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**Table 4. 10: Box-Tidwell Test for Linearity**

<b>Variable</b>	<b>p-value</b>
Regulatory Support	0.178
Practical Viability	0.204
Knowledge	0.156
Infrastructure Support	0.098

#### **4.10.1.2 Multicollinearity Test**

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

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

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

#### **4.10.2 Binary Logistic Regression Analysis**

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

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

**Table 4. 12: Model Summary**

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

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

**Table 4. 13: Hosmer and Lemeshow Test**

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

Regression equation was;

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

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

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

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

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

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

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

**Table 4. 14: Variables in the Equation**

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

#### 4.10.3 Stepwise Binary Logistic Regression Analysis

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

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

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

**Table 4. 15: Model Summary for Moderating Effect Analysis**

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

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

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

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

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

Regression equation for model 2 was;

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

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

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

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

**Table 4. 17: Variables in the Stepwise Regression Equation**

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

#### 4.11 Chapter Summary

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

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



## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

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

#### **5.2 Summary of the Findings**

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

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

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

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

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

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

### **5.3 Discussion of the Findings**

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

#### **5.3.1 Regulatory Support and Crowd Funding Adoption**

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

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

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

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

### 5.3.2 Practical Viability and Crowd Funding Adoption

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

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

### 5.3.3 Knowledge and Crowd Funding Adoption

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

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

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

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

#### **5.3.4 Infrastructural Support and Crowd Funding Adoption**

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

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

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

### **5.3.5 Firm Size and Crowd Funding Adoption**

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

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

#### **5.4 Conclusions**

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

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

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

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

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

## **5.5 Recommendations**

### **5.5.1 Recommendations for Management of SMEs**

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

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

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

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

### **5.5.2 Recommendations for Crowdfunding Platforms**

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

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

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

### **5.5.3 Policy Recommendation**

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

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

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

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

### **5.6 Limitations of the Study**

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

### **5.7 Recommendations for Further Studies**

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

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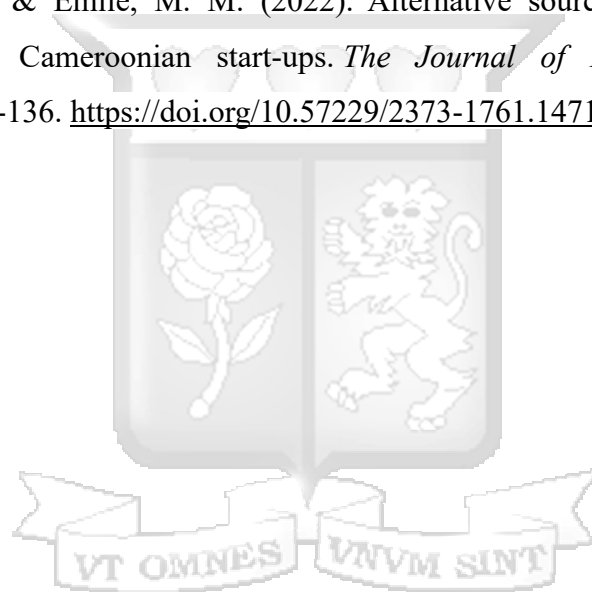
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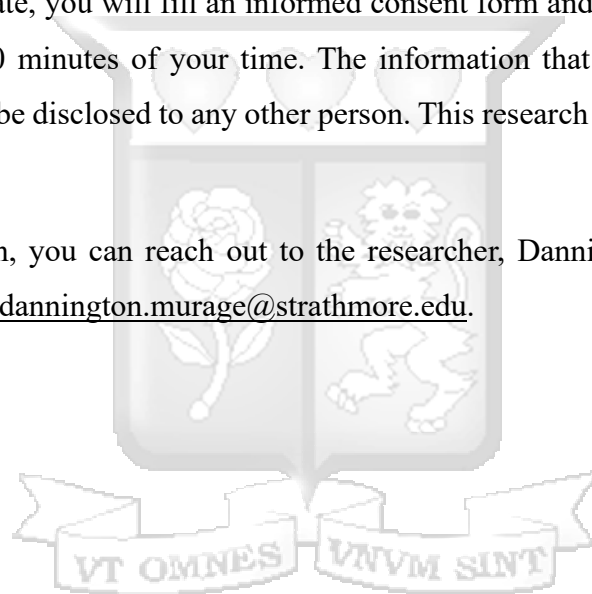
## APPENDICES

### Appendix 1: Letter of Introduction

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

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

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



## Appendix 2: Questionnaire

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

1. Please indicate your position in the business

Owner	
Manager	

2. Please indicate the number of employees in the business

1-10	
11-49	
50-99	
Above 100	

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

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

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

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

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

Manufacturing	
Services	
Retail	
Technology	
Other (please specify)	

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

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

### Section B: Determinants of Crowdfunding Adoption

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

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

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

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

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

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

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

<b>Knowledge</b>	SD	D	N	A	SA
------------------	----	---	---	---	----

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

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

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

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

### Section C: Firm Size

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

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

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

### Section D: Crowdfunding Adoption

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

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

Yes

No

I am not sure

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

Yes

No

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

Once

2-3 times

More than 3 times

I have not used crowdfunding

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

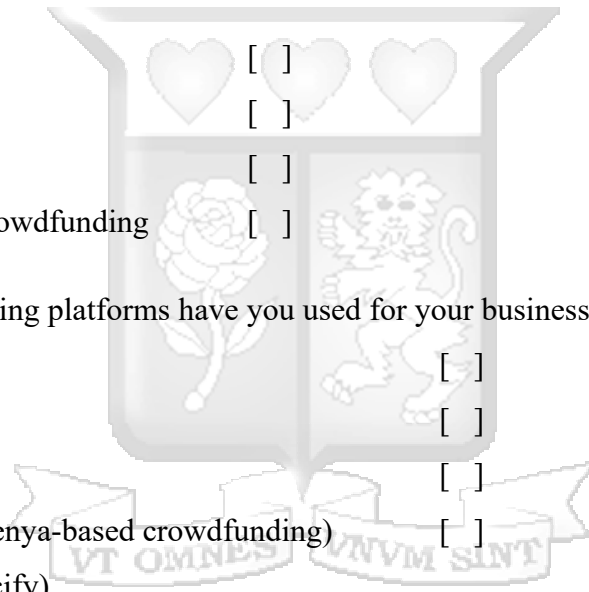
Kickstarter

Indiegogo

GoFundMe

M-Changa (for Kenya-based crowdfunding)

Other (please specify) .....



Thank you for Participating

## Appendix 3: Data Collection Letter



**4<sup>th</sup> March 2025**

Mr Murage Dannington,  
dannington.murage@strathmore.edu

Dear Mr Murage,

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

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


A handwritten signature in black ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,  
Chairperson; SU-ISERC**

**Appendix 4: NACOSTI Research License**




Ref No: **875441**



**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION.**

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

**RESEARCH LICENSE**




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

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

**875441**


**Applicant Identification Number**



**Director General**

**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION**

**Verification QR Code**



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