corresponding standard deviation of 0.9692, indicating moderate agreement with some variability in perceptions regarding the regulatory environment's role in facilitating or hindering crowdfunding efforts. The highest-rated factor was the transparency of crowdfunding platforms, which received a mean of 4.2125 (SD = 0.79972). This highlighted respondents' strong belief that platform openness and the availability of clear, verifiable information were critical in building investor trust and driving campaign success. Transparent platforms were seen as lowering information asymmetry and minimizing perceived risk, thereby improving funding outcomes. Closely following was the agreement that clear licensing and compliance requirements simplified crowdfunding processes (mean = 4.1469, SD = 0.86866). Respondents acknowledged that regulatory clarity and defined legal structures created a more predictable and efficient environment for both fundraisers and investors. Such frameworks helped legitimize crowdfunding platforms and enhance stakeholder confidence. On the other hand, policy support for MSME crowdfunding was rated more moderately, with a mean of 3.5071 (SD

= 1.06365). This suggested that although some initiatives existed, they were either insufficiently robust or not well-communicated to MSMEs. The data implied that without strong institutional backing; many enterprises found it difficult to leverage crowdfunding effectively. The lowest-rated item was the lack of clear crowdfunding guidelines, with a mean score of 3.1921 and the highest standard deviation of 1.11001, indicating notable disagreement among respondents. This pointed to a significant gap in the regulatory landscape, where ambiguous or inconsistent guidelines created obstacles for campaign execution and investor engagement. Entrepreneurs expressed difficulty navigating an evolving or unclear policy space, which diminished their confidence in crowdfunding as a reliable financing alternative. Overall, the average score of 3.7647 across all regulatory factors indicated a generally favourable but varied consensus on their influence on crowdfunding success, with a standard deviation of 0.9692 suggesting moderate variability in responses. These findings underscore the importance of a transparent, supportive, and well-defined regulatory environment to foster effective crowdfunding ecosystems for MSMEs in Kenya.

4.3.5 Technological Factors

This section examined the impact of technology on crowdfunding success, focusing on internet access, social media integration, platform usability, and advanced technologies.

Table 4. 6 Technological Factors

	N	Mean	Std. Deviation
Easy access to reliable internet.	354	4.49435	.65293
Integration with social media for campaign visibility.	354	4.43503	.61843
Availability of user-friendly crowdfunding platforms.	354	4.33616	.67113
Use of advanced technologies like data analytics and online payment systems.	354	3.82203	1.06155
Overall scores	354	4.2719	0.7723

Source: Researcher (2025)



In Table 4.6, the overall mean stood at 4.2719, with a standard deviation of 0.7723, indicating strong agreement among respondents and relatively low variability in their perceptions. The most highly rated factor was access to reliable internet, which recorded a mean of 4.4944 (SD = 0.65293). This underscored the essential role of stable and fast internet connectivity in facilitating crowdfunding efforts. Respondents affirmed that seamless online access enabled efficient communication, campaign management, and investor engagement, all of which are pivotal in achieving funding targets. Integration with social media followed closely with a mean of 4.4350 (SD = 0.61843), reflecting widespread recognition of the importance of digital outreach in enhancing campaign visibility. Entrepreneurs viewed social media platforms as indispensable tools for promoting crowdfunding campaigns, mobilizing support, and building relationships with potential backers. The availability of user-friendly crowdfunding platforms also received a strong rating (mean = 4.3362, SD = 0.67113). Respondents emphasized that intuitive platform design, streamlined payment options, and clearly presented campaign information positively influenced both the fundraiser and investor experience. Ease of navigation was seen as a key enabler of successful participation in crowdfunding activities. Meanwhile, the use of advanced technologies such as data analytics and online payment systems garnered a moderately positive response, with a mean of 3.8220 (SD = 1.06155). Although these tools were acknowledged as beneficial, the relatively higher standard deviation indicated that their adoption was uneven across different MSMEs. This suggested that while some enterprises had begun to embrace advanced digital solutions, others still faced barriers such as cost, technical skills gaps, or limited awareness. Overall, the average score of 4.2719 across all technological factors reflected a strong and consistent consensus on their positive influence on crowdfunding success, with a standard deviation of 0.7723 indicating relatively uniform agreement among respondents. These results highlight the transformative potential of technology in enhancing MSMEs' crowdfunding performance and call for further investment in digital infrastructure and training.

4.4 Factor Analysis

As most of the indicators used in this study were adapted from prior empirical research, it was essential to conduct an Exploratory Factor Analysis (EFA) to assess the underlying structure and confirm the unidimensionality of the constructs (Hair, Risher, Sarstedt, & Ringle, 2019). EFA was performed on each multi-item construct using the principal component analysis (PCA) and varimax rotation method to extract and rotate the factors appropriately (Hair et al., 2019). The

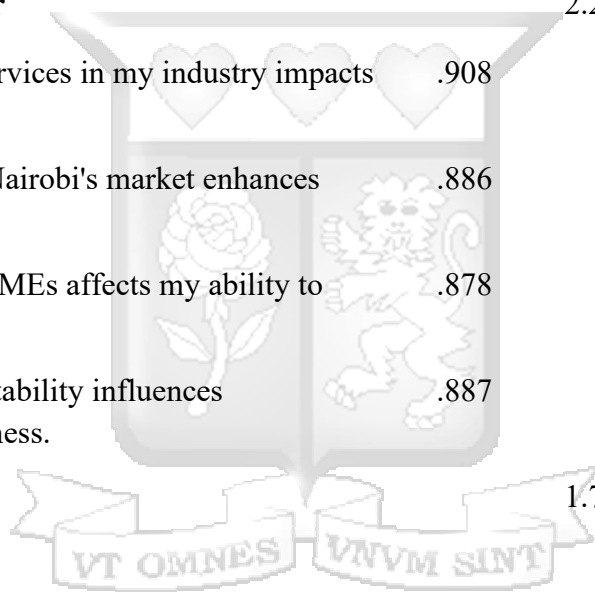
Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy yielded a value of 0.809, while Bartlett's Test of Sphericity was statistically significant at $\chi^2 = 3270.535$; $df = 231$; $p < .001$, indicating that the data was suitable for factor analysis. The EFA results revealed that the component values cumulatively explained 81.45% of the total variance in the dataset. Entrepreneur's Characteristics emerged as the most dominant construct, accounting for 28.921% of the total variance, with an Eigen value of 4.327 and the strongest factor loading on EC1 (0.947). Technological Factors followed with an Eigen value of 3.881 and explained 16.543% of the variance, with TF4 having the highest loading at 0.917. Crowdfunding Success Indicators explained 13.833% of the variance with an Eigen value of 3.948, and its strongest item loading was CS11 (0.900). Market-Related Factors contributed 12.269% (Eigenvalue = 2.204), with MRF1 having the highest factor loading of 0.908. Regulatory Factors accounted for 9.879% of the variance (Eigenvalue = 1.798), with the highest item loading observed in RF3 (0.833). These values demonstrated the distinctiveness and strength of each construct in explaining variance within the dataset.

In terms of internal consistency, all constructs reported Cronbach's alpha (α) values above the acceptable reliability threshold of 0.80, confirming that the scale items demonstrated strong internal consistency. Specifically, the reliability coefficients were 0.922 for Entrepreneur's Characteristics, 0.906 for Technological Factors, 0.874 for Crowdfunding Success Indicators, 0.890 for Market-Related Factors, and 0.797 for Regulatory Factors. The overall reliability for the full scale was 0.813. Additionally, to assess the potential for common method bias (CMB), Harman's single factor test was applied. The test revealed that a single factor extracted 12.867 eigen values, accounting for 72.364% of the total variance extracted, which is above the conventional threshold of 50%, suggesting a potential presence of common method bias. These findings are shown in Table 4.7.

Table 4. 7: Exploratory Factor Analysis

Variable	Factor Loading	Eigen Value	%variance explained	Cronbach alpha (α)
Crowdfunding Success Indicators		3.948	13.833	.874

My crowdfunding campaign raised adequate financing capital.	.900			
My business earnings increased after a successful campaign.	.891			
My campaign met its funding targets.	.829			
My business gained increased visibility through crowdfunding.	.866			
Crowd funding expanded my business network.	.870			
My business experienced growth in post-campaign.	.887			
Entrepreneur's Characteristics		4.327	28.921	.922
My business skills and experience help me run effective crowdfunding campaigns.	.947			
My ability to build and sustain networks positively impacts crowdfunding.	.904			
Creativity and innovation improve my crowdfunding outcomes.	.915			
Trustworthiness and credibility attract investors to my campaigns.	.923			
Market-Related Factor		2.204	12.269	.890
Demand for products/services in my industry impacts crowdfunding success.	.908			
Investor confidence in Nairobi's market enhances campaign outcomes.	.886			
Competition among MSMEs affects my ability to attract backers.	.878			
The general economic stability influences crowdfunding effectiveness.	.887			
Regulatory Factors		1.798	9.879	.797



Clear licensing and compliance requirements simplify crowdfunding.	.792			
Transparency in crowdfunding platforms is critical for campaign success.	.788			
Policies in Kenya support MSME adoption of crowdfunding.	.833			
Lack of clear crowdfunding guidelines hinders my campaigns.	.776			
Technological Factors		3.881	16.543	.906
Easy access to reliable internet.	.910			
Integration with social media for campaign visibility.	.888			
Availability of user-friendly crowdfunding platforms.	.908			
Use of advanced technologies like data analytics and online payment systems.	.917			
Totals			81.45	

Common method bias (CMB): Single factor extracted 12.867 eigenvalues, corresponding to 72.364% total variance extracted.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) = .809; Bartlett's Test of Sphericity: Chi-square = 3270.535; d.f. = 231; p-value = .000

Overall Reliability Cronbach alpha (α) = .813

Source: Researcher (2025)

4.5 Correlation Analysis

The aim of correlation analysis was to examine the direction and significance of the relationships between the study variables. The study adopted Spearman's rank correlation coefficient, a non-parametric measure suitable for ordinal data, to assess the strength and direction of associations. The significance level was set at 0.01 ($p < 0.01$) to determine statistically significant relationships. The correlation matrix is presented in Table 4.8

Table 4. 8 Correlation Matrix

			Crowdfunding Success Indicators	Entrepreneur's Characteristics	Market- Related Factors	Regulatory Factors	Technological Factors
Spearman's rho	Crowdfunding Success Indicators	Correlation	1.000				
		Coefficient					
		Sig. (2-tailed)	.				
		N	354				
	Entrepreneur's Characteristics	Correlation	.804**	1.000			
		Coefficient					
		Sig. (2-tailed)	.000	.			
		N	354	354			
	Market- Related Factors	Correlation	.646**	.699**	1.000		
		Coefficient					
		Sig. (2-tailed)	.000	.000	.		
		N	354	354	354		
	Regulatory Factors	Correlation	.509**	.586**	.598**	1.000	
		Coefficient					
		Sig. (2-tailed)	.000	.000	.000	.	
		N	354	354	354	354	
	Technological Factors	Correlation	.715**	.702**	.629**	.513**	1.000
		Coefficient					
		Sig. (2-tailed)	.000	.000	.000	.000	.
		N	354	354	354	354	354

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher (2025)

The correlation analysis revealed strong and statistically significant positive relationships among all study variables. The results indicated that Entrepreneur's Characteristics had a strong positive correlation with Crowdfunding Success Indicators ($\rho = 0.804$, $p < 0.01$), suggesting that individual attributes such as experience, skills, and credibility play a crucial role in determining the success of crowdfunding campaigns. Similarly, Technological Factors showed a strong positive correlation with Crowdfunding Success Indicators ($\rho = 0.715$, $p < 0.01$), implying that access to digital platforms, technological tools, and online marketing strategies significantly enhances

crowdfunding outcomes. Market-Related Factors also exhibited a strong positive correlation with Crowdfunding Success Indicators ($\rho = 0.646$, $p < 0.01$), indicating that market conditions, customer demand, and competitive positioning are important determinants of crowdfunding success. The relationship between Regulatory Factors and Crowdfunding Success Indicators was positive and significant ($\rho = 0.509$, $p < 0.01$), suggesting that a favourable regulatory environment, compliance with crowdfunding laws, and investor protection policies contribute to campaign success. Additionally, Entrepreneur’s Characteristics and Technological Factors displayed a strong correlation ($\rho = 0.702$, $p < 0.01$), highlighting that entrepreneurs leveraging technology effectively tend to possess the personal attributes necessary for successful crowdfunding efforts.

4.6 Statistical Assumptions Tests

4.6.1 Test for Normality

The Shapiro-Wilk test was conducted to determine whether the residuals of the dataset followed a normal distribution. The results, presented in Table 4.11, indicated that all predictor variables had p-values greater than 0.05, with values ranging from 0.059 to 0.082. According to Razali and Wah (2019), a p-value above 0.05 suggests that the residuals follow a normal distribution. Therefore, the assumption of normality was satisfied, confirming that the data met the requirement for regression analysis.

Table 4. 9 Shapiro-Wilk Normality Test

	Shapiro-Wilk		
	Statistic	df	Sig.
Crowdfunding Success Indicators	.8814	353	.082
Entrepreneur’s Characteristics	.8174	353	.079
Market-Related Factors	.8087	353	.067
Regulatory Factors	.7880	353	.059
Technological Factors	.8592	353	.071

Source: Researcher (2025)

4.6.2 Test for Multicollinearity

Multicollinearity was examined using Variance Inflation Factor (VIF) and tolerance values to detect any strong correlations among predictor variables. The results, displayed in Table 4.12, showed that all VIF values were below the threshold of 5, and all tolerance values exceeded 0.1. As per Kothari (2017) and Shrestha (2020), these findings indicate that multicollinearity was not present among the independent variables.

Table 4. 10 Test of Multicollinearity

Variable	Collinearity Statistics	
	Tolerance	VIF
Entrepreneur's Characteristics	1.1646	0.8587
Market-Related Factors	1.1108	0.9003
Regulatory Factors	1.0868	0.9202
Technological Factors	1.0817	0.9245

a. Dependent Variable: Crowdfunding Success Indicators

4.6.3 Test for Homoscedasticity

The assumption of homoscedasticity was tested using Levene's Test for Homogeneity of Variances. The results, outlined in Table 4.13, revealed that all variables had p-values greater than 0.05, ranging from 0.0791 to 0.6217. According to Bobbitt (2020), a non-significant p-value (greater than 0.05) indicates that the assumption of homoscedasticity is met, meaning the variance of residuals is constant across all levels of independent variables.

Table 4. 11 Test of Homogeneity of Variances

Variable	Levene's Statistic	df1	df2	Sig.
Entrepreneur's Characteristics	0.7525	3	350	0.5215
Market-Related Factors	0.6579	4	349	0.6217

Regulatory Factors	2.1099	4	349	0.0791
Technological Factors	1.7625	4	349	0.1359

Source: Researcher (2025)

4.6.4 Test for Model Specification

The Ramsey Regression Equation Specification Error Test (RESET) was conducted to assess whether the regression model was correctly specified or suffered from omitted variable bias. This test is crucial in determining whether key explanatory variables were excluded, which could affect the validity of the model (Ramsey, 1969). The results of the Ramsey RESET test yielded an F-statistic of 1.0291. The test did not produce a valid p-value (nan), indicating that there was no statistical evidence of misspecification in the regression model. Since a significant p-value would suggest an omitted variable issue, the absence of significance confirms that the regression model was correctly specified. These findings imply that the functional form of the regression model was appropriate, and no major explanatory variables were left out. Therefore, the model was deemed reliable for further analysis and interpretation of crowdfunding success indicators.

4.7 Regression Analysis

Regression analysis was conducted to examine the influence of Entrepreneur's Characteristics, Market-Related Factors, Regulatory Factors, and Technological Factors on Crowdfunding Success Indicators. The study employed multiple linear regression to assess the strength and direction of relationships among these variables.

Table 4. 12 Regression and ANOVA Summary

REGRESSION SUMMARY				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893 ^a	.797	.795	.42879

Predictors: (Constant), Entrepreneur's Characteristics, Market-Related Factors, Regulatory Factors, Technological Factors

ANOVA SUMMARY						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.213	4	18.0533	594.71	.000 ^a
	Residual	10.592	349	.030		

Total	82.805	353		
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a. Dependent Variable: Crowdfunding Success Indicators

b. Predictors:(Constant), Entrepreneur’s Characteristics, Market-Related Factors, Regulatory Factors, Technological Factors

Source: Researcher (2025)

The results of the regression summary, indicated a high coefficient of determination (R^2), meaning that a substantial proportion of the variability in crowdfunding success indicators was explained by the independent variables. The R^2 value of 0.797 suggested that 79.7% of the variation in crowdfunding success was explained by entrepreneur’s characteristics, market-related factors, regulatory factors, and technological factors. The adjusted R^2 of 0.795 confirmed the stability of the model, demonstrating that even after adjusting for the number of predictors, the explanatory power remained high. The low standard error of the estimate (0.42879) further validated the model’s reliability in predicting crowdfunding success.

Additionally, the ANOVA results confirmed that the regression model was statistically significant in predicting crowdfunding success indicators ($F = 594.71$, $p < 0.05$). This indicated that entrepreneur’s characteristics, market-related factors, regulatory factors, and technological factors collectively had a significant effect on crowdfunding success. The low residual sum of squares (10.592) suggested that the model effectively captured the variation in the dependent variable. The significance value ($p = .000$) demonstrated that the independent variables, when considered together, significantly influenced crowdfunding success, reinforcing the validity of the regression model.

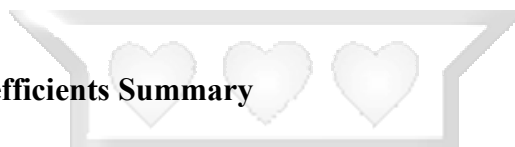


Table 4. 13 Regression Coefficients Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.478	.196		12.6439	.001
Entrepreneur’s Characteristics	.098	.034	.137	2.8824	.000
Market-Related Factors	.055	.026	.062	2.1154	.001
Regulatory Factors	.013	.011	.018	1.1818	.576
Technological Factors	.072	.043	.031	1.6744	.094

Dependent Variable: Crowdfunding Success Indicators

Source: Researcher (2025)

$$Y = 2.478 + 0.098X_1 + 0.055X_2 + 0.013X_3 + 0.072X_4 + \varepsilon$$

The results showed that Entrepreneur's Characteristics had a positive and significant effect on the success of crowdfunding campaigns among MSMEs ($\beta = 0.098$, $P = 0.000$). This meant that when Entrepreneur's Characteristics increased by one unit, holding other factors constant (market-related, regulatory, and technological factors), crowdfunding success increased by 0.098 units. The P value of 0.000 was lower than 0.05, indicating a statistically significant relationship between Entrepreneur's Characteristics and crowdfunding success.

Similarly, the results indicated that Market-Related Factors had a positive and significant effect on crowdfunding success ($\beta = 0.055$, $P = 0.001$). This implied that a unit increase in Market-Related Factors, holding other factors constant (entrepreneurial, regulatory, and technological factors), led to a 0.055 unit increase in crowdfunding success. The P value of 0.001 was less than 0.05, indicating a significant contribution of market conditions such as demand, competition, and economic stability to crowdfunding performance.

In contrast, the results showed a positive but statistically insignificant effect of Technological Factors on crowdfunding success ($\beta = 0.072$, $P = 0.094$). This suggested that a unit increase in Technological Factors, holding other factors constant (entrepreneurial, market-related, and regulatory factors), resulted in a 0.072 unit increase in crowdfunding success. However, the P value of 0.094 was greater than 0.05, indicating that the relationship between Technological Factors and crowdfunding success was not statistically significant.

Finally, the results showed that Regulatory Factors had a positive and insignificant effect on crowdfunding success ($\beta = 0.013$, $P = 0.576$). This meant that a unit increase in Regulatory Factors, holding other factors constant (entrepreneurial, market-related, and technological factors), led to a 0.013 unit increase in crowdfunding success. The P value of 0.576 was greater than 0.05, showing an insignificant relationship between regulatory conditions and the success of crowdfunding campaigns among MSMEs.

4.8 Chapter Summary

This chapter presents the findings of the study in a structured manner, beginning with an overview of the response rate and demographic characteristics of respondents and participating businesses. It proceeds to detail descriptive analyses of the dependent and independent variables. Factor

analysis is conducted to validate the constructs used in the analysis. The chapter further provides results from correlation analysis examining the relationships between variables, and conducts a suite of statistical assumption tests to ensure robustness of the findings. Finally, the chapter reports on the regression analysis, identifying which determinants significantly impact crowdfunding success for MSMEs in Nairobi County.



CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section presented a summary of the findings, as well as a discussion of the findings based on each objective. The chapter also presented the study conclusion, recommendations, limitations of the study and suggested various areas for further research.

5.2 Summary

This study investigated the determinants of crowdfunding success among Micro, Small, and Medium Enterprises (MSMEs) in Nairobi County, Kenya, focusing on the roles of entrepreneur characteristics, market-related factors, regulatory factors, and technological factors. The findings revealed that entrepreneur characteristics, such as prior experience, innovation, and business acumen, played a significant role in influencing crowdfunding outcomes. Market-related factors also contributed positively, with favourable market conditions and customer interest supporting campaign performance. Technological factors, including access to digital platforms and social media engagement, were similarly found to be important enablers of successful crowdfunding. In contrast, regulatory factors were not found to have a statistically significant influence, suggesting that while entrepreneurs may perceive regulatory conditions as important, they do not directly impact crowdfunding success in the current environment. These findings underscore the importance of a supportive entrepreneurial and technological ecosystem, while also highlighting that regulatory reforms alone may not yield substantial improvements without addressing other critical enablers. The study contributes valuable insights for policymakers, entrepreneurs, and fintech stakeholders seeking to expand access to crowdfunding as an alternative financing mechanism for MSMEs in Kenya.

5.3 Discussion of Findings

This section discussed the findings established by the study and compared them to previous literature.

5.3.1 Impact of Entrepreneur's Characteristics on Crowdfunding Success

The study revealed that entrepreneur's characteristic; particularly education level, business experience, digital literacy, and risk orientation had a strong positive significant effect on the

success of crowdfunding campaigns among MSMEs in Nairobi County. Entrepreneurs with higher education levels were more adept at drafting persuasive campaign content, navigating digital tools, and understanding market trends. These findings were aligned with Wachira & Mungai (2023), who indicated that educated entrepreneurs often possessed superior strategic thinking and financial management skills, both of which are essential for crowdfunding. Similarly, Kamau & Wanyoike (2019) highlighted the role of business experience in enhancing resilience and credibility, which are key in attracting backers. According to Shane (2003), entrepreneurial human capital, including education and experience, plays a critical role in opportunity recognition and exploitation, which aligns with the crowdfunding context.

However, the study found some divergence from Kivuitu & Karugu (2020), who noted that while traits such as innovation and risk-taking were beneficial, their influence on business outcomes was often overshadowed by external conditions like regulatory hurdles and macroeconomic instability. Similarly, Kinyua & Ogollah (2021) argued that internal entrepreneurial traits alone cannot drive performance in uncertain environments without institutional support. Nevertheless, the present study suggests that in the context of digital fundraising, individual competencies matter more because crowdfunding bypasses traditional financial gatekeepers. Entrepreneurs must present themselves as trustworthy and innovative online skills that directly influence campaign success (Mollick, 2014). This supports the view that personal traits are central to success in informal or alternative financing channels.

The findings confirmed the applicability of the Diffusion of Innovations (DOI) Theory in the context of MSME crowdfunding in Kenya. According to Rogers (2003), individual innovativeness, including education and technological readiness, significantly influenced the adoption of new financial models. The positive impact of digital literacy and risk orientation on crowdfunding success aligned with DOI's classification of early adopters, who tended to be more educated and open to experimenting with innovations. Moreover, these findings complemented the Transaction Cost Theory (TCT) by demonstrating how entrepreneurial competencies reduced informational asymmetries and search costs for potential funders, thereby enhancing trust and reducing perceived risk (Williamson, 1981). Thus, both DOI and TCT were confirmed in this context, as MSME success in crowdfunding appeared closely tied to entrepreneurs' ability to adopt and optimize digital financial innovations while minimizing transaction frictions.

Overall, the findings suggest that while entrepreneurial characteristics are pivotal in crowdfunding success, a supportive ecosystem is needed to fully leverage these traits. Enhancing entrepreneurial success in crowdfunding should involve capacity-building programs that go beyond basic business training. As noted by Fatoki (2014), mentorship, digital literacy programs, and access to entrepreneurial networks significantly boost the confidence and ability of MSMEs to mobilize financial resources. Stakeholders such as government agencies, development partners, and academic institutions should offer structured incubation programs that focus on communication, storytelling, and risk management to optimize entrepreneurs' crowdfunding outcomes.

5.3.2 Influence of Market-Related Factors on Crowdfunding Campaigns

The study found that market-related factors, such as brand visibility, customer trust, and the size of customer networks, significantly influenced the success of crowdfunding campaigns among MSMEs. Enterprises that had built strong social capital and community engagement were better positioned to mobilize supporters during campaigns. This is consistent with Mutinda (2023), who found that trust and relatability influenced backers' willingness to fund projects. Additionally, Stevenson and Lundström (2002) argued that entrepreneurial marketing strategies, especially those involving direct engagement and storytelling are instrumental in cultivating investor confidence in resource-constrained settings. MSMEs that maintained a loyal following on social media, implemented referral mechanisms, and actively responded to customer feedback were more likely to outperform their peers in crowdfunding initiatives.

However, many MSMEs still struggled with limited access to affordable marketing tools and lacked the strategic insight to utilize digital platforms effectively. This observation partly contrasts with Mwaura and Njuguna (2021), who suggested that digital platform access alone was adequate for MSME visibility. The current findings indicate that access without strategy leads to underutilization. According to Belleflamme, Lambert, & Schwienbacher, (2014), the power of crowdfunding lies not just in online availability but in how effectively a business can build emotional connections and community around its brand. The inability to craft compelling brand stories or create engaging content often leaves MSMEs unable to convert digital visibility into tangible support, demonstrating that engagement quality is more critical than platform presence.

These results strongly supported the Transaction Cost Theory (TCT) by showing that MSMEs with strong brand visibility and social networks reduced transaction-related barriers such as trust

deficits, search costs, and perceived uncertainty (Coase, 1993). By cultivating community engagement and emotional resonance, MSMEs lowered the informational and negotiation costs that typically deterred funders, thus validating TCT's premise on cost minimization in economic exchanges. At the same time, the Diffusion of Innovations Theory was also supported, as MSMEs that effectively utilized social media and digital marketing tactics represented early adopters who catalysed broader innovation uptake within their sectors (Rogers, 2003). These entrepreneurs acted as role models, demonstrating the feasibility of digital fundraising and encouraging diffusion across the MSME community. Therefore, both theories were affirmed, with market-related strategies serving as conduits for reducing transaction costs and accelerating innovation adoption.

In summary, the study emphasized the need for MSMEs to adopt comprehensive market engagement strategies tailored for digital environments. To succeed in crowdfunding, they must invest in storytelling, content marketing, and brand identity development. Government-backed SME development programs, such as those run by Kenya Industrial Estates (KIE), should incorporate digital branding and customer relationship management (CRM) into their training modules. As per Gerber and Hui (2013), successful crowdfunding projects are often those that emotionally resonate with backers while offering a credible and transparent proposition. Hence, enhancing market readiness is not optional but a fundamental success factor in digital fundraising.

5.3.3 Role of Regulatory Factors in Crowdfunding Success

The study revealed that regulatory factors did not have a statistically significant impact on the success of crowdfunding among MSMEs. Although participants expressed concerns about regulatory challenges such as ambiguous laws, lack of investor protections, and complex compliance requirements, these concerns did not translate into a measurable influence on crowdfunding success within the statistical model. This outcome suggests that while regulatory perceptions exist among entrepreneurs, they may not directly hinder the effectiveness of crowdfunding initiatives. These findings partially align with Ng'ethe (2022), who noted that regulatory opacity in Kenya creates barriers to MSME access to alternative financing mechanisms. In practical terms, however, the statistical insignificance observed in this study implies that other factors such as entrepreneurial characteristics and market conditions play a more decisive role in determining crowdfunding success. Similarly, Muriithi and Waweru (2021) emphasized that policy uncertainty could discourage innovation and slow the growth of fintech sectors. Yet, the

current results indicate that regulation, although contextually important, may not be a core driver of outcomes in crowdfunding campaigns.

Interestingly, this finding diverges from Musyoka & Omolo (2021), who identified regulatory and technological hurdles as key obstacles to digital financial service adoption. While such concerns may influence general fintech uptake, the present study's evidence suggests that in the specific case of crowdfunding, regulatory conditions are not the principal determinant of success. Zetzsche et al. (2020) noted that structured regulatory frameworks can enhance platform credibility and investor trust in other jurisdictions, but such benefits may not yet be fully realized or prioritized by MSMEs in Kenya's crowdfunding landscape.

The insignificant statistical influence of regulatory factors on crowdfunding success in this study presented a partial deviation from the expectations set by both Transaction Cost Theory and Diffusion of Innovations Theory. TCT posited that unclear regulations increased enforcement and compliance costs, potentially deterring adoption (Williamson, 1981). While qualitative feedback suggested that entrepreneurs perceived regulation as a barrier, this perception did not translate into quantifiable constraints in campaign success, indicating that other factors, such as entrepreneurial traits and market engagement, may have buffered regulatory shortcomings. Similarly, DOI suggested that innovation uptake was influenced by institutional support and enabling environments (Rogers, 2003), yet the observed resilience in crowdfunding adoption implied that MSMEs acted outside formal structures due to necessity. These findings suggested that while the theoretical frameworks highlighted the importance of regulation, in Kenya's current context, entrepreneurial drive and digital strategies overrode regulatory bottlenecks, making the theories only partially confirmed.

Overall, the study suggests that while regulatory reform remains important for long-term ecosystem development, its current role in influencing crowdfunding success appears limited. Efforts by government agencies like the Capital Markets Authority (CMA) should still aim to clarify legal frameworks, promote transparency, and support platform accountability to build a stronger foundation for future growth. As the World Bank (2013) observed, crowdfunding can serve as a transformative financing model for MSMEs in developing countries, especially when supported by enabling legal environments. Nevertheless, in the present context, other factors have a more immediate and significant impact on crowdfunding outcomes.

5.3.4 Impact of Technological Adoption on Crowdfunding Success

The study showed that technological adoption particularly the use of mobile applications, social media, and crowdfunding platforms, did not have a statistically significant effect on the success of crowdfunding campaigns among MSMEs. Although digital tools were perceived as beneficial in expanding reach, enhancing communication, and improving campaign visibility, their actual influence on funding outcomes was not statistically supported by the regression analysis. This finding contradicted earlier studies such as those by Mutinda (2023) and Mbaka and Ngugi (2018), who reported that digital presence and online engagement positively affected financial performance among Kenyan MSMEs. Similarly, while Mollick (2014) emphasized the role of multimedia content, frequent updates, and transparent messaging facilitated by digital technologies in successful crowdfunding, this study found that such technological elements did not significantly translate into campaign success within the Nairobi MSME context.

Despite the potential benefits, the study noted that many MSMEs faced barriers to fully adopting digital technologies. Low digital literacy, insufficient training, and infrastructural limitations reduced the capacity of entrepreneurs to leverage online platforms effectively. These observations were consistent with findings by Njuguna and Oduor (2020), who highlighted that Kenya's digital divide disproportionately affected rural and small-scale enterprises. The International Telecommunication Union (ITU, 2021) also recognized digital exclusion as a critical barrier to inclusive economic growth in the Global South. MSMEs with limited ICT training struggled with essential tasks such as video content creation, data analytics, and campaign optimization, which may have contributed to the observed lack of significant technological impact.

The study's findings offered a mixed validation of the Diffusion of Innovations (DOI) Theory and Transaction Cost Theory (TCT) in the context of technological adoption. While the DOI theory by Rogers (2003) emphasized the role of innovation adoption in enhancing organizational performance, the study revealed that MSMEs' uneven access to and proficiency with digital tools may have hindered effective diffusion. Early adopters may still have benefitted individually, but the broader MSME population had not reached a critical mass in digital competence to make technology a statistically significant predictor of crowdfunding success. From a TCT perspective, while technology theoretically reduces search, monitoring, and communication costs (North, 1990), these advantages were not reflected in measurable success outcomes in this study. This

implied that, despite the theoretical potential for transaction cost reduction, practical barriers limited technology's effectiveness as a crowdfunding enabler among MSMEs in Nairobi.

In conclusion, although technological adoption held conceptual and perceived value in enhancing crowdfunding success, it did not exhibit a statistically significant impact in this study. To fully harness the benefits of digital tools, the study recommended robust capacity-building initiatives targeting MSMEs. Training programs on content creation, digital marketing, and platform optimization should be integrated into national MSME development strategies. As highlighted by the OECD (2020), building digital competencies is essential for small business resilience and competitiveness. Crowdfunding platforms, in collaboration with policymakers and development partners, should invest in accessible digital literacy toolkits tailored to the needs of micro and small enterprises. Bridging the digital skills gap may eventually translate the perceived potential of technology into statistically verifiable outcomes.

5.4 Conclusion

The findings on entrepreneur's characteristics affirmed that personal attributes such as education level, business experience, digital literacy, and risk orientation significantly contributed to the success of crowdfunding campaigns among MSMEs in Nairobi County. Entrepreneurs who demonstrated strong competencies in communication, technological skills, and innovation were more likely to present compelling value propositions and mobilize funding through online platforms. These results underscored the importance of internal entrepreneurial strengths in navigating digital financing landscapes. Therefore, the study concluded that enhancing entrepreneurial characteristics, particularly through targeted capacity-building programs and mentorship opportunities, could substantially improve the ability of MSMEs to attract crowdfunding support and fulfil their financial goals. This conclusion directly addressed the first objective, confirming that entrepreneurs' characteristics had a positive and measurable impact on crowdfunding success.

On the influence of market-related factors, the study concluded that brand visibility, customer trust, and the size of customer networks were critical drivers of successful crowdfunding campaigns. MSMEs that invested in strategic branding and had a strong, recognizable presence were more likely to gain traction with potential funders. The ability to communicate a brand's story, maintain consistent customer engagement, and inspire confidence in online audiences was

found to be a determining factor in whether crowdfunding efforts succeeded or fell short. This highlighted the need for MSMEs to move beyond mere participation in digital markets and focus on building and maintaining credibility and emotional connection with their audience. Thus, in relation to the second objective, the study concluded that market-related factors played a vital role in shaping the outcomes of crowdfunding campaigns, and MSMEs needed to enhance their marketing capabilities to maximize success.

Regarding regulatory factors, the study concluded that the crowdfunding landscape in Kenya was hindered by an underdeveloped regulatory framework that failed to adequately support MSME participation. Entrepreneurs faced numerous challenges, including policy ambiguity, lack of investor protection mechanisms, and complex compliance requirements. These constraints deterred both fund seekers and potential backers, thereby stifling innovation and slowing down the growth of crowdfunding as a financing alternative. The absence of a robust legal framework contributed to hesitation among MSMEs to engage with these platforms. In addressing the third objective, the study concluded that reforming the regulatory environment was essential. Simplified processes, transparent guidelines, and increased institutional support were necessary to legitimize crowdfunding and encourage its broader adoption among small enterprises.

Lastly, the study concluded that while technological adoption held considerable potential to enhance crowdfunding outcomes, its influence was not fully realized among MSMEs. Tools such as mobile applications, social media, and crowdfunding platforms provided opportunities for greater campaign reach, engagement, and efficiency. However, many MSMEs were unable to capitalize on these benefits due to challenges such as limited digital literacy, inadequate training, and infrastructure constraints. As such, the transformative potential of technology in crowdfunding could only be harnessed if accompanied by comprehensive efforts to build entrepreneurs' digital capabilities. In line with the fourth objective, the study emphasized the importance of integrating digital capacity-building into MSME support programs to ensure inclusive and effective use of technology in crowdfunding initiatives.

5.5 Recommendations

Based on the finding that entrepreneur's characteristics including education level, digital literacy, risk orientation, and business experience had a strong and statistically significant effect on crowdfunding success, it was recommended that government agencies, business development

service providers, and non-governmental organizations initiate and expand targeted entrepreneurship training programs. These initiatives should focus on enhancing skills directly linked to crowdfunding effectiveness, such as digital literacy, innovation capacity, communication, and financial management, as these were shown to influence campaign outcomes. The study's finding also justified the need for mentorship programs involving experienced entrepreneurs and crowdfunding experts to help MSMEs develop compelling campaign strategies. Strengthening these entrepreneurial competencies would reinforce the individual traits that the study confirmed as crucial to successful digital fundraising.

In response to the finding that market-related factors such as brand visibility, customer trust, and social capital significantly influenced the outcomes of crowdfunding campaigns, MSMEs were advised to prioritize building strong brand identities and improving their online visibility. Business owners should invest in storytelling, strategic marketing, and customer engagement, as the study revealed these efforts directly contributed to trust and emotional connection with funders. In line with the empirical evidence, support organizations should provide MSMEs with affordable access to branding consultants and marketing training. Similarly, crowdfunding platforms were encouraged to design user-friendly templates and resources that assist entrepreneurs in crafting compelling narratives since emotional resonance and credibility, as observed in the findings, were crucial in motivating backers.

Given that the study found regulatory factors did not have a statistically significant influence on crowdfunding success but were still perceived as a concern by participants, it was recommended that policymakers work towards clarifying and simplifying the regulatory framework for crowdfunding. Although not directly impactful in the model, concerns over regulatory ambiguity and investor protection still emerged as perceived barriers, indicating the need for proactive policy reform. Regulatory bodies like the Capital Markets Authority (CMA) should collaborate with crowdfunding platforms and MSMEs to streamline compliance processes and build confidence in the system. These steps would support long-term ecosystem growth, aligning with qualitative insights from the study.

Although technological adoption was found to be not statistically significant in determining crowdfunding success, the study still emphasized the importance of digital tools for MSMEs. The study recommended that efforts be made to bridge the digital divide by focusing on capacity-

building and infrastructure development. Since barriers such as limited digital literacy and inadequate access to technological resources were identified, stakeholders should prioritize practical training in areas like content creation, social media marketing, and platform use. The establishment of innovation hubs or digital resource centers, supported by the government or development partners, would help address these constraints by offering MSMEs affordable internet access, guidance, and the necessary digital tools. While the direct impact of technology may have been marginal in this study, these efforts are essential for ensuring that MSMEs can tap into the full potential of digital platforms for crowdfunding success.

5.6 Limitations of the Study

This study faced several limitations that should be acknowledged. The cross-sectional design restricted the ability to establish causal relationships between the identified factors and crowdfunding success, as data were collected at a single point in time. Additionally, the study was limited to MSMEs in Nairobi County, which may not fully represent the diverse operational and regulatory contexts experienced by MSMEs in other parts of Kenya, thereby affecting the generalizability of the findings. The exclusive use of structured, self-reported questionnaires posed the risk of response and recall bias, potentially influencing the accuracy of the data. Furthermore, the study focused only on four broad determinants entrepreneurial, market-related, regulatory, and technological excluding other relevant factors such as platform-specific features, investor perceptions, or sociocultural influences. Lastly, the absence of qualitative methods limited the study's ability to capture deeper insights into the experiences and contextual challenges faced by entrepreneurs, which could have enriched the interpretation of the quantitative findings.

5.7 Areas for Further Research

Future research could expand on the current study by exploring crowdfunding dynamics in other counties or at a national level to assess regional variations and broader patterns. Comparative studies between urban and rural MSMEs could also yield important insights into how location impacts crowdfunding accessibility and success. Additionally, future investigations could incorporate qualitative methods such as interviews or case studies to gain deeper understanding of the lived experiences of entrepreneurs navigating crowdfunding. Another area for exploration is the role of investor behaviour and trust in crowdfunding decisions, which was not covered in depth in this study. Finally, research could assess the long-term impact of crowdfunding on MSME

sustainability and growth to evaluate the effectiveness of crowdfunding beyond initial capital acquisition.

5.8 Chapter Summary

This chapter provides a comprehensive discussion, conclusion, and recommendations based on the research conducted on crowdfunding among MSMEs in Nairobi County. The chapter begins by summarizing the overall research process and synthesizing the results in relation to existing literature and theoretical frameworks. It offers practical recommendations for policymakers, entrepreneurs, and stakeholders, aiming to foster the adoption and effectiveness of crowdfunding as an alternative financing model. The chapter also outlines the limitations encountered during the study, such as its geographical and methodological scope, and suggests areas for future research to deepen understanding of crowdfunding dynamics among MSMEs. This final chapter serves to integrate the study's implications and to guide both practice and further scholarly inquiry.



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APPENDICES

Appendix I: Consent Form

Name of Study: **Determinants of Crowdfunding Among Micro, Small and Medium Enterprises in Nairobi County, Kenya.**

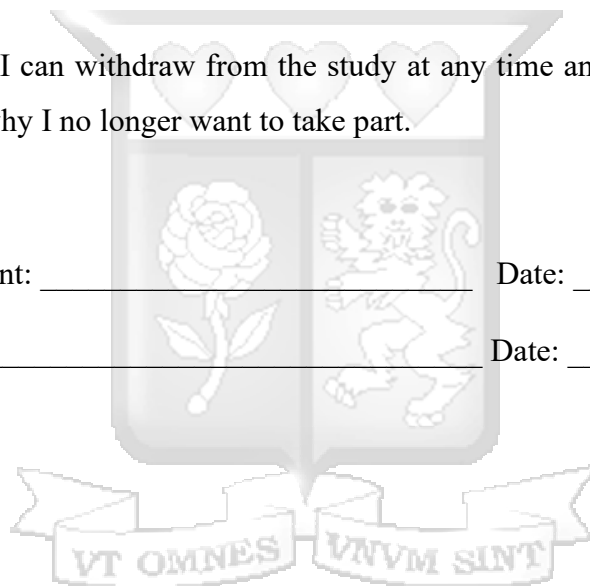
Name of Researcher : **Abdirahman Haji**

Date of interview :

- a) I _____ have read and understood the Study information and Sheet provided.
- b) I have been given the opportunity to ask questions about the study.
- c) I understand that taking part in the study will include being interviewed and audio recorded.
- d) I have been given adequate time to consider my decision and I agree to take part in the study.
- e) I understand that my personal details such as name, employer address will not be revealed to people outside this project.
- f) I understand that my words may be quoted in publications, reports, web pages and other research outputs but my name will not be used.
- g) I agree to assign the copyright I hold to the material related to this project to Abdirahman Haji.
- h) I understand that I can withdraw from the study at any time and I will not be asked any questions about why I no longer want to take part.

Signature of the participant: _____ Date: _____

Researcher's Signature: _____ Date: _____



Appendix II: Research Questionnaire

Hello, I'm Abdirahman Haji, and I'm humbly requesting for your assistance in responding to the attached questionnaire.

You have been selected to participate in research on the **Determinants of Crowdfunding among Micro, Small and Medium Enterprises in Nairobi County, Kenya**. The results from this study are purely for academic purposes.

Kindly provide responses to the below questions. Your assistance is highly appreciated and at no time will any personally identifying information be required.

Section A: Demographic Information

1. What is your age?

Below 25

25–34

35–44

45–54

55 and above

2. What is your highest level of education?

Primary

Secondary

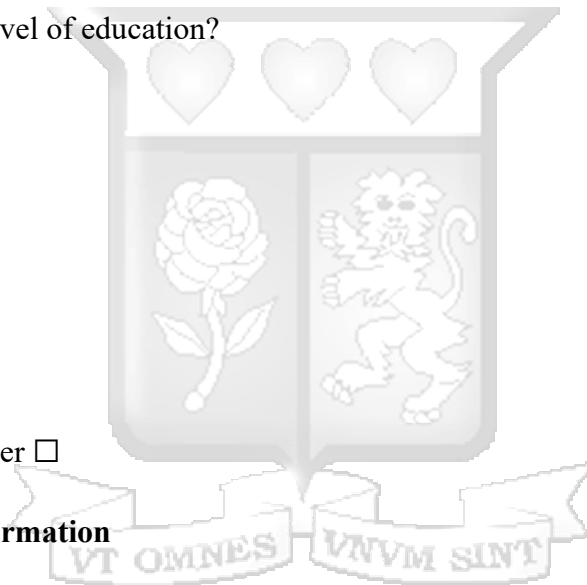
Diploma

Bachelor's degree

Master's degree or higher

Section B: Business Information

1. Business Location (Sub-County): _____



2. Year of Establishment: _____

3. Business Size (select one):

Micro

Small

Medium

4. Business Sector (e.g., Retail, Manufacturing): _____

Section C: Entrepreneur Characteristics

5. How would you rate the following statements regarding entrepreneurial factors influencing crowdfunding success? (1 = Strongly Disagree, 5 = Strongly Agree)

Entrepreneur's Characteristics	1	2	3	4	5
My business skills and experience help me run effective crowdfunding campaigns.					
My ability to build and sustain networks positively impacts crowdfunding.					
Creativity and innovation improve my crowdfunding outcomes.					
Trustworthiness and credibility attract investors to my campaigns.					

6. In your opinion, what personal qualities or skills are most critical for crowdfunding success?

.....

.....

.....



Section D: Market-Related Factor

7. How would you evaluate these market-related factors? (1 = Strongly Disagree, 5 = Strongly Agree)

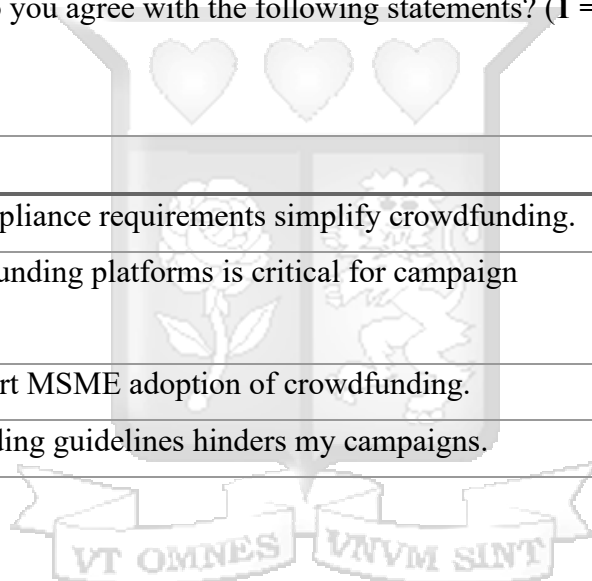
Market-Related Factor	1	2	3	4	5
Demand for products/services in my industry impacts crowdfunding success.					
Investor confidence in Nairobi's market enhances campaign outcomes.					
Competition among MSMEs affects my ability to attract backers.					
The general economic stability influences crowdfunding effectiveness.					

8. What challenges do you face in the market when running crowdfunding campaigns?.....

Section E: Regulatory Frameworks

9. To what extent do you agree with the following statements? (1 = Strongly Disagree, 5 = Strongly Agree)

Regulatory Factors	1	2	3	4	5
Clear licensing and compliance requirements simplify crowdfunding.					
Transparency in crowdfunding platforms is critical for campaign success.					
Policies in Kenya support MSME adoption of crowdfunding.					
Lack of clear crowdfunding guidelines hinders my campaigns.					



10. What improvements in regulations or policies would make crowdfunding more effective?.....

Section F: Technological Factors

11. Rate the importance of these technological factors in crowdfunding success. (1 = Not Important, 5 = Very Important)

Technological Factor	1	2	3	4	5
Easy access to reliable internet.					
Integration with social media for campaign visibility.					
Availability of user-friendly crowdfunding platforms.					
Use of advanced technologies like data analytics and online payment systems.					

12. How has technology influenced your crowdfunding experiences?.....

Section G: Crowdfunding Success Indicators

13. How would you rate the success of your crowdfunding campaign in the following areas?
 (1 = Strongly Disagree, 5 = Strongly Agree)

Crowdfunding Success Indicators	1	2	3	4	5
My crowdfunding campaign raised adequate financing capital.					
My business earnings increased after a successful campaign.					
My campaign met its funding targets.					
My business gained increased visibility through crowdfunding.					

Crowd funding expanded my business network.					
My business experienced growth in post-campaign.					

14. Have you attempted crowdfunding before?

Yes

No

15. What are the main challenges you have encountered with crowdfunding?.....

16. Based on your experiences, what strategies do you think would improve crowdfunding outcomes for MSMEs in Nairobi County?.....



Appendix III: Research Work Plan

<i>2023/2024</i>	September –October	Nov – Dec	January	Feb	March
Formulation of the problem.					
Proposal writing					
Data collection					
Data analysis					
Thesis Writing and submission					



Appendix IV: Ethical Approval



25th March 2025

Mr Haji Abdirahman,
abdirahim.haji@strathmore.edu

Dear Mr Haji,

RE: Determinants of Crowdfunding Among Micro, Small, and Medium Enterprises in Nairobi County, Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2696/25**. The approval period is from **25th March 2025 to 24th 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 IV: NACOSTI Approval

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 124691

Date of Issue: 10/March/2025

RESEARCH LICENSE




This is to Certify that Mr. Abdirahman Mohamud Haji 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 AMONG MICRO, SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA for the period ending : 10/March/2026.

License No: NACOSTI/P/25/416635

Applicant Identification Number: 124691

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to.
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. Neither the license nor any rights thereunder are transferable.
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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