

**CROWDFUNDING AND GROWTH OF AGRICULTURAL SMALL MEDIUM ENTERPRISES IN BURA IRRIGATION SCHEME, KENYA**


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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT, FACULTY OF BUSINESS AND MANAGEMENT SCIENCE, UNIVERSITY OF NAIROBI**

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**DECLARATION**

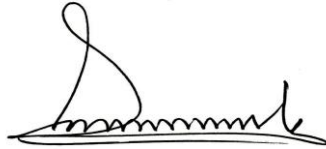
This research project is my original work and has not been presented for the academic award at the University of Nairobi or any other university or college.

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This research project proposal has been submitted for examination with my approval as university supervisor.



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## **DEDICATION**

The journey of education would not have been possible without the consistent belief and encouragement of my family especially my late Dad. This dissertation is dedicated to the late Elder Solomon Olum for his belief in education as an emancipation tool.

## **ACKNOWLEDGMENT**

Completion of this project required a lot of understanding from my wife, family and friends. I want to acknowledge them and appreciate their support all through the process. The encouragements and push I received from my lovely wife and the professional guidance I received from Professor Charles Rambo. May God bless all of you.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

SME – Small Medium Enterprises

NGO – Non-Governmental Organizations

EU – European Union



## **Abstract**

The growth of SMEs in Africa is impeded by two significant factors: capital accessibility and affordability. The accessibility factor is contributed by the fact that most SMEs in Sub-Saharan Africa are informal and not registered, making it difficult for banks to risk investing in them. This study aimed to examine the effect that crowdfunding platforms had on the growth of Agri-SME with a unique look at a platform that funded farmers in the Bura Irrigation scheme. The study looked at three elements of crowdfunding: legitimacy, value for value and supporter's interaction. On the growth of SMEs, the study measured four indicators: revenue growth, competitive position, market expansion, and innovation influence the Agri-SME will receive as a result of its interaction with the crowdfunding platform.

Since studies on crowdfunding elements are relatively new in Kenya, the study adopted a descriptive design. The design helped the study analyze the patterns of the targeted population and, in the process, quickly discover underlying relationships and associations on the researched variables. Agri-SMEs in the Bura Irrigation scheme were selected because of ease of access and the fact that the platform was a startup. The study conducted a mixed method study on a sample of 33 respondents who were randomly selected using a simple random sampling technique.

The study findings show legitimacy to have the strongest correlation with Agri-SME growth. Trust formed between investors, farmers, and campaign creators largely determined the legitimacy and success the platform would tend to achieve. The study showed that this trust is built by the quality of communication achieved and the experience or brand of the platform – a factor that makes it difficult for a startup platform to succeed. The trust that the platform yields tends to affect both the trust yielded to the creator, who in this case was the campaign creator, and the project itself. The ability to reveal clear and relevant information that could be easily interpreted by the receiving party can help overcome information asymmetry and build confidence among investors.

The findings of the study show that, indeed, access to credit is an impetus to the growth of Agri-SMEs. Even though crowdfunding provides an alternative source of financing, the challenge of the investors harbouring most of the risks and the lack of clear accountability makes most investors sceptical about this model of investing.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

On a global level, crowdfunding has become a popular means of financing SMEs, startups, and social enterprises in many countries. According to a report by the World Bank, global crowdfunding investment reached \$16.2 billion in 2014, with projections indicating that this figure could reach \$90 billion by 2025 (Cambridge & Kliksberg, 2013). In Europe, SMEs represent 99 percent of all businesses and are the backbone of their economy (European Commission, 2022). The union has an estimated 22.6 million SMEs, mostly micro-sized firms (firms that employ less than nine people) (Clark, 2021). SMEs in this continent are estimated to contribute an average value of 56 percent to their economy (Clark, 2021). The biggest challenge faced is the increasing competitiveness among SMEs, with most enterprises exhibiting high-quality products and services. The growth of SMEs still needs to be improved by the ever-growing taxes and charges and the high bureaucracy level, factors that dissatisfy most SMEs (British Business Bank, 2019).

In developing countries, SMEs account for 50 percent of the workforce and constitute 90 percent of the private sector (World Bank, 2022; Kumar, 2017). Sub-Saharan has 44 million SMEs, mostly micro-firms (World Bank, 2017). Even though the growth trajectory of the SMEs in Africa has been impressive, over 51 percent of these SMEs require more funding to survive (IFC, 2018). The growth of SMEs in Africa is impeded by two significant factors: capital accessibility and affordability (Runde et al., 2021). The accessibility factor is contributed by the fact that most SMEs in Sub-Saharan Africa are informal and not registered, making it difficult for banks to risk investing in them (Runde et al., 2021).

In Kenya, crowdfunding is still in its early stages, but there is growing interest and potential for its use in financing SMEs. Several crowdfunding platforms have emerged in the country, including M-Changa, UleFund, and Pezesha, among others, offering a range of funding models, including donation-based, reward-based, and peer-to-peer lending. SMEs have adopted other sources of capital financing, such as crowdfunding, to address financial issues over the years. Crowdfunding is not a new concept in Kenya, as families and friends have always come together in history to kick-start a project or finance a project run by one of their own.

Charities, especially regarding health issues, are the most common cause of raising funds in Africa. Apart from charity, there has been a slow growth in individuals raising funds for a

startup to generate capital. A notable landmark in SMEs and crowdfunding in Kenya was observed in October 2022 when the government first described the use of crowdfunding as an alternative financing source for small and medium enterprises in the capital market regulations. This move has seen an advancement in the adoption of crowdfunding platforms among MSMEs to raise funds for their project. Even though the crowdfunding concept is less popular in Kenya, this financing model mobilizes resources more quickly as compared to cash flow. However, it is essential to note that this financing has a cost of compensation (Vuola, 2020).

Bura scheme is located in Tana River County in Kenya. The project was inceptioned in 1978 and has so far accommodated 2,245 farmers that have been settled in 11 villages. The major challenge that farmers have been facing is access to capital and market access (Kanda & Lutta, 2022). On average each farmer sits on a plot size of 3 acres that they use of cash crop farming, mainly planting seed maize, water melons, onions, tomatoes among other main crops.

Crowdfunding platforms operate under four different types of models. These models include the reward model, debt, donation, and equity model (Meyskens & Bird, 2015). The reward model repays investors with a promised reward during the campaign. The donation model is more philanthropic, and the investors expect nothing in return except accountability in some cases. The debt model is where the investors give a loan to a business and expect repayment at times with interest on top. Lending is the model widely used in most crowdfunding platforms, and it saw its funding increase to 111% as of 2012, equivalent to \$1.2 billion (Massolution, 2013). The last and least standard crowdfunding model is the equity model, where investors invest in the shares of a business with hopes of receiving dividends (Meyskens & Bird, 2015). Several elements define crowdfunding. The co-founder of the founders' crowdfunding platform Corl (2018), describes several key elements vital for a successful crowdfunding campaign. These campaign elements include the need to tell a campaign story clearly, and the campaign showing reciprocity, or providing value for value. Other elements defined by Corl (2018) include the scarcity created by the need advertised, the involving capacity of the campaign, the credibility and legitimacy of the campaign, and its ability to offer supporters interaction. The elements described by Corl (2018) can be broken down to signaling the entrepreneur's credibility and legitimacy, the value for value exhibited by a project, and the supporters' interaction.

Overall, the situation of SMEs and crowdfunding in Kenya is one of great potential, with many businesses and investors exploring the possibilities of this new funding model. Despite this great potential, the model possesses challenges and risks that need to be explored deeper to ensure the success and sustainability of crowdfunding in financing SMEs in the country.

### **1.1.1 Crowdfunding**

The study explores three independent variables that fall under crowdfunding. These variables are; legitimacy, value for value and supporter's interaction.

#### **Legitimacy**

Legitimacy is the extent to which a crowdfunding platform is considered believable by its users (Jijelava & Vanclay, 2017). It is the confidence or trustworthiness that is created by the campaign platform. It is the capacity to believe in someone or a course (Heink U. et al., 2015). Legitimacy can also mean the interval value associated with the feelings of obligation and responsibility to others, thus, becoming the internal motivational guide to behaviour.

Legitimacy, as a resource, improves the survival chances of SMEs and captivates resource transactions over long periods. The indicators that have mostly been used to measure legitimacy include, trust, the quality of presentation in the crowdfunding platform, the behaviour of other investors and the competency level of the campaigner (Jijelava & Vanclay, 2017).

#### **Value for Value**

Value for value as an element of crowdfunding is a model that seeks to answer the value of a service to the supporters (users). Entrepreneur offer a range of value propositions to their customers to improve their understanding and engagement in the business. Value for value is a central part of brand strategy in business since it makes the product/service traded to be more compelling to the target market which boosts customer attraction and conversion rates resulting in growth in sales. Value for value sets what the business offers differently from the competition, make it possible to attract customers. The backers in a reward-based crowdfunding are interested in the value of the project and therefore, they will highly support a business venture that provides value for them, which in return is what necessitates the growth of the campaign assets (Oba, Atakan, & Kirezli., 2018). The indicators used to measure value for value include the project quality, the reputation of the platform, the number of investors in the given platform and the campaigner's ability of setting the right target amount.

In the context of crowdfunding, a value proposition refers to the benefits that a campaign offers to its supporters. This could include exclusive access to the product or service being funded, the ability to participate in the development process, recognition or rewards for contributing, or other perks that make the campaign more attractive. The value proposition is an important

element of a successful crowdfunding campaign, as it helps communicate the benefits of the product or service being funded and encourages potential supporters to contribute.

### **Supporter's Interaction**

The social aspect of a crowdfunding platform involves a continuous interaction between the project creator or lead and investor. Supporters' interaction involves the communication, bonding and commitment achieved in the process where different stakeholders try to achieve their goals (Efrat et al., 2020). It is key process as it determines whether the investor will get convinced on the feasibility and viability of a given project. The main indicators used to measure supporters' interaction include, communication level, trust, commitment and bonding (Efrat et al., 2020). Communication can be measured by looking at feedback rates, and the number of responses made by the project lead (Godovykh & Tasci, 2020). In a summary, through this interaction, the project creator is able to create trust or distrust in the mind of the investor.

#### **1.1.2 Growth of Small Medium Enterprises (SMEs)**

The study delves on one dependent variable. The study tries to understand how legitimacy, value for value and customer interaction wholesomely affect the growth of Small and Medium Enterprises.

SMEs are mainly described by the number of employees a given enterprise employees. Even though the number varies among countries, most countries consider a firm having less than 500 employees to be in the category of SMEs (OECD, 2005, p. 17). The government of Kenya defines SMEs as enterprises that have between 1 and 99 employees (Douglas et al., 2017). The growth of small and medium enterprises is normally looked at from its ability to raise finances, its delivery level or customer satisfaction, the quality of the service or its products and the project agility among other factors.

The growth of SMEs can be measured in different metrics. Shepherd and Wiklund (2009) outlined five key measures of SMEs growth metrics that have featured in previous studies. These indicators include an increase in the following metrics; sales, workers, profit, assets, and equity in a given company. Another indicator of SMEs' growth has been attributed to the quality of service it offers and the customer care or experience (Lestari et al., 2020). All these indicators can individually or collectively be used to measure the growth of SMEs in a particular economy.

## **1.2 Research Problem**

The crowdfunding platform variables play key role in the growth and development of SMEs in Kenya. The variables encompass a variety of engagements that wholesomely enhance the interaction between the SMEs and their stakeholders; in particular the investors. The variables are key for exposure and visibility of the SMEs in the market. The consequence of not managing such variables can result to limited visibility of the campaigns, fewer investors and ultimately insufficient capital for the SMEs (Meyskens & Bird, 2015). Crowdfunding platform variables also dictate the credibility and trustworthiness of the SMEs product in the market (Eldridge et al., 2019). It validates and builds trust with the investors and even customers. Lack of credibility has the capacity of making the investors lose trust with the campaign and back off from a product causing even damaging effect to the business reputation of the given SME. The value of a campaign and SMEs is what sells the product, and is what in return rewards the investors (Meyskens & Bird, 2015). The lack of this value and the expected rewards will ultimately discourage future financial support from the investors. In overall, the management of crowdfunding platforms is crucial in the overall performance of a product in the market, as it provides grounds for financial mobilization and market validation.

Despite the potential benefits of crowdfunding for SMEs in particular cash crop farmers in Kenya, there are several methodological and contextual gaps that exist, including: Lack of regulatory oversight: Crowdfunding in Kenya is still in its early stages, and there is a need for regulatory oversight to ensure the integrity and security of crowdfunding campaigns. Without adequate oversight, there is a risk of fraud and abuse that could undermine the credibility of crowdfunding as a financing option.

Limited awareness and understanding: Many SMEs in Kenya are not aware of the potential of crowdfunding as a means of financing, and there is a need for greater education and awareness-raising efforts to ensure that businesses are equipped to take advantage of this funding model. Limited access to technology and infrastructure. Overall, while crowdfunding has the potential to address several conceptual gaps for SMEs in Kenya, there are also methodological and contextual gaps that need to be addressed to ensure its success and sustainability as a means of financing SMEs.

## **1.3 General Objective**

The objective of this study is to examine how crowdfunding campaign affects the growth of Small and Medium Enterprises in Kenya with a focus on Bura Irrigation Scheme.

#### **1.4 Specific Objective**

The study will explore the crowdfunding campaign elements as outlined in the following objectives:

- i. To establish how legitimacy in crowdfunding campaigns influence the growth of Small and Medium Enterprises in Bura Irrigation Scheme Kenya.
- ii. To establish how value for value in crowdfunding campaign influence the growth of Small and Medium Enterprises in Bura Irrigation Scheme Kenya.
- iii. To establish how supporters' interaction in crowdfunding influences the growth of Small and Medium Enterprises in Bura Irrigation Scheme Kenya.

#### **1.5 Value of the Study**

This study on how crowdfunding campaign elements influence the growth of SMEs in the Nairobi Central Business District contributes to the body of knowledge in entrepreneurship and small business development, policy-making, and project management. By shedding light on the effectiveness of crowdfunding as an alternative source of financing for SMEs in Kenya, the study will benefit not only the SMEs themselves, but also potential investors and the government. Furthermore, the findings of the study will contribute to the improvement of crowdfunding platforms, potentially leading to increased competitiveness and access to capital for SMEs, which could ultimately enhance their production and service delivery. The study also aims to open up new avenues for further research on crowdfunding and its application in the Kenyan market.

The research findings will also help address the unemployment problem in the country and increase revenue sources for the government which in return will fuel the country's microeconomic growth. The study anticipates that crowdfunding platforms will actualize its findings in improve their robustness and competitiveness and in place attract even more investors. The main challenge facing crowdfunding is the issue of capital to finance and sustain their operations (Onyango, 2018). The availability of capital will make SMEs more agile and competitive as they will have capacity to improve the quality and scale of their production.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

The study is guided by the aim of understanding the crowdfunding elements and the extent to which they affect the growth of SMEs. In this chapter, the study analyses different studies related to the independent variables. The chapter analyses the various themes in the studies, the research methods applied, the results and the research gaps found in the various studies related to the elements of crowdfunding.

### **2.2 Theoretical Framework**

The study has used the signalling theory to further explain the importance of this kind of research and the underlying variables.

#### **2.2.1 Signaling Theory**

Signalling theory is a behavioural theory that examines the communication between two entities. The sender has the power of choosing on whether and how to communicate and the recipient has the power of interpreting the message or signal the way they like. A better-informed sender has the capacity of communicating and transmitting a high-quality signal to the recipient who is less informed. Proper signalling is shaped by a mutual understanding between the parties involved in the communication. A signal will be described as honest if it relays information that is useful and reliable to the receiver. Even though the theory has been developed by different scholars over time, Michael Pence gave one of the most profound analyses of signalling theory (Michael, 1973). In his argument on ways to overcome the inequalities observed in the market, Michael Pence suggested of the need of one of the parties sending a signal that is clear enough to reveal relevant information that would be interpreted by the receiving party who then would adjust their buying behaviour. Signalling theory was developed as a way of overcoming the information asymmetry that caused imbalance in most of transactions that in worst case resulted to market failure.

Signalling theory is essential in crowdfunding, as the signals sent by the campaign to the investors highly influences the success of a given campaign or project (Jiang et al., 2020). The lack of proper signals between campaigners and donors has seen a rise in information asymmetry as most investors get limited amount on the information related to campaigns. This information asymmetry, as a result, has led to uncertainties in both the fundraisers and the donors, especially in events where the donors may require clear signals on how the donation



will be used in the campaign. It is important to note that the nature of crowdfunding makes it "a high-noise environment" as this environment requires specific and elaborate signals for a project to be more attractive to the investors. Most campaigners find it challenging to effectively transmit specific signals or relevant information pertaining to a project especially signals that convey legitimacy of the project. The crowd usually assess the elements of quality and credibility and the signal passed by the campaigner of the quality and credibility of the project which in return highly determines the decision of the crowd (Colombo, 2020).

## **2.3 Empirical Literature**

This part of the study looked at literature related to the study variables.

### **2.3.1 Legitimacy and growth of Small and Medium Enterprises**

Legitimacy of a platform is largely defined by the trust the platform is able to achieve over time. Using a mixed method approach in evaluating and understanding a funder's trust in an online crowdfunding investment, Jones & Moncur, (2020), provides details on what determines credibility in crowdfunding platform. Jones & Moncur, (2020) were guided by two research questions; one that looked at the factors decision-making process in an investment and how a campaigner develops their trust during the campaign. The second research question looked at the due diligence process that the Crowdfunder currently engaged in the campaign platforms. Jones & Moncur, (2020), targeted a sample of 11 crowdfunding users in the first qualitative study and a sample of 139 in the second study. The sample consisted of 52 females, 84 males and 3 transgenders. Their average age was 33.02 years with a standard deviation of 9.53 and ranging from 18 years to 69 years.

Jones & Moncur, (2020), use a qualitative approach to understand factors which are deemed as important for crowdfunding funders in establishing trust when selecting a campaign to invest their money. Among the 11 participants selected by Jones & Moncur, (2020), 2 were female while 9 were male. The average age was 27 years, with a standard deviation of 8.28 and a range from 19 years to 48 years. Jones & Moncur, (2020), further targeted individuals who had funded campaigns before and recruited them through online adverts. The sampling criteria was non-random, a factor that could have resulted in bias in the selection process. To avoid biasness, the recruitment was expanded to include national and international participants. Sequential sampling technique was used and the process of recruiting was only stopped when data reached saturation level. Jones & Moncur, (2020), then used a participant questionnaire to get the demographic data of the participants. Jones & Moncur, (2020), relied on skype to conduct focus

group discussion and key informant interviews to gather data on their experience with crowdfunding, the due diligence process they followed and the security concerns or risks associated with crowdfunding.

The data which was collected in form of audios was then transcribed and a thematic analysis conducted by the researchers who grouped the themes and sub-themes into groups in the codebook. The first theme looked at where the investor got the initial interest to engage in a campaign. Jones & Moncur, (2020), findings showed that most of the participants came across crowdfunding in other third-party websites such as Facebook and Twitter rather than browsing for themselves the crowdfunding platforms. The desire to own the products being advertised in these third-party sites is what prompted the majority to gain interest in crowdfunding. Another finding by Jones & Moncur, (2020), based on the decision-making process of the investor found out that most of the investors first analyzed the contents in the campaign page; where they looked at the project's legitimacy and likelihood to succeed. The professionalism and competence look of a project together with the level of dedication helped in measuring the legitimacy of the campaign (Jones & Moncur, 2020, p. 8). The quality of the video for presentation and whether it showed a footage of the product was also a factor that determined the legitimacy of a campaign, as most investors interviewed asserted that their decision-making process looked at good quality videos that gave an overview of what they have already done instead of only what they intend to do (Jones & Moncur, 2020, p. 8). Other factors that influenced the decision-making was whether the investor had also previously interacted with the product or the company was familiar to them or the behavior of other investors towards this company or their product was positive.

In summary, Jones & Moncur, (2020), argue that legitimacy and credibility of a campaign from an investor's perspective is determined by factors such as prototype progression, the likelihood of the project to be a success, the campaigner's history and the financial risk involved. Campaigns that already had a project ready are deemed to be more trustworthy than those that have not yet done its research on the product. The competency of the campaigner is very critical as investors would look at the history of the campaigner and the number of funders who have already invested in the campaign in order to consider it legitimate (Jones & Moncur, 2020, p. 10). Jones & Moncur, (2020), measured trustworthiness on the rate of engagement of the campaign platform and other social media platforms. Jones & Moncur, (2020), further argue that the competency in completing a campaign is more important than the legitimacy of the project. In the event that the campaign is ongoing, factors that improve trust include: incessant

communication from the campaigner; where the campaigner is required to update the investors in real-time all the happenings in the project. Another factor is the desired assurance where the investor opts to release money to the project in bits or use the PayPal grace period method where money will bounce back in case the campaign did not achieve its intended objectives (Jones & Moncur, 2020, p. 12).

To validate their findings of the qualitative study, Jones & Moncur, (2020), conducted a survey on a sample of 139 respondents from a population of 203 crowdfunding investors. The questionnaire had the same structure of theme with the one that had been used in the qualitative study. Jones & Moncur, (2020), looked at the demographics, the crowdfunding experience of the funders, their decision-making process and the due diligence they followed. Jones & Moncur, (2020), findings showed that majority of the respondents 70.5% prefer investing in reward-based crowdfunding, while 15.8% invest in equity-based crowdfunding whereas the remaining 13.7% invest in the two. In their experience with crowdfunding, a significant number of users 29% have reported of a negative experience with their investment (Jones & Moncur, 2020). These users complain on issues such as the product advertised arriving late, poor communication by the campaigner, the product not being exact as the one that had been advertised and in extreme the investors losing their money. Most of the investors (40%) usually come across the idea of crowdfunding from the social media (Jones & Moncur, 2020). Only 29% of user come across the idea of crowdfunding as financing source through crowdfunding platforms (Jones & Moncur, 2020). Apart from providing information on crowdfunding, social media has also been used by a majority (74.8%) in checking the background of a campaign before making an investment decision (Jones & Moncur, 2020).

Just like in the qualitative study, Jones & Moncur, (2020), found prototype progression and professionalism important in the decision-making process as compared to video quality and the personal approach. The low mean sum score of due diligence indicated that most of the users did not regard it that much when making decision making. It is important to note that on the questions of risk factors, a large percentage of the users (61.9%) found investing in crowdfunding campaigns as risky. The failure to deliver the advertised product was the most cited risk among many users followed by the loss of money, whereas loss of the investor's personal data scored the lowest in terms of risk factors. Jones & Moncur, (2020), further used regression analysis to find the relationship between the likelihood of the investors to engage in due diligence on the online campaign page and the individual likelihood relationships. The analysis found no significant relationship between the two.

Even though Jones & Moncur, (2020), provide insights on the different sectors of crowdfunding, their findings fail to explain what it means by professionalism, due diligence and the kind of investors or projects that are affected by the two. Also, Jones & Moncur, (2020), fail to look at what is perceived as legitimacy in the crowdfunding campaign. Questions such as what made the platform users think a campaign was legitimate would have brought out even clearer findings. Jones & Moncur, (2020), also looks at crowdfunding from a general point of view failing to analyze how legitimacy could be identified in startup campaigns where most SMEs usually fail.

The trust that forms credibility and legitimacy is usually yielded from trust developed in both the project and the creator. This is what Moysidou & Hausberg, (2020), refer to as the trust building process in crowdfunding. Moysidou & Hausberg, (2020), findings are relevant to this study's theme of legitimacy and credibility as their findings intricately explain how trust or legitimacy of a project act as an essential element to the success of a crowdfunding campaign. Moysidou & Hausberg, (2020), conducted a survey on a German crowdfunding platform which at the time had an investor base of over 3,500. After collecting data online and using an average response time of 10.8 minutes, Moysidou & Hausberg, (2020), settled on a sample of 167 respondents who had not skipped any questions or rushed in answering. The majority of the respondents were male (85%), with an average age of 47 years and their age ranging from 26 to 78 years.

To supplement their findings Moysidou & Hausberg, (2020), further measured six different variables. The first variable measured the familiarity of crowdfunding by the respondents. The second variable measured disposition to trust. The third variable looked at the trust the respondents had on the platform. The fourth variable measured the feasibility of the project invested in by looking at the details of the project. The fifth variable was based on the collective judgment and looked at previous studies that had been conducted on the project or the extent to which the investors perceived the project had received or used a given amount of money. The sixth variable measured the quality of information which looked at whether the provided information was sufficient and satisfied the investor. The questions for these variables were designed using 5-point Likert scale that ranged from 1 to 5, with 1 being (strongly disagree) while 5 being (strongly agree). Moysidou & Hausberg, (2020), first conducted a pilot test on the preliminary instrument to reduce the possibility of nonrandom errors occurring (Moysidou & Hausberg, 2020).

Moysidou & Hausberg, (2020), further tested the collected data using a structural equation modeling (SEM) which allowed the analysis of the latent variables. The first result showed that the trust in the project creator had a weak direct effect on the trust the investor had in the project (Moysidou & Hausberg, 2020, p. 19). The second result showed that the trust yielded towards the crowdfunding platform affected both the trust yielded to the creator and the project. The information quality partly affected the trust had in the project and the project creator (Moysidou & Hausberg, 2020, p. 20).

The findings by Moysidou & Hausberg, (2020), are important as they contribute to the body of knowledge of trust transfer and how it affects crowdfunding. Moysidou & Hausberg, (2020), show how trust is an important element in the success of a crowdfunding platform as it influences the trust of the investors in the project creator and the project. Though the findings by Moysidou & Hausberg, (2020), proved insightful, it failed to describe the kind of information that was regarded to be of quality and why it was difficult for start-up projects to receive funding. Moysidou & Hausberg, (2020), also fail to differentiate on the different types of businesses that are found on the platform, a factor that could also have attributed to the lack of trust on the projects.

Credibility and legitimacy of a campaign is also largely determined by the project location and the authority of the project creator. While investigating factors that motivated people to support or invest in a social cause, Khurana, (2021) found that the location of the project and the authority of implementors played critical roles. Khurana, (2021) specifically investigated the factors that motivated people to support or invest in social causes in a crowdfunding platform based in India.

Khurana, (2021) collected data from Ketto, which is the leading crowdfunding platform in India. Using a randomly selected sample of 452 campaigns, Khurana, (2021) collected data on variables such as the amount raised, the funding target, the number of donors, the duration of the campaign, the dialogue used in the campaign, campaign quality, social media connectivity, whether the campaign was in the metropolitan or not and the motive behind the campaign. The data was then analyzed using a semi-log linear regression that used  $\log f^i$  as the amount used in the campaign, whereas  $d^i$  parent-cause. Khurana, (2021) further analyzed the relationship between the different variables measured.

The findings by Khurana, (2021) shows that about 60 percent of the campaigns in most platforms are usually connected to Facebook, the majority (68 percent of the campaigns) are

located within a metropolitan and 73 percent of campaigns are usually run on behalf of a different person. Most of the campaigns about 41 percent are also run by individuals and not Non-profit organizations (Khurana, 2021, p. 8). The majority of campaigns (23 percent), according to Khurana, (2021) are also focused children's health campaigns, followed by adult health campaigns 19 percent, children's education at 17 percent among others. Other studies conducted on donation-based crowdfunding have also indicated children's health theme receiving more funding than other thematic areas (Ly & Mason, 2012; Saxton & Wang, 2014) Khurana, (2021) further argue that Non-profit organizations' campaigns irrespective of their type usually receive much higher funding as compared to those run by individuals. Khurana, (2021) findings show how important legitimacy of the campaigner stands as a factor in the contributions received. Also, Non-profit organization that provide a tax-benefit tend to be more funded than other campaigns. Khurana, (2021) further assert that the quality of information is also an important factor as donors usually contribute more on campaigns that provide evidence or information on how the money is going to be used and assurance that it is a good cause. Also, funders seemed to be attracted more to campaigns that have a larger number of donors and also have more images (Khurana, 2021, p. 10). The dialogue in the campaign between the campaigner and the donor also contributes to higher funding for the campaign (Khurana, 2021, p. 10). Even though not clear the findings by Khurana, (2021) indicate a positive relationship between social media connectivity and its proximity to a metropolitan.

### **2.3.2 Value for Value and growth of Small and Medium Enterprises**

The value that a crowdfunding platform offers is what set it apart from other financing platforms. Oba et al., (2018) looked at how crowdfunding platforms created value propositions for the digital investors. Oba et al., (2018) wanted to understand the factors that encourage investors to support a given project. (Oba et al., 2018) describe the success of a project on whether it reached the targeted amount or not. The variables under their study included: project quality, platform reputation and the investors' capacity factors that were assumed to have an effect on the collection of funds for the projects. The sampling frame they used included all the projects that had been campaigned in the three leading Turkish crowdfunding site which included, crowdFON, fongongo and fonlabeni. Oba et al., (2018) took a sample of 354 projects that had been supported by 5,300 investors. The data was collected from the websites and then passed through a descriptive and inferential analysis. The inferential analysis looked at t-tests and analysis of variance for the related variables under study before finally evaluating the correlations of the variables.

The findings by Oba et al., (2018) show most projects to include film-video kind of campaigns, followed by education and technology projects. Majority of these projects (61%) use videos to advertise the project to investors. Also, most of the projects (85.31%) are managed by independent project creators as non-profit organizations and companies usually manage 10.16% and 4.52% of the campaigns respectively (Oba et al.,2018). The success or value of a project is pegged on the number of investors in a given campaign and the ability of project creator setting and declaring the right target amount (Oba et al.,2018). In summary, Oba et al., (2018) argues that the reputation of a platform, the value proposition of the campaign and the project creator capabilities all affect the decision of the digital investor and the overall project success.

Legitimacy in itself creates value that attracts both the actors and investors to a crowdfunding platform. Bogusz et al., (2019) looked at a case study on a Swedish crowdfunding platform on how digital entrepreneurs would create legitimacy and in return increase the value of a crowdfunding platform for actors and the investors. Through their findings, Bogusz et al., (2019) argued that trust is not enough to build legitimacy and creating the overall value of a platform. Bogusz et al., (2019) further argued that the use of symbols such as "fund this project" button in the crowdfunding platforms further increased the legitimacy of the platform. Their findings on the designed legitimacy of Swedish crowdfunding platform shows that most platforms fail to attract investors because most designs are implemented without considering the legitimacy needs of the campaigns or actors they seek to attract. The failure to show how the different projects will gain legitimacy in the crowdfunding platforms makes most businesses such as the IT projects in their case to lose persuasion of using their platforms. Bogusz et al., (2019) shows how important legitimacy is not only to the project advertised in the platform but also to the platform itself; it is legitimacy that attracts both investors and the actors. Bogusz et al., (2019) findings shows that the value of a crowdfunding platform is largely determined by the legitimacy of the platform. The campaign heavily relies on the legitimacy designed by the platform in order for it to also attract investors. The findings made by Bogusz et al., (2019) brings about the discussion on how to balance legitimacy between the various users and create value of the platform. The limitation however to their findings is that it only focused on one case study of which majority of those interviewed were software developers. Bogusz et al., (2019) did not look at how effective the symbols were in attracting investors and how legitimate the investors would describe the use of mimicry and symbols.

Traditionally, unlike in other investments, most investors in crowdfunding are not sophisticated; hence a majority avoid businesses that requires them to evaluate business plans, collateral and the cashflow in a business. However, the growth of crowdfunding as one of the mainstream financing sources has seen a growth in the critical evaluation of campaigns and the value they have. Meyskens & Bird, (2015), looked at crowdfunding and value creation. Their findings provided a theoretical framework that explains different crowdfunding models and the way they perceive value.

Among the four crowdfunding models provided in the theoretical framework, it is most difficult for campaigns to create value on the social ventures, considering no profit is usually expected in return (Renko et al., 2019). Meyskens & Bird, (2015), asserts that social ventures look at crowdfunding from the social value it will generate in helping improve the livelihoods of the targeted communities. Value in social ventures is usually created through the promotion of an activity. In other cases, social ventures will sell products or services and later use the profit generated to help a disadvantaged group. Social venture campaigns can also create value by supporting profit organization in their pursuit of wealth. Meyskens & Bird, (2015), however fail to describe how value can be measured whether in a social crowdfunding model or an equity-based model. There is also a gap on the relevance of the value to funders and on what aspect of value in crowdfunding that motivates donors and investors to fund a campaign.

### **2.3.3 Supporters interaction and growth of Small and Medium Enterprises**

There are a number of factors that normally motivate or deter both investors and creators to interact during the entire process of crowdfunding. Gerber & Hui, (2013) looked at motivating and deterring factors that affected both the creators and supporters of crowdfunding. Gerber & Hui, (2013) conducted qualitative research on 83 respondents, some of whom were randomly selected while others were picked through snowball method. The motivators identified by Gerber & Hui, (2013) on the creators include the need to raise funds, the need to form connections, the need of gaining approval, the need of expanding awareness, the need of maintaining control and the need of learning new skills in fundraising. The deterrents identified by Gerber & Hui, (2013) on the creators include the inability of the campaigns to attract supporters, the fear by the creators of the public failure and exposure and the lack of enough time and resources. On the supporters' side Gerber & Hui, (2013), asserts that motivating factors to include the need of collecting rewards, the need of helping others, the need of being part of the community and being involved in a cause. The deterrent on the supporters was the distrust they had on creators on the use of funds.



Gerber & Hui, (2013), findings affirm on the factor of creating connection being an important element of crowdfunding. The creators and supporters interact on the basis of creating connections (Gerber & Hui, 2013). The creators seek to create awareness through the platform that leads to connection that will be beneficial to them both socially and professionally. Gerber & Hui, (2013) findings is relevant as it shows the foundation upon which this interaction is built. The interaction by creators and supporters is motivated by the urge of belonging which is created by the connection that the two stakeholders manage to create from the interaction. The findings by Gerber & Hui, (2013), however fails to explain how the creators view the connection created, especially on how it affects the success of a campaign. Gerber & Hui, (2013) also fail to state what factors make a campaign trustworthy to the supporters and how the creators utilize the interaction to increase trust with the supporters.

Supporter's interaction is largely influenced by communication, trust built and the commitment between the involved parties. The number of followers that a project creator or founder has on their social platforms is largely determined by the number of investors they are able to gain, the campaign success rate and the campaign financial rate (Zribi, 2022). This is further augmented by the communication strategies adopted by the project leader that in turn tend to positively affect the fundraising performance of a given project (Zribi, 2022). In analyzing communication strategies, Zribi, (2022), looked at the number of comments or interactions made between the project creator and the potential investors. Platforms that have high interaction rates more so on the comments tend to have a higher probability in terms of campaign success and its financing rate. Zribi, (2022), also asserts that investors are more attracted to projects that are realistic and not very complex. The study by Zribi, (2022), analyzed empirical evidence from 467 crowdfunding campaigns featured in Goteo (a Spanish crowdfunding platform). The gap in Zribi, (2022), study is that it fails to differentiate between the different relationship types found in the respondents when measuring their perceived social influence.

Even though communication, commitment and bonding are important for supporter's interaction, creators and supporters hold different views regarding to how the three affect their daily interaction. Efrat et al., (2020) used a survey on 106 respondents to measure how communication, bonding, commitment and trust affected their interaction. The findings by Efrat et al., (2020) indicate that even though communication, bonding and trust were also important elements of interaction, most creators perceived commitment to be more valuable in their interaction. On the other hand, the supporters were more persuaded by the bonding they

achieved in the interaction, as commitment only helped in facilitating the perception or ideas they had on active recruitment. Further findings by Efrat et al., (2020) showed that commitment as compared to bonding had an overall positive impact on the project's goal performance. The bonding achieved by a given project creator largely determined the number of supporters that interacted with the given crowdfunding platform. By having a large number of supporters as a result, a project had a higher likelihood of performing on its goal. Efrat et al., (2020) findings further show that bonding and commitment both rely on the communication level achieved.

In a summary, Efrat et al., (2020) findings indicate that the success of any crowdfunding campaign is largely determined by the aptitude of the project creator in communicating with the target investors and in the process bond with them and make them commit to the project. The limitation with Efrat et al., (2020) study is that it only focused on donation-based and rewards-based kind of crowd funding.

#### **2.3.4 Crowdfunding and Growth of Small and Medium Enterprises**

While SMEs contribute significantly to the economy, several factors affect their growth, including cost, capital market, and capital access. Robai (2006) opines that SMEs often face unique challenges that impact their financial performance and reduce their ability to contribute to sustainable growth effectively, such as profits and sales. Additionally, Ndung'u (2016) holds that literacy levels, security for loans, interest rates, and the number of lending institutions affect the ability of SMEs to access credit; thus, hindering their growth. According to Ndiaye et al (2018), infrastructure is also a factor that influences the development of SMEs as it affects the provision of sufficient power and water, access to roads, and telecommunication. In Kenya, SME growth is prevented by insufficient capital, poor infrastructure, restricted market access, rapid technological changes, and inadequate skills and knowledge (Odinga, 2012).

Crowdfunding campaigns have substantially affected entrepreneurial finance by offering new debt, equity, and informal borrowing options. Thus, it allows entrepreneurs to influence the crowd to create financial investment. According to Macht & Weatherston (2014) findings, crowdfunding campaigns provide new chances of reducing the gap for SMEs since there are no restrictions on the essence of the firms. Crowdfunding contributes to the growth of SMEs by reducing financing costs and knowledge provision from external supporters (Paschen, 2017). The SMEs use crowdfunding to gain finance and receive external support on how to improve their customer experience. The level of growth in SMEs is linked to the model of crowdfunding used since backers consider the investment stake through the models, making

them contribute ideas and feedback (Cumming et al., 2019). Further, Eldridge et al. (2021) find that crowdfunding positively impacts the growth of small firms through their influence on product and brand development processes.

It is also important to that crowdfunding has indirectly helped reduce the financing gap by lowering the marketing and customer acquisition costs SMEs would have to sustain. Entrepreneurs can try an idea through the campaign without other funding sources' financial and monitoring responsibilities and use it for advertisement. As such, crowdfunding benefits SMEs in a number of ways, such as providing feedback from contributors to enhance their products.

Lastly, crowdfunding promotes SME growth by minimizing the cost of financing and giving knowledge to external supporters. The findings of Cumming et al. (2019) show that crowdfunding reduces the requirement for long-term debt through value creation, thus, increasing the level of reserves in an organization allowing for financing expansion. When SMEs use crowdfunding campaigns, they need financial accessibility and external support to establish their business (Eldridge et al.). Thus, they embrace environmental transparency, which enables them to receive feedback that helps them enhance their products and understand customer preferences.

## **2.4 Conceptual Framework**

This study is guided by the framework below which contains dependent variables and independent variables. The dependent variable is the growth of Small and Medium and enterprises in Nairobi County. In the dependent variable, the study will look at how the adoption of the crowdfunding elements affect project financing, customer satisfaction, quality of service and project agility. The independent variables constitute of platform credibility and legitimacy, value for value offered by the platform and the supporters' interaction. In credibility and legitimacy, the study will use indicators such as trust, quality in presentation in the crowdfunding campaign, campaigner's history and competency level. In value for value the study will measure indicators such as the project quality, platform reputation, number of investors, and the ability of the project creator to set the right amount of target. Lastly, the supporters' interaction variable will measure indicators such as communication level and channels used, bonding and commitment between the supporters and the project creator.

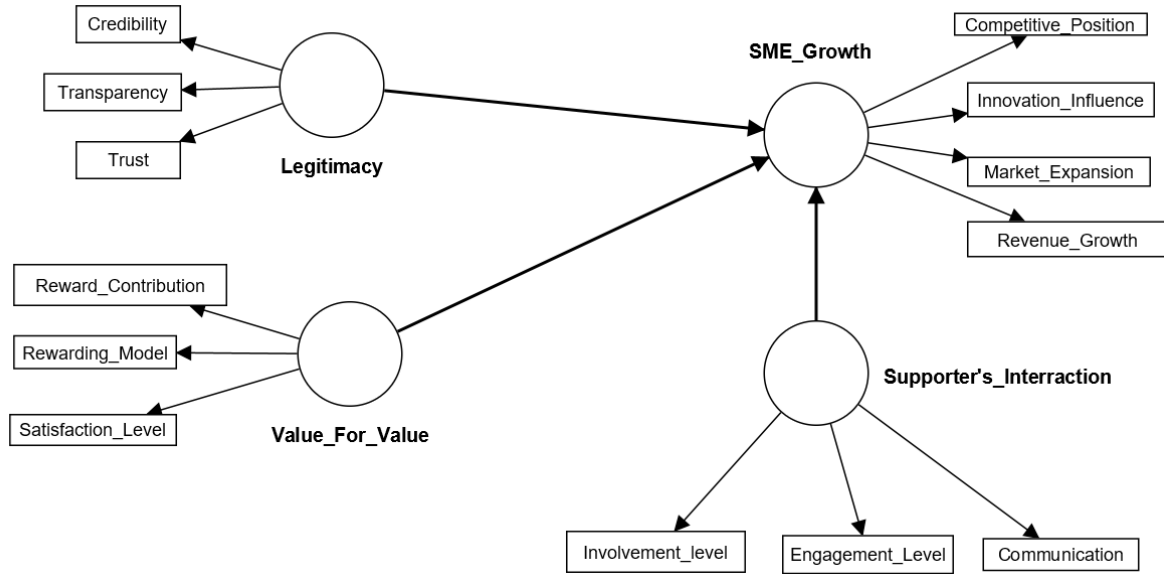


Figure 2.1 Conceptual framework

## 2.5 Summary of Literature

The chapter was guided with the aim of establishing an understanding of crowdfunding elements and the growth of Small and Medium Enterprises. Even though SMEs stand as the pillar of most economies, several factors are quoted to affect their growth. These factors include the cost of starting and maintaining business operations, access to capital, security for loans and a few lending institutions that are open to them. Crowdfunding despite of it being new in Kenya has provided an alternative source of financing for SMEs in the recent years. As compared to other lending institutions, crowdfunding has less restrictions for SMEs in their access to capital.

In as much as SMEs growth is pegged to crowdfunding, a successful campaign is determined by a number of factors or what can be defined as elements of crowdfunding. These elements include, the credibility and legitimacy of a platform, the value it creates for the creator and investor and the supporters' interaction. From the literature review we find that credibility and legitimacy is largely measured based on the trust between the investor and the project leader, reputation of the platform, the quality in presentation of a project and the competency of the campaigner.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter provides an intricate understanding of the research methods or techniques that are going to be used in the study of crowdfunding elements and their relationship to growth of SMEs of farmers projects in Bura Irrigation Scheme in Tana river. The chapter looks in detail at the adopted research data collection and analysis instruments, research design, the targeted population, the sampling procedure and the ethical standards that will guide the research.

#### **3.2 Research Design**

Research design plays the role of guiding the data collection and analysis processes during study. Since the study looked at the characteristics of SMEs especially in their utilization of crowdfunding platforms, the study was guided by a descriptive research design. While following a descriptive research design, the study adopted a survey design that aided in the collection of data from the targeted sample elements. The research also strived to remain objective by adopting a positivist philosophy that guided the data collection and analysis process.

By adopting a descriptive design, the study managed to precisely and systematically define the different characteristics of the target population. Since crowdfunding elements is a new topic in Kenya, the design helped unravel new meaning to the variables while in the process describing the frequency of its adoption (Cantrell, 2011). Adoption of a descriptive design was also important as it helped the study analyze patterns in the behaviour of the targeted population, discover any underlying relationships or associations among the researched variables and answer the research questions based on present events (Siedlecki, 2020).

#### **3.3 Population**

This study looked at SMEs from the concept of cash crop farmers. The study targeted farmers from Bura irrigation farm scheme and other key stakeholders such as the investors and the campaign managers who were involved in the project. The project aimed at connecting the farmers to capital and market access and looked for investors who could help the farmers achieve the two. Most of the investors in the crowdfunding platform came from Europe whereas a number came from Kenya. The data was retrieved from the database of the company

that managed the crowdfunding platform and played the intermediary role between the investors and the farmers.

### 3.4 Sample Design

A sample is simply described as a subset of the target population (Holmes, Illowsky, & Dean, 2018). The study surveyed a sample since there was not enough time and resources to conduct or interview the entire population.

Information on the number of SMEs or farmers and the investors of the project was retrieved from the company that managed the crowdfunding platform. After getting a sampling frame, the study conducted a simple random sampling in order to reduce bias or provide equal chance of representation on all SMEs that have been involved with crowdfunding (Parsons, 2014).

To get the sample size, the study adopted the Cochran formula as outlined below:

The Cochran formula is:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:

- e is the desired level of precision (i.e. the margin of error),
- p is the (estimated) proportion of the population which has the attribute in question,
- q is 1 – p.

Figure 3.2: Sample calculating formula by (Cochran, 1940)

In the calculation of the sample the study used an estimated proportion of 5% with a margin error of 5%. A margin error of 5% implied that the study is 95% confident that the research results would be similar or close to the mean value of the population (Colegrave & Ruxton, 2003). The study adopted a confidence level of 95% since it was a social survey and had intended on using a small sample size in answering the research questions. The study settled on Cochran's formula since it targeted a sample that was heterogeneous in nature. Cochran's

formula allowed room for the study to calculate an ideal sample size by using a desired confidence and precision level (Adhikari, 2021).

Since the study involved a small population of 36 individuals, after getting the  $n_0$  which is basically Cochran's sample size recommendation, the study applied the modification of the formula below to get the final sample size for the study.

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

$$n_0 = ((1.96)^2 * (0.5) * (0.5)) / ((0.05)^2)$$

$n_0$  = Cochran's Sample size recommendation (as calculated above)

$$n = 385 / (1 + (384 / N)) = \text{Study Sample}$$

$$n = 385 / (1 + (384 / 36)) = 33$$

### 3.5 Data Collection Procedures

The study relied on both secondary and primary data sources. Secondary data was collected mostly from peer reviews journals, government records and Kenya Bureau of Statistics data findings. Primary data was collected through surveys for the quantitative data and interviews and observations for the qualitative data. The survey tool was designed by using data collection software kobo toolbox which was then administered online by using a link that could be accessed through smart phones or computers. The interviews were administered online using google meet and in some other cases through physical meetups where the researcher administered open-ended questions to the data subject. Before admitting the instruments, the researcher conducted a pilot test using a sample of the farmers and investors.

### 3.6 Research Validity

The validity of a research tool examines how well the given instrument measures what it is supposed to assess (Robson, 2011). The validity test is crucial in understanding and affirming the accuracy of the results in providing objective findings (Clark & Watson, 2019). The study conducted a discriminant validity by looking at the cross-loading findings. The discriminant validity ensures that each measure is measuring a distinct construct (Rönkkö & Cho, 2022).

The values represented in table represents the average variance extracted value for each variable under study. This value is important in assessing the discriminant validity of our latent variables. The AVE value in table 3.1 shows that all variables under study had an average variance extracted value below one indicating based on Fornell-Larcker criterion that each latent variable was more strongly correlated with its indicators of measure.

*Table 3.1: Average variance summary table*

	Average variance extracted (AVE)
Legitimacy	0.573
SME_Growth	0.863
Supporter's_Interraction	0.335
Value_For_Value	0.513

### **3.7 Research Reliability**

Reliability checks on stability and the consistency in the results where they reproduced again using the same research instruments and conditions (Mohajan, 2017). The study adopted the Cronbach's Alpha formula on the collected data to check if the instrument used was reliable. For the questionnaire to be considered reliable or acceptable it had to be of value more than 0.7 (Heale & Twycross, 2015). The study used SmartPLS4 software to run the reliability test. The findings show the SME growth to have Cronbach's Alpha of 0.947 indicating a reliable measure of consistency.

### **3.8. Diagnostic Tests**

The study conducted a number of statistical tests to understand the model fitness and whether the regressions were good predictors. These tests included, the normality test, linearity test, and the test of multicollinearity.

#### **3.8.1 Normality test**

This test checked on whether the study data deviated from the expectations of a normal distribution. To check whether the data was normal distribution, the study first run a histogram and checked on whether the distribution of the collected data resembles a bell-shaped curve. The study further conducted a Shapiro-Wilk test using jupyter notebook software. The study run 'stats.shapiro()' function to check and measure the returned p-value against alpha value (González-Estrada & Cosmes, 2019). If the returned p-value was greater that the alpha value



the study would then fail to reject the null hypothesis and conclude that the data is normally distributed. In a situation the p-value is less than alpha value, the study will reject the null hypothesis and conclude the data not to be normally distributed.

```
# Here we fitted the model
X_legitimacy = sm.add_constant(df[latent_legitimacy])
X_value_for_value = sm.add_constant(df[latent_value_for_value])
X_supporters_interaction = sm.add_constant(df[latent_supporters_interaction])
X_combined = sm.add_constant(df[latent_legitimacy + latent_value_for_value + latent_supporters_interaction])
model = sm.OLS(df['Y_sme_growth'], X_combined)

# Get residuals
residuals = model.fit().resid

# Linearity Test
try:
    linearity_test = sm.stats.linear_harvey_collier(model.fit())
    print(f"Linearity Test:\n{linearity_test}")
except Exception as e:
    print(f"Linearity Test: {e}")

# Normality Test
shapiro_stat, shapiro_p_value = shapiro(residuals)
print(f"Shapiro-Wilk Normality Test:\nStatistic: {shapiro_stat}, p-value: {shapiro_p_value}")

# Here we checked the p-values against significance levels 0.05
if shapiro_p_value > 0.05:
    print("Residuals appear to be normally distributed.")
else:
    print("Residuals do not appear to be normally distributed.")
```

Figure 3.1: Normality test code presentation

The code returned the following values for the Shapiro-Wilk Normality Test: Statistic: 0.955, p-value: 0.1937. These values are above alpha value of 0.05 indicating that the residuals under study appear to be normally distributed and the study can proceed with interpreting the regression results.

### 3.8.2 Linearity test

Linearity test checks whether the relationship between the dependent variable and one or more independent variables is linear. Apart from looking at the scatter plot to understand the line of best fit, the study will also conduct the UTTS' rainbow test on the data. If the rainbow p-value is greater than the alpha value (0.05) then the study model will be considered to be linear or appropriate for predicting (Mahaboob et al., 2019). This test is essential in validating the selected model and to determine the model fit.

On linearity test, the code returned nan values indicating the test was not applicable due to the sample size that we were using, hence the linearity test could not provide meaningful results.

### 3.6.3 Multicollinearity test

Collinearity is a statistical concept that refers to a situation where two or more predictor variables in a regression model are highly correlated with each other. In other words, collinearity occurs when two or more independent variables are so highly related to each other that it becomes difficult to distinguish the individual effect of each variable on the dependent variable. In simple definition multicollinearity test looks at the degree of correlations between the study's independent variables and the strength of this correlation. The danger of multicollinearity is inflated standard error which in turn tends to affect the hypothesis test (Oke, Akinkunmi, & Etebefia, 2019). A VIF value greater than 5 suggests that the variance of the estimated regression coefficient for the predictor variable in question is inflated by at least 5 times, indicating a potentially high degree of collinearity (Senaviratna & Cooray, 2019).

Table 3.2: VIF summary table

Variable	VIF
Credibility	2.38
Transparency	3.22
Satisfaction_Level	2.93
Rewarding_Model	3.00
Reward_Contribution	3.72
Engagement_Level	3.31
Communication	2.86
Involvement_level	1.47
Revenue_Growth	23.99
Market_Expansion	5.60
Innovation_Influence	21.57
Competitive_Position	4.84

Table 3.2 shows the multicollinearity findings of the study. The results show the variance inflation factor (VIF) for each independent variable indicator in the regression analysis. In this case, all of the VIF values for our independent or predictor indicators are less than 5, indicating

that there is no significant collinearity between the independent variables in the model. This means that the independent variables are not highly correlated with each other, and they are providing unique information to the regression analysis. Therefore, we can conclude that the independent variables are not affecting each other's estimates, and the results of the regression analysis are reliable.

### **3.7 Data Analysis techniques**

The study conducted descriptive and inferential statistic on the collected data. The units of analysis were the Bura Irrigation Scheme farmers SMEs. The first step involved cleaning the data, where the researcher used excel to check for any errors, misspelled or outliers that may affect the mean of the variables under the study.

#### **3.7.1 Quantitative Data**

##### **3.7.1.1 Descriptive Analysis**

After data cleaning and preparation, the study first analyzed the survey data using descriptive statistic. Here, the study used excel and R-Studio (a statistical software) to look at the measures of central tendency, which included the mean, most recurring elements in the variables and the median. The measure of central tendency gave the study a succinct and clear summary of research findings (Chakrabarty, 2021). The study then measured the dispersion of the data by looking at the standard deviation. The findings were then presented in tables.

##### **3.7.1.2 Inferential Analysis**

The first step involved measuring the hypothesis. Here, the study used SmartPLS4 software and run bootstrapping of 5,000 subsamples to get the p-values which will be checked against alpha 0.05 value. Hypotheses were rejected in the event the Pearson's value is less than 0.05. This meant that there was no significant relationship between the independent and dependent variables.

Apart from hypothesis testing, the study also looked at the correlation and strength of the relationship between the independent variables and the dependent variable.

#### **3.7.2 Qualitative Analysis**

The first step in qualitative analysis will be to process the condensed data. Then the data will be condensed a process defined by Wambugu et al., (2015) as the removal of ambiguity in data by clarifying through editing to make meaning. Here, the researcher will also write down any

observations made during the process of data collection. The researcher will then create data categories according to the research themes which will be represented using codes to allow easier linkage of the findings (Wambugu et al., 2015). The qualitative findings will finally be presented using direct quotations and narratives.

## CHAPTER FOUR

### RESEARCH FINDINGS

#### 4.1 Introduction

The study's main aim was to examine how crowdfunding campaign affects the growth of Small and Medium Enterprises in Kenya with a focus on Bura Irrigation Scheme. This chapter provides findings from the data that was collected from farmers in Bura Irrigation Scheme, investors of the given project and the campaign creators and developers. The chapter has been dissected into three; the first part which provides the descriptive analysis of the data, the statistical analysis where we look at correlations between our variables and finally a summary from the qualitative findings.

#### 4.2 Descriptive statistics

The descriptive analysis provides the overview of the findings by looking at the data's central tendency measures and the measure of dispersion.

##### 4.2.1 Socio-demographic Characteristics

The Table 4.1 provides an overview of the social demographic features of the study respondents.

*Table 4.1 Demographic summary table*

Variable	Category	Frequency	Percentage
Gender	Female	12	36%
	Male	21	64%
Age	18 - 24	2	6%
	25 - 34	11	33%
	35 - 44	9	27%
	45 - 54	8	24%
	55 - 64	2	6%
	Above 65	1	3%
Group	Farmers	18	55%
	Investors	6	18%
	Campaign Creator	9	27%
	High school diploma	13	39%
	College	7	21%
	Bachelor's degree	9	27%
	Master's degree	4	12%
	Doctoral degree	0	0%
Total		33	

From the table 4.1, we observed that majority of the respondents were male (64%) and that also most of them fell in the group of farmers (55%). Also, another noticeable feature from the socio-demographic table is that most of the respondents had at least a high school certificate and a good number (21%) had attended college and university (27%).

#### 4.2.2 Legitimacy

The study first asked questions related to the legitimacy variable. In this variable, the study wanted to see how legitimacy as an element of crowdfunding affecting the performance of SMEs. Here the study measured three indicators that would help get the general view on legitimacy. The indicators of focus were trust, credibility and transparency.

*Table 4.2 Legitimacy Findings*

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
a) How trustworthy do you perceive crowdfunding campaign to be?	3%	21%	33%	15%	27%
b) How credible do you consider the information provided by the crowdfunding campaign?	15%	27%	27%	6%	24%
c) How transparent do you perceive the crowdfunding campaign to be in terms of its goals and use of funds?	3%	27%	30%	21%	18%

The findings in table 4.2 shows significant portion (42%) of the respondents expressing a high level of trust on the crowdfunding campaign they were involved. However, it is important to note a good number (33%) showed neutral remark. On the question of credibility, the findings show that about 42% of the interview respondents were skeptic with the credibility of the information that was provided by the given crowdfunding platform. There was no clear line on the transparency level as about the same number of respondents agreed and disagreed with the platform being transparent with its goals and the use of generated funds.

### 4.2.3 Value for Value

The second set of questions looked at the value for value that the crowdfunding platform provided to all its stakeholders. It asked questions ranging from satisfaction level and the match of the benefits they received to their contribution in the crowdfunding platform.

Table 4.3: Value for Value findings

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
a) How satisfied are you with the rewards or benefits received from supporting crowdfunding campaigns?	0%	9%	39%	0%	52%
b) How important are the rewards or benefits in influencing your decision to support a crowdfunding campaign?	9%	21%	33%	6%	30%
c) How well do you believe the rewards or benefits match the level of your contribution to the crowdfunding campaign?	3%	42%	18%	12%	24%

The findings in table 4.3 show that majority of the respondents expressing high satisfaction levels with the rewards they received from supporting the given crowdfunding campaign. However, it is important to note the satisfaction level was higher on the farmers as compared to the investors. Also, a good percentage of the respondents (36%) believed that the rewards played a great role in influencing their decision on supporting the crowdfunding platform. However, despite being satisfied with the rewards, a significant portion of the respondents (42%) argued that their rewards did not match their contribution to the campaign.

### 4.2.4 Supporter's Interaction

The variable on supporter's interaction looked at the engagement and involvement of the crowdfunding stakeholders to the platform and how in overall it affected the growth of the specific projects.

Table 4.4: Supporter's Interaction Summary Table

Supporter's Interaction					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a) How frequently do you engage with crowdfunding campaign organizers through communication channels (e.g., comments, messages, social media)?	3%	12%	30%	9%	45%
b) How satisfied are you with the level of interaction and communication provided by crowdfunding campaign organizers?	6%	15%	48%	3%	27%
c) To what extent do you feel involved in the crowdfunding campaign and its progress?	18%	42%	9%	9%	21%

The findings in table 4.4 shows a majority of the respondents (54%) having high frequency of interaction with the crowdfunding platform. Also, a significant portion of the respondents (30%) expressed satisfaction with the communication they received from the platform. It is important to note the majority here (48%) were neutral on the satisfaction with the communication provided. Majority of the respondents (60%) were not satisfied with the involvement to the crowdfunding platform.

#### 4.2.5 Growth of SMEs

The last variable which was the study's dependent variable looked at the growth of the SME. By SME we looked at the growth the farmers were able to achieve in their business as a regard of being involved in the crowdfunding platform. The study asked four questions to check on the revenue growth, the expansion of the business, their ability to innovate and whether the platform provided them a competitive edge in the market as compared to other farmers. From the point of investors, the questions mainly looked at whether they were able to generate revenue as a result of being involved in the platform. The study mainly focused on the farmers here since they are the point of SMEs.



Table 4.5 Growth of SMEs Summary

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a. We have experienced significant growth in revenue and profitability as a result of the crowdfunding campaign.	0%	24%	18%	33%	24%
b. Our business has been successful in expanding its market presence and increasing its market share since participating in the crowdfunding campaign.	18%	15%	18%	30%	18%
c. Our ability to innovate and adapt to changing market conditions has been positively influenced by the crowdfunding campaign.	0%	21%	21%	33%	24%
d. Our competitive standing within the industry has been positively impacted by our participation in the crowdfunding campaign.	21%	18%	30%	27%	3%

The findings in table 4.5 indicate a positive perception on the impact that crowdfunding campaign had towards the profitability and revenue generated by the farmers and investors. It is also important to note that the perception was even higher among the farmers when compared to the investors. The indicator on market presence and the competitive standing received mixed responses on the impact it brought.

### 4.3 PLS-Sem Structural Model

The figure below provides an overview of the model we used and how we connected the indicators to their latent variables. The study used SmartPLS4 software to create the model, check the correlations and test the hypothesis. Here the study also looked at the strength each indicator had to their latent variable by looking at the outer loadings results and f-square values.

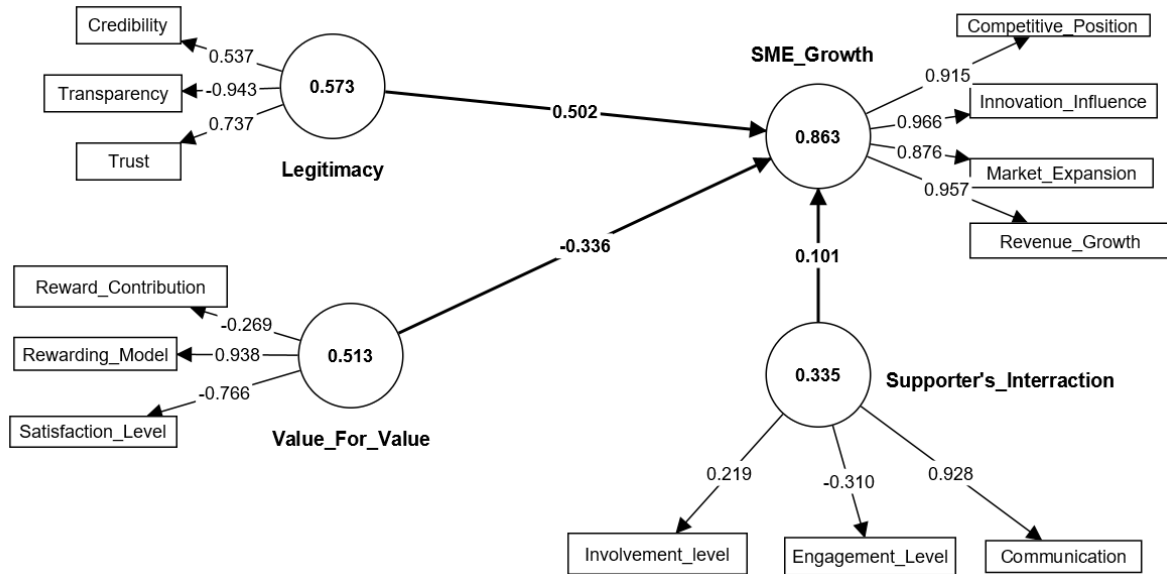


Figure 4.1 Data Model Summary

The study also checked on the outer-loadings value to understand the strength and direction of the indicators of measure against their latent variables. The results are summarized in table 4.6.

Table 4.6: Outer loadings List Table

	Outer loadings
Communication <- Supporter's Interraction	0.928
Competitive_Position <- SME_Growth	0.915
Credibility <- Legitimacy	0.537
Engagement_Level <- Supporter's Interraction	-0.310
Innovation_Influence <- SME_Growth	0.966
Involvement_level <- Supporter's Interraction	0.219
Market_Expansion <- SME_Growth	0.876
Revenue_Growth <- SME_Growth	0.957
Reward_Contribution <- Value_For_Value	-0.269
Rewarding_Model <- Value_For_Value	0.938
Satisfaction_Level <- Value_For_Value	-0.766
Transparency <- Legitimacy	-0.943
Trust <- Legitimacy	0.737

From table 4.6 we observe that indicators such as communication, trust and the rewarding model had strong positive relationship with their latent variables suggesting that they significantly contributed to measuring of their latent variables. For instance, table 4.6 shows that communication which had a loading of 0.928 contributed significantly in measuring

Supporter’s interaction. All indicators used to measure the growth of SMEs contributed significantly to its measure as all had outer loading higher than 0.8. In a nutshell, at least one indicator in all the three independent variables contributed significantly in measuring our variables of study.

evaluation of the structural model

Table 4.7: f-square table

	f-square
Legitimacy -> SME_Growth	0.291
Supporter's_Interraction -> SME_Growth	0.012
Value_For_Value -> SME_Growth	0.165

The study also checked on the f-square of the variables under study to see in what percentage did each explain SME Growth. From table 4.7 the findings show that legitimacy exhibited the highest f-square values meaning that about 29.1% of legitimacy data explained the variance in SME growth. Simplifying it further this means that almost 30% of the changes observed in SME growth can be directly imputed to change observed in legitimacy of a crowdfunding campaign. Even though all indicators play a role in explaining the Growth in SME it is important to note that supporter’s interactions showed the least influence in determining growth of SMEs among the three independent variables.

#### 4.4 Inferential Statistic

##### 4.4.1 Correlations

The study also looked at the correlations between the independent variables and the dependent variable. The summary is provided in the table below.

Table 4.8: Correlations table

	Legitimacy	SME_Growth	Supporter's_Interraction	Value_For_Value
Legitimacy	1.000	0.481	0.473	0.204
SME_Growth	0.481	1.000	0.292	-0.220
Supporter's_Interraction	0.473	0.292	1.000	0.137
Value_For_Value	0.204	-0.220	0.137	1.000

From table 4.8 we observe the highest correlation to be between legitimacy and SME growth, followed by supporter’s interaction which had a weak but positive relation with SME growth.

The findings also showed a weak negative relationship between value for value and SME growth.

#### 4.4.2 Hypothesis Testing

The study also conducted hypothesis test between the independent latent variable and the dependent variable to see whether there was a cause effect relationship. Table 4.4 provides a summary of the findings.

Table 4.9: Total effects summary table

	T statistics ( O/STDEV )	P values
Legitimacy -> SME_Growth	1.606	0.108
Supporter's_Interraction -> SME_Growth	0.509	0.611
Value_For_Value -> SME_Growth	1.039	0.299

Table 4.9 above shows the p-values and t-values of the independent variables to the dependent variable which is SME growth. The study defined a statistically significant relationship as those that has p-value which is less than alpha 0.05 or where the t-value is greater than 1.96 or less than -1.96. The results in table 4.4 shows that none of the three independent variables have statistically significant relationship with the SME growth.

#### 4.4 Qualitative Findings

Qualitative Findings show legitimacy as a critical factor that influence the growth of crowdfunding platform. Most investors described legitimacy on occasion that a platform had a website with clear structure and goals and was registered in the company of operation. Communication was key and the investors were really interested in how they would recoup their investments and the security the platform offered. For farmers it was a bit different, most of them found it challenging to navigate through the platform and achieved this through the aid of the campaign creators.

One notable farmer during the interview asserted that:

“It is true that the platform offered the access to credit to purchase their farm produce. However, they were skeptical on the ability of the platform to market their products abroad, since the investors were mainly involved in financing bit.”

The investors applauded the communication by the platform on how they were going to cushion them against any foreseen risks, however they questioned the credibility of the platform based

on the success story of the platform. Most investors wanted to channel their investment in a platform that had been successful. Word of mouth was key for the platform to attract even more investors. Even though the investors were keen on what was in for them and the rewarding model offered by the platform, word of mouth and testimonials were good enough for them to trust the platforms.

The following assertions were picked word verbatim from one of the investors interviewed on their understanding of value to value.

“On word structure the platform has perfectly presented the value that an investor can get from this project, they have displayed pictures of the project and have created platform where we directly connect with the farmers. However, the question on how successful the project has been in the past has not adequately been answered. We understand this is a startup platform but we are not sure whether we are piloting and how the past investments have worked.”

In summary, the interviewees agreed that the supporters’ interaction and communication in the platform was good. They were allowed to interact with the investors, the company had sessions where the investors would assess progress of their projects. However, most of the interviewees also asserted that despite communication being effective, the marketing structure of the farm products was not as elaborate as required.

#### **4.5 Research Limitations**

One limitation observed in the study was the instability on the reliability estimates observed in independent variable indicators. This could be attributed to the fact that the sample size used for the study was small for estimating the selected response patterns.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study was guided by the aim of understanding how crowdfunding campaign affected the growth of SMEs particularly farmers' business in Bura Irrigation Scheme. This chapter provides a summary of the findings, discusses the findings in relation to existing literature and theories, and finally as it concludes provides recommendation.

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

The study outcomes, were based from the following summarized findings which were the main study objectives.

##### ***5.2.1 Legitimacy***

The findings showed that a significant portion of the respondents had high level of trust on the crowdfunding platform. Legitimacy was pegged mostly on whether the platform was registered in the given county and county, whether it communicated clearly its goals to the investor and the farmers. Trust and credibility were key indicators in the platform achieving legitimacy. It is important to note that most investors trusted word of mouth especially on the previous success stories. Though the respondents did not provide a clear line on their perception on transparency as most took a neutral stance, the qualitative interview showed that the online sessions held by the platform together with the question and answer sessions made the platform look more transparent.

The findings from the PLS-SEM outer loading results showed trust as having a strong positive relationship with legitimacy as compared to credibility and transparency. The findings of the study showed legitimacy as being a critical factor in the growth of the platform and eventual growth of the farmer's SME. Among all the study variables, legitimacy even though moderately strong exhibited the highest correlation to SME growth. Finally, it is also important to note that the findings showed that almost 30% of the changes observed in SME growth can be directly imputed to change observed in legitimacy of a crowdfunding campaign.

##### ***5.2.2 Value for Value***

From the survey findings, the study observed a high satisfaction level among the stakeholders with the rewards they received from supporting or being involved in the project. It is however,

important to note that the satisfaction level was high on the farmers as compared to the investors. The qualitative interview showed the success being imputed on the easy access to credit and market. The creators and the managers of the platform strived so hard to ensure the farmers had ready market so as to enable the investors recoup profits from the investments made. It is important to note that despite the efforts, the owners of the platform asserted of straining with supply chain and creating markets since the venture was a startup.

It is important to note that the rewarding model was only indicator that showed a strong positive relationship with value for value suggesting that it contributed largely to measuring of the value for value variable. The case of rewarding model was also raised during the interviews as most of the interviewees asserted that what had attracted them to the platform was how elaborate the campaign was on the value it created and how they investors could get their funds.

### ***5.2.3 Supporter's Interaction***

The findings on supporter's interaction showed the platform having achieved a high interaction level with majority of its stakeholders. The campaign creators had really strived in ensuring the communication was effective. This can be attributed to the fact that they assisted the farmers in understanding the platform and its goals. They also had many sessions and a bot that helped answer any questions that was raised by the investors.

One key indicator that came out as really informing on this variable was communication. The outer loadings results affirm of communication being a strong contributor to supporter's interaction. Supporter's interaction showed an overall weak positive correlation with the growth of SME. The weak correlation can be attributed to the fact that only one indicator – communication contributed to the measure of the variable.

### ***5.2.4 SME Growth***

The findings on SME growth showed that most of the farmers experienced a significant growth in the revenue generated and the expansion of markets. The sessions on utilizing technologies also increased the innovation level and their ability to compete on the changing markets. The technology and access to credit allowed the farmers to even plant more and get more output giving them a competitive edge as compared to other farmers, who had limited market access.

However, on the part of the investors, despite of them making returns, most viewed the crowdfunding approach as risky. Especially on the aspect of getting the products to the market and ensuring the farmers would use the allocated money only on farm inputs and not on other

household needs. The aspect of accountability was not assuring to them and it made a number of them opt out of the platform.

### **5.3 Discussion**

The study was guided by the need of understanding how crowdfunding aided the growth of SMEs by looking at farmers business in Bura Irrigation as a case study. The study looked at three elements of crowdfunding as described by Corl (2018), that were vital to the success of a crowdfunding platform and project. These elements were legitimacy, value to value and supporter's interaction. The study treated the variables as latent variables which were measured by simplified indicators such as communication, transparency, trust, reward model, credibility, satisfaction level, engagement level and revenue growth among others.

The findings of the study showed legitimacy to be a critical factor in the success of a crowdfunding platform and eventual growth of SMEs. The study findings showed trust as a major contributor of legitimacy as compared to credibility and transparency. It is important to note that achieving the trust among the different stakeholders was the most difficult task in running a crowdfunding platform and connecting small business to investors. It was twice difficult in a case the platform was a startup such as was with the case of the platform we were studying.

Most investors tend to rely on previous experiences before putting their money into the project. Jones & Moncur, (2020), argue that the investor decision making process looks at the likelihood of the project to success, the professionalism presented in the project and an overview that is presented through quality videos of what the project had done. Other important factors are the familiarity of the product and the behavior of previous investors to the given crowdfunding company. The findings showed that some of the investors who had opted out or had not signed despite of even being approached physically was because there was no clear information provided on previous projects. Also, the aspect of most projects being startups made them skeptical towards the given projects. In a nutshell, three things are critical in ensuring investors are attracted to the given crowdfunding project; the quality or professionalism presented, the likelihood of the project to succeed and the brand of the company.

Trust is key not only to the success of the platform but the overall success of the project. The trust that the platform yields tend to affect both the trust yielded to the creator who in this case was the campaign creator and the project itself (Moysidou & Hausberg, 2020, p. 20).



For the trust to develop the communication between the campaign creator, the investor and the farmer had to be top notch. This brings us to the concept signaling theory where Michael, (1973) on the need of proper signaling. The success of a crowdfunding project largely lay on the ability of all stakeholders having mutual understanding of each other and are honest in their relay of information. The clarity of information from the beginning is essential in building trust as also observed from the study findings. The ability to reveal clear and relevant information that could be easily interpreted by the receiving party can help overcome information asymmetry and build confidence among the investors. Though the platform had really tried in providing clear communication, the lack on clear information on market and supply chain of the farm output resulted to an information imbalance a factor that affected their trust in the platform.

Apart from quality of communication, the location of a project plays a key role in increasing the trust investors have in a project. Khurana, (2021) argues that location of a project played a critical role in determining the legitimacy of a project. Even though project location was not a key study variable, the findings show that a number of investors especially those from Europe were skeptical on the supply chain of the project location. Most questions the campaign creators received when approaching investors were on how the farm outputs were going to reach the markets, and how the economic and political nature of the given project location would tend to affect their investment. Considering the project was in a third world economy, with an environment characterized by a lot of uncertainties, investors from Europe saw it risky to invest in the platform. The project location played a critical role in building the trust of the investors and attracting them to the platform projects.

The clarity of the reward model is an attributing factor that increased the attractiveness of the crowdfunding platform. The value that a crowdfunding platform offers is what set it apart from other financing platforms (Oba et al., 2018). The study findings showed the reward model to be a strong indicator on the value for value variable. Investors, campaign creators and the farmers were all interested with the reward model offered by the project. Trust developed and legitimacy of the platform would further increase or influence the value of the given crowdfunding projects (Bogusz et al., 2019). If the campaign does not have a strong brand, the study findings show that they need to communicate clearly and aggressively on their reward model and this is one way through which the startup crowdfunding platform was able to get its first investors.

## **5.4 Conclusion from Findings**

Even though other indicators of supporter's interaction are key in determining the success of a crowdfunding platform, communication plays a central role in influencing the success of a crowdfunding project. The study findings show communication between the investor, the campaign creator and the farmers being a key contributor to trust. Achieving proper signals of communication will reduce uncertainties especially in events where the donors may require clear signals on how the donation will be used in the campaign. The high-noise characteristic of the crowdfunding environment will require specific and elaborate signals for a project to be more attractive to the investors.

Second, access to credit is essential to the growth of SMEs. The findings of the study show that credit is a critical factor on the growth of SMEs in the country and agrees with Macht & Weatherston (2014) findings, that crowdfunding campaigns provide new chances of reducing the gap for SMEs since there are no restrictions on the essence of the firms. The findings show that farmers agreed that their revenues had increased since they were able to get the required farm inputs within the required timeline. Putting in mind most farmers operate within strict season timelines, farmers had argued that at times raining season came when they were not prepared in terms of farm inputs. Accessing loan from the banks was a challenge and the micro-finance institutions were full of red-tapes. The crowdfunding platform had provided them with a platform where they would market their project and directly link with the investor. The good thing also with crowdfunding unlike other financial sources, accountability was high since the risk was shared between the campaign creator, investor and the farmer. The farmer was pushed by the investors on adopting innovative techniques and technology so as to increase on the yields and reduce the risk.

For a campaign to achieve value, there are a number of things that have to be factored. One the quality of the given project, especially to the eye of the investor, the reputation of the platform, the number of investors interested with the project and the project creator's ability of setting the right target amount. Lastly, supporters' interaction which is also key to success of a campaign and the entire project mostly factors three things. One, is the communication between the investor and the project lead, their bonding level and the commitment the investor puts into the project.

## **5.5 Recommendations from Findings**

### ***5.5.1 Recommendation for Practice***

Even though the credit access for the farmer was guaranteed, the platform showed the investor and the campaign creator as harboring the greatest risks. The greatest puzzle in crowdfunding is how to hold the farmers or the SMEs accountable and ensure the investors have recouped their investments. Currently, the structure has loopholes where the farmer can decide to pull out without any repercussions. There is need of creating a legal framework that will ensure the risk is shared among all the parties involved and the farmer is held accountable on how he utilizes the invested fund.

The creation of a framework that cushions investors from any eventualities will make crowdfunding platforms more attractive and safer for investors to put their money. Due diligence and assuring the investors that all risks have been mitigated can be one way through which crowdfunding campaigners can leverage to increase the value of their projects. The platforms can also leverage on co-investment approach that naturally optimizes due diligence (Bessière, Stéphanie, & Wirtz, 2020). These approaches can ultimately increase the trust and the value of the platform towards investors.

### ***5.5.2 Recommendation for Methodology***

The research design was cross-sectional in nature had the limitation of providing findings which may lack an in-depth grasp of multidimensional research problems of the study variables. The study recommends the need for future studies to conduct longitudinal study on the same variables so as to fully understand the trends and dynamics involved in improving crowdfunding elements and in return affect the growth of SMEs.

## **5.6 Suggestions for Future Study**

A need to look at the variable on accountability and how it affects investors investing in third world countries. By looking at accountability the study can also look at the kind of information that is defined to be of quality by investors and how it affects the legitimacy of a crowdfunding platform.

There is a need of studying or unearthing information on why it is cumbersome for start-up projects to attract funding. Another key variable that can supplement the challenges of startups access credit through crowdfunding would be on how project location affects legitimacy of a project. Though the study accidentally came across data on influence of project location

especially from the investors and its effect on the trust of the platform, a study needs to look at the variables in depth.

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# Appendices

## Appendix 1: Introduction Letter

Our Ref: L50/29140/2019

November 15, 2023

National Commission for Science, Technology and Innovation  
NACOSTI Headquarters  
Upper Kabete, Off Waiyaki Way  
P. O. Box 30623- 00100  
NAIROBI


### INTRODUCTION LETTER: DENIS OMONDI OCHIENG'

The above named is a registered Master of Arts in Project Planning and Management Student at the Faculty of Business and Management Sciences, University of Nairobi. The student is conducting research on **"Evaluating the Role of Crowdfunding in Supporting Small and Medium Enterprises in the Agricultural Sector: A Case Study of Bura Irrigation Scheme, Kenya."**

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

  
**Prof. Joshua Wanjare**  
Associate Dean, GBS & R  
Faculty of Business and Management Sciences



JW/dm

## Appendix 2: Consent Form

**Title of Project:** CROWDFUNDING CAMPAIGN ELEMENTS AND GROWTH OF SMALL MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT KENYA

**Name of Researcher:** Denis Omondi Ochieng

**Name of Supervisor:** Professor Charles M. Rambo

*(Tick as appropriate)*

- I confirm that I have read and understood the information sheet for the above study and what my contribution will be. 

Yes	No
-----	----
  
- I have been given the opportunity to answer questions (through a call centre) 

Yes	No
-----	----
  
- I agree to take part in the process 

Yes	No
-----	----
  
- I agree to the interview being tape recorded 

Yes	No
-----	----
  
- I understand that my participation is voluntary and that I can withdraw from the research at any time **without giving any reason**

Yes	No
-----	----
  
- **I agree to take part in the above study**

Yes	No
-----	----

## Appendix 3: Research Brief

You are invited to complete a brief survey about your understanding of crowdfunding platforms and the impact they have on (SME) project you currently undertaking. Before you agree to participate, I would like to explain why the work is being done and the influence the research will have on you. Please take time to read/listen to the following information carefully. Please ask us or your hospital volunteer if there is anything that is not clear or if you would like to know more.

**Who is doing this work?**

The dissertation aims to evaluate CROWDFUNDING CAMPAIGN ELEMENTS AND GROWTH OF SMALL MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT KENYA. The dissertation is carried out by Denis Omondi a student at the University of Nairobi pursuing Masters in Project Planning and Management.

**What is this project about?**

The dissertation looks at the effect of crowdfunding on the performance of SMEs. The study looks at variables such as legitimacy, value for value, supporter's interaction and the combined elements each affect growth of SMEs.

**What happens to your responses?**

Your responses will be taken together with those of the other research participants and analysed by the researcher to check if they help answer the research assumptions. Your confidentiality is our priority, hence no information about you will be known even by the researcher since you are not providing any uniquely identifying details.

**What happens if you decide to participate?**

The first step will be filling a consent form, then the researcher will guide you in filling the survey. The survey should not take more than 12 minutes to be completed. In case you don't understand something, please feel free to ask the researcher to assist you in reading the questions or getting clarity. The researcher can also upon your request assist you in keying in the answers into the survey. Even though your friend or family is allowed to assist you in filling the survey, the questions are supposed to be answered specifically from the perspective of the patient.

**Do you have to take part?**

No, you are absolutely not required to take part in the survey and you also have the flexibility of withdrawing at any given point. For you to take part in the study you have to tick you agree in the consent form.

**What if there is a problem?**

In case of a problem encountered while answering the survey or after the survey you can contact the researcher through his email: [ochieng40denis@gmail.com](mailto:ochieng40denis@gmail.com)

## Appendix 4: Survey Questions

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### 1.0 Demographic

1. What is your age?

- Under 18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- Above 65

2. How do you identify your gender?

- Male
- Female

3. What is your highest education level?

- High school diploma or equivalent
- College or associate degree
- Bachelor's degree
- Master's degree
- Doctoral degree

### 2.0 Legitimacy

a) How trustworthy do you perceive crowdfunding campaign to be?

- Very Untrustworthy
- Somewhat Untrustworthy
- Neutral
- Somewhat Trustworthy
- Very Trustworthy

b) How credible do you consider the information provided by the crowdfunding campaign?

- Not Credible at All
- Slightly Credible
- Moderately Credible
- Very Credible
- Extremely Credible

**c) How transparent do you perceive the crowdfunding campaign to be in terms of its goals and use of funds?**

- Not Transparent at All
- Slightly Transparent
- Moderately Transparent
- Very Transparent
- Extremely Transparent

### **3.0 Value for Value**

**a) How satisfied are you with the rewards or benefits received from supporting crowdfunding campaigns?**

- Very Dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Very Satisfied

**b) How important are the rewards or benefits in influencing your decision to support a crowdfunding campaign?**

- Not Important at All
- Slightly Important
- Moderately Important
- Very Important
- Extremely Important

**c) How well do you believe the rewards or benefits match the level of your contribution to the crowdfunding campaign?**

- Poor Match
- Fair Match
- Good Match
- Very Good Match
- Excellent Match

## 4.0 Supporter's Interaction

a) How frequently do you engage with crowdfunding campaign organizers through communication channels (e.g., comments, messages, social media)?

- Never
- Rarely
- Occasionally
- Frequently
- Very Frequently

b) How satisfied are you with the level of interaction and communication provided by crowdfunding campaign organizers?

- Very Dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Very Satisfied

c) To what extent do you feel involved in the crowdfunding campaign and its progress?

- Not Involved at All
- Slightly Involved
- Moderately Involved
- Very Involved
- Highly Involved

## 5.0 SME Performance

a. Our SME has experienced significant growth in revenue and profitability as a result of our crowdfunding campaign.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**b. Our SME has been successful in expanding its market presence and increasing its market share since participating in the crowdfunding campaign.**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**c. Our SME's ability to innovate and adapt to changing market conditions has been positively influenced by the crowdfunding campaign.**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**d. Our SME's competitive standing within the industry has been positively impacted by our participation in the crowdfunding campaign.**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree



## Appendix 5: Key Informant Interview Questions

**Objective:** To establish how legitimacy in crowdfunding campaigns influences the growth of SMEs a case study of Bura Irrigation Scheme, Kenya.

- i. How do you perceive the role of legitimacy in crowdfunding campaigns in influencing the growth of SMEs?

- ii. In your experience, what factors contribute to a crowdfunding campaign being perceived as legitimate or trustworthy?

- iii. How does the perception of legitimacy affect the level of support and engagement from potential backers or investors?

- iv. Can you provide examples of successful crowdfunding campaigns that have leveraged legitimacy to achieve significant growth for SMEs?

**Objective:** To establish how value for value in crowdfunding campaigns influences the growth of SMEs in Nairobi Central Business District, Kenya.

- I. From your perspective, how important is the concept of value for value in crowdfunding campaigns?

- II. How do rewards or benefits offered by crowdfunding campaigns impact the backers' decision to support a campaign?

- III. In your experience, what are some effective strategies for aligning the value proposition of a crowdfunding campaign with the expectations of potential backers?

IV. Can you share examples of crowdfunding campaigns that have effectively utilized value for value to drive SME growth?

**Objective:** To establish how supporters' interaction in crowdfunding influences the growth of SMEs in Nairobi Central Business District, Kenya.

I. How would you describe the role of supporters' interaction in crowdfunding campaigns?

II. In your opinion, what are the key elements of effective interaction between crowdfunding campaign organizers and supporters?

III. How does active engagement and communication with supporters contribute to the success of a crowdfunding campaign?

IV. Can you provide examples of crowdfunding campaigns that have effectively engaged and interacted with their supporters to achieve SME growth?

**Objective:** To establish how combined crowdfunding campaign elements influence the growth of SMEs in Nairobi Central Business District, Kenya.

I. In your experience, how do the various elements of a crowdfunding campaign (legitimacy, value for value, supporters' interaction) interact and influence the overall success and growth of SMEs?

II. Are there specific strategies or approaches that integrate these elements effectively in crowdfunding campaigns?

III. Can you share examples of crowdfunding campaigns that have effectively combined these elements to achieve significant growth for SMEs?

IV. From your perspective, what are the key challenges or barriers that SMEs face in leveraging these combined crowdfunding campaign elements for growth?

