Fintech Investment Financing Mechanisms And Performance Of Investment Firms In Kenya

Elizabeth Ndichu Gitonga and Peter Wang’ombe Kariuki

Abstract: The purpose of this study is to establish the influence of fintech investment financing mechanisms on performance of investment firms in Kenya. Descriptive and explanatory research designs were used in this study. Fifty-seven financial managers, one from each of the investment firms in Kenya was issued with a questionnaire and one director from each investment firm was interviewed. Qualitative data were analyzed using content analysis technique while quantitative data was analyzed using structural equation modeling. The results revealed that fintech peer-to-peer lending practices, equity crowd funding practices, crowd lending platform and credit and factor scoring fintech services have a positive and significant relationship with performance of investment firms. The paper’s original conclusion is that fintech investment financing mechanisms may impact firm performance both in terms of financial measures and customer satisfaction. The study recommends adoption of fintech financing mechanism that include crowd investing and crowd funding in supporting investment project ideas. Peer-to-peer lending provide capital to entrepreneurs helping them gain access to investment funding. Crowd funding as a business model allows individuals to invest in a firm, typically a start-up or early stage business, in exchange for shares of that firm, or engage in other forms of investment.

Index Terms: Fintech, investment financing mechanisms, performance of investment firms, Kenya.

1. INTRODUCTION

The advancement in financial technology (fintech) services has impacted every aspect of financial services of investment firms (Mowaters & Bruno, 2017). Investment firms engage in analyzing, selecting, maintaining, protecting and evaluating the investment assets including financial assets with the objective of achieving set investment goals (M’ariba, 2018). Fintech services which entail the new applications, processes, products or business models have disrupted the traditional finance system by providing faster, secure and reliable methods of doing business (Schaus, 2016). However, funding investment firms remains a major problem to many investment firms because of the large sums of funds required to undertake a project. Financing investment firms is thus a top priority for investors. Some of the financial technology financing mechanisms includes crowd investing and crowd lending (Dorfleitner, Hornuf, Schmitt & Weber, 2017). Through crowd investing, investors receive a share of equity, debt or hybrid ownership. The contracts used in crowd investing often simulate certain aspects of equity participation using a mezzanine instrument (Klöhn, Hornuf & Schilling, 2016). Crowd investing portals profit from the fees they receive from successfully financed firms (Hornuf & Schwienbacher, 2014). Likewise, crowd-lending, contains platforms that enable private individuals and businesses to secure loans from the crowd. In return for the provision of the loan, investors receive a pre-determined interest rate (Bradford, 2012).

Credit and factoring financial technologies have been adopted globally. Credit and factoring financial technologies extend credit to private individuals and businesses without recourse to the crowd (Williams, 2015). Loans are sometimes given over short-term periods of a few days or weeks via mobile phone. In addition, these financial technologies offer innovative factoring solutions, such as selling claims online or offering factoring solutions without a minimum requirement (Neuman, 2015). As a rule, investment firms in the credit and factoring automate many of their processes, thereby enabling cost-effective, fast and efficient services. The asset management segment includes financial technologies that offer advice, disposal and management of assets, and aggregated indicators of personal wealth. Further, social trading is a form of investment in which investors can observe, discuss, and copy the investment strategies or portfolios of other members of a social network (Liu et al., 2014). Individual investors are supposed to benefit from the collective wisdom of a large number of traders. Depending on the business model of a social trading platform, users can be charged for spreads, order costs, or percentages of the amount invested (Pentland, 2013). In Germany, the market leaders in the crowd lending industry are financed by two types of fees. On the one hand, borrowers are charged a fee that depends on their creditworthiness and the duration of the loan. On the other hand, lenders are required to pay a certain percentage of the amount invested (often 1%) or one percentage point of the interest rate (Dorfleitner et al., 2017). In South Africa Barclays bank innovated Rain fin lending fintech service based on peer-to-peer (P2P) lending business with transactions of more than one million rand per day.

Investment firms provide a means through which small savers can pool funds to invest in a variety of financial instruments. In Kenya the effects brought by fintech financing mechanisms remain unknown (Deloitte, 2017). Fintech financing mechanism is essential to the operations of investment firms. Financing investment firms remains a major problem in most investment firms. Investment firms that do not keep up with the changing technological pace have suffered financial losses (Schaus, 2016). By relying on traditional methods of doing business and financing business operations, most investment firms fail to reap the benefits of their investments. Despite the many perceived benefits arising from fintech products and services, the field has not received reasonable attention in academic literature. In a study on fintech financing mechanisms through technology venture by Korovkin (2014), it was found that crowd funding and crowd lending are the leading fintech mechanisms of financing business operations. However, the study employed qualitative research design that

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is limited especially when it comes to measuring the effect of predictor variables on the outcome element(s). The current study cured this by mixing both qualitative and quantitative methodologies to predict the effect brought about by fintech services on the firm’s performance. Ingram and Teigland (2013) conducted a qualitative research on funding system adoption of crowd funding in Sweden and established that crowd funding does not facilitate access to the skills and resources required by the new venture. It was also found that crowd funding is a growing method of financing. However, the study did not estimate the amount of income generated through the method. By employing the standard Stochastic Frontier Approach, Romdhane (2013) found that investment financing mechanisms predicted a positive impact of IT investments on Tunisian Banks. However, the study did not show the impact of investment financing mechanisms on the overall performance of the firm. While employing a literature review approach, Abbasi and Weigand (2017) established that technological financial elements are disrupting traditional financial services. Technological revolution in digital finance services is positively influencing firm’s performance. However, the study was purely qualitative and so quantifying performance achieved, was not possible. Ky, Rugemintwari and Sauviet (2019) undertook a study on whether fintech is good for bank performance by focusing on mobile money in the East African Community. The study found a strong positive and significant relationship between the times elapsed since banks’ adoption of mobile money and their performance considering an array of proxies of bank profitability, efficiency and stability. It is against this that this study sought to establish the influence of fintech investment financing mechanisms on performance of investment firms in Kenya. The performance of most investment firms in Kenya declined drastically from 2013 to 2016, a situation that was attributed to slow operations and inefficiencies in doing business (Capital Market Authority, 2017). From a combined profit of USD77.3 million in 2013, investment firms’ profits declined to a combined profit of USD 70.05 million in 2016 (Capital Market Authority, 2017). This paper has been organized into sections. The sections include literature review, review of empirical literature, methodology, data analysis, results and interpretations. Conclusions and recommendations are also presented in this paper.

2. THEORETICAL FRAMEWORK

This paper was guided by information systems success model, developed by DeLone and McLean (1992). The model has been widely used to gauge success of a new system (Acton, Halonen, Conboy & Golden, 2009). Over time the model has been modified to meet the requirements set by several kinds of information systems, and from different points of view. DeLone and McLean (1992) had argued that Information-Quality, System-Quality, and Service-Quality could stimulate Intention-to-Use and User-Satisfaction. The stimulation would further positively influence net-benefits (Lee, 2012). Figure 1 illustrates the updated version of Information Systems Success model.

![Figure 1: Information Systems Success Model](source)

Source: (DeLone & McLean, 2003)

The information systems success model is applicable to the study as it predicts the intention of the investment firms to adopt and implement fintech financing mechanisms in their operations. The preparedness of investment firms to adopt fintech financing mechanism is dependent on the perceived benefits to be reaped.

3. REVIEW OF EMPIRICAL LITERATURE

Digital financing allows entrepreneurs, firm enterprises and start-ups to use the digital platforms to access the necessary financing for their businesses. Digital financing embraces all digital types of making available financial capital (Gomber, Koch & Siering, 2017). Various platforms offer digitalized services in the area of factoring, invoicing, leasing, and crowd funding. Perhaps, the biggest change that financial technology brought to the global economy was the outstanding innovation in the field of crowd lending (Conner, 2013). Credit and factoring financial technologies extend credit to private individuals and businesses without recourse to the crowd (Williams, 2015). Factoring is a type of supplier financing in which firms sell their creditworthy accounts receivable at a discount (generally equal to interest plus service fees) and receive immediate cash (Gomber, et al., 2017). Typically, a complete portfolio of receivables of diverse customers is sold by the original creditor to a so called factor. Such a mixed portfolio shall diversify the risk that originates from each debtor of the creditor. Loans are sometimes given over short-term periods of a few days or weeks via mobile phone. In addition, these financial technologies offer innovative factoring solutions, such as selling claims online or offering factoring solutions without a minimum requirement (Macchiavello, 2014). Invoicing offers fast, simple, and reliable services in order to transmit invoice data electronically in a structured and standardized format that allows for automated processing (Penttinen & Tuunainen, 2009). A better coordination of invoices, better overviews, faster transmission, and account settling help to shorten the time until bills are paid. Leasing helps individuals or firms that are not endowed with sufficient liquidity to pay for assets, like cars, trucks, or machines. The user is immediately allowed to use the asset while it remains in the possession of the lessor-financier. In crowd lending, financial technology, the technique contains platforms that enable private individuals and businesses to secure loans from the crowd. Many fintech lenders use proprietary technology, machine learning algorithms, and Big Data.
analytics to identify potential borrowers, evaluate their risk, and then set the terms of the loan including the loan rate (Imerman & Fabozzi, 2020). In return for the provision of the loan, investors receive a pre-determined interest rate (Bradford, 2012). This model involves matching borrowers with lenders where the first one expects repayment of the principal amount together with interest on the original investment (Huynh, 2016). Here, money is borrowed from private persons instead of banks. Motivation for lenders is expressed in higher financial return and for borrowers in lower rate than a bank would give, providing little amount or no securities for the loan. The return rate is preset and displayed at funding moment (Kuznetsov, 2016). The return rate is risk based and calculated with financial data and personal securities. There is no money creation within a platform as in a bank therefore the systematic risk of default is not present. Experience shows that default rate for P2P lending is very low and usually below 1% (Milne & Parboteeah, 2016). This is growing and profitable endeavor. European lending market is estimated to be about 20 million euro per month. A special case is called Peer-to-business lending where platforms provide loans to small and medium size businesses. In a study on fintech financing mechanisms through technology venture by Korovkin (2014), it was found that crowd funding and crowd lending are the leading fintech mechanisms of financing business operations. However, the study employed qualitative research design that is limited especially when it comes to measuring the effect of predictor variables on the outcome element (s). The current study cured this by mixing both qualitative and quantitative methodologies to predict the effect brought about by fintech services on the firm’s performance. Ingram and Teigland (2013) conducted a qualitative research on funding system adoption of crowd funding in Sweden and established that crowd funding does not facilitate access to the skills and resources required by the new venture. It was also found that crowd funding is a growing method of financing. However, the study did not estimate the amount of income generated through the method. Using desktop literature review approach, Huynh (2016) conducted a study on entrepreneurship and equity crowd funding and found that crowd funding enabled financing of critical projects in a firm. However, the study employed qualitative research design that is limited especially when it comes to quantifying the effect of fintech services on firm performance. This paper cured this by mixing both qualitative and quantitative methodologies to predict the effect brought by fintech services on firm performance. By employing the standard Stochastic Frontier Approach, Romdhane (2013) found that investment financing mechanisms predicted a positive impact of IT investments on Tunisian Banks. However, the study did not show the impact of investment financing mechanisms on the overall performance of the firm. While employing a literature review approach, Abbasi and Weigand (2017) established that technological financial elements are disrupting traditional financial services. Technological revolution in digital finance services is positively influencing firm’s performance. However, the study was purely qualitative and so quantifying performance achieved, was not possible. Ky, Rugemintwari and Sauviat (2019) undertook a study on whether fintech is good for bank performance by focusing on mobile money in the East African Community. Combining hand-collected data with balance sheet data from Bank scope for a panel of 170 financial institutions over the period 2009-2015, the study found a strong positive and significant relationship between the times elapsed since banks’ adoption of mobile money and their performance considering an array of proxies of bank profitability, efficiency and stability. The results are robust to using instrumental variables, controlling for bank and macro level confounding factors, bank fixed effects and considering alternative measures of bank performance and mobile money adoption. Furthermore, the results showed that enhanced income diversification and broadened access to deposits are possible channels through which banks involved in mobile money improve their performance. The reviews of empirical literature fail to clearly point out how fintech services influence firm performance. From the empirical literature, it is not evidently clear how fintech is impact firm performance (Korovkin, 2014; Teigland, 2013; Huynh, 2016). Thus, this paper makes a hypothesis that; fintech investment financing mechanisms has no significant influence on performance of investment firms in Kenya. The specific hypotheses tested include; peer-to-peer lending practices have no significant influence on performance of investment firms in Kenya, equity crowd funding practices has no significant influence on performance of investment firms in Kenya, crowd investing has no significant influence on performance of investment firms in Kenya, credit and factor scoring Fintech services has no significant influence on performance of investment firms in Kenya and innovative factoring solutions platforms has no significant influence on performance of investment firms in Kenya.

4. RESEARCH METHODOLOGY

Descriptive and explanatory research designs were used in this study. The target population was 57 investment firms that have integrated fintech in their business operations. The unit of analysis was the investment firms while the units of observation were the financial managers and managing directors. The study adopted census approach since the population under study was small. Therefore, all the 57 investment firms were included in the study as units of analysis. Primary data was collected in the month of December 2019 to March 2020 using a structured questionnaires and in-depth interview guide. Interview session was held with each of the investment firm managing director at their respective offices. Qualitative data were analyzed using content analysis technique. Quantitative data was analyzed using inferential statistics specifically structural equation modeling. The structural equation estimated was:

\[ \text{PIC} = \alpha + \beta_{1}\text{FIF}_{1} + \beta_{2}\text{FIF}_{2} + \beta_{3}\text{FIF}_{3} + \beta_{4}\text{FIF}_{4} + \beta_{5}\text{FIF}_{5} + \beta_{6}\text{FIF}_{6} + \ldots \text{Equation 1} \]

Where;

- PIC is performance of investment firms measured using levels of operational efficiency, client satisfaction and risk management as non-financial indicators of firm performance and return on assets (ROA) and return on equity (ROE) as financial indicators.
- $\alpha$ is Constant in the equation
- $\beta_{1-6}$ are Beta coefficients
- FIF_{is} Peer-to-peer lending practices measured using amount of funds lent through peer-to-peer lending platforms
- FIF_{eq} is Equity crowd funding practices measured using amount of funds invested in a firm in exchange for shares
- FIF_{cr} is Crowd investing measured using amount of funds invested in a firm by group
FIF₄ is Crowd lending platform measured using amount of funds lent through crowd lending platform
FIF₅ is Credit and factor scoring Fintech services measured as the proportion of funds repaid plus interest to the total amount loaned out
FIF₆ is Innovative factoring solutions platforms measured using value of accounts receivable (invoices) to a third party at a discounted price.

ε is error term

5. RESULTS AND DISCUSSION

5.1 Demographics for the respondents

The study sought to describe the profile information of the participants of the study. The profile information includes gender, level of education, position, work experience and department. This was inspired by the need to establish whether there exists any close relationship among participants’ profile information, financial technology and performance of investment companies. The profile information of the participants is presented in Table 1.

<table>
<thead>
<tr>
<th>Table 1: Demographics for the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profile information of the participants</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Level of education</td>
</tr>
<tr>
<td>Diploma</td>
</tr>
<tr>
<td>Bachelors</td>
</tr>
<tr>
<td>Masters</td>
</tr>
<tr>
<td>PhD</td>
</tr>
<tr>
<td>Work experience</td>
</tr>
<tr>
<td>Less than 5 years</td>
</tr>
<tr>
<td>6-9 years</td>
</tr>
<tr>
<td>10-13 years</td>
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<tr>
<td>over 14 years</td>
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</tbody>
</table>

The results in Table 1 indicate that majority 62.3% of financial managers were males while 37.7% were females. The results imply that majority of workers in the target investment companies were males. Gender disparity has been common at the work place where some professions have more of particular gender compared to the other. In the past, women were less at the work places; however, the trend has changed with more working than before. Further, level of education, majority 54.7% had bachelors level of education, 22.6% had masters, 11.3% while 11.3% had diploma. The study imply that investment companies employ first level graduates with other personnel being drawn from diploma colleges and advances level of education including masters and Phds. Level of education describes the level of soft and technical skills required to enhance firm performance. The study also found that majority 54.7% had worked in the company for 6-9 years, 20.8% for 10-13 years, 13.2% for over 14 years and 11.3% for less than 5 years. Years of work may determine the level of experience and expertise possessed by employees. Work experience may enhance the performance of investment companies. However, according to Hamori and Koyuncu (2015) work experience is negatively related to firm performance.

5.2 Structural Equation Model of Fintech Investment Financing and Performance of Investment Firms

The regression results presented in Table 2and Figure 2 show that the influence of fintech investment financing mechanisms on performance of investment firms was significant (R² =.639, p<0.05), implying that 63.9 percent of variation in performance of investment firms is explained by fintech investment financing mechanisms. Fintech investment financing mechanisms measurement that peer-to-peer lending practices are helping in growing investment capital is positively and significantly (β=.186, P<0.05). The beta coefficient of .186 suggests that a unit change in the use of peer to peer lending is associated with .186 unit increase in performance of investment firms. The null hypothesis that peer-to-peer lending practices have no significant influence on performance of investment firms in Kenya was rejected since the p-value is .012<0.05and conclusion made that peer-to-peer lending practices influence performance of investment firms. Peer-to-peer lending platforms adopt different structures and show diverse inspirations, especially in the most mature markets. Most platforms present themselves as solely virtual places where lenders and borrowers have the opportunity to “meet” and match their respective demands and offers. Peer-to-peer lending platforms often check borrowers’ credit history and projects, rate them, and transfer the money from some users to others in the forms of loans or loan repayments. Peer-to-peer facilitates online payment between and among entities in the absence of a third party. Peer-to-peer platforms issue credits without bank interventions to individuals and firms investing in small businesses. These platforms serve borrowers and lenders while others allow lenders to select the borrowers, loans packages and online auctions to issue. As a result of this, the expenses incurred using these platforms are lower as compared to traditional platforms hence more revenue for the firm. The results of the study concur with Gibson (2015) that financial technology has tremendously impacted on financial services industries by enhancing automated payment techniques. Equity crowd funding practices (β=.441, P<0.05) and performance of investment firms have a positive and significant relationship implying that a unit change in equity crowd funding practices results to .441 unit increase in performance of investment firms. The hypothesis that equity crowd funding practices has no significant influence on performance of investment firms in Kenya was rejected since the p-value is .002<0.05 and conclusion made that crowd funding practices influences performance of investment firms. Equity crowd funding promises to transform the private funding landscape for start-ups and early stage projects allowing non-experience investors to participate in funding a project. Crowd funding is used as an umbrella term and stands for any type of web-based collection of small quantities of funds from platform users to finance a project. It could be commercial, where funders expect some kind of financial return, or non-commercial and based on donations. Crowd lending is one of the commercial types of crowd funding, whereby an internet platform collects small amounts of funds from individuals in "the crowd" to finance collectively a loan of a higher amount to individuals or businesses. The results agree with Joo Kitano, (2017) that there is an innate characteristic of the investor to trust in the equity crowd funding ecosystem and that the investors have found mechanisms that allow them to identify potential flaws and cases of fraud present in certain equity
crowd funding projects. According to Ingram and Teigland (2013) crowd funding does not facilitate access to the skills and resources required by the new venture but it a convenient method of financing. The agreement in crowd investing normally simulates some aspects of participatory equity through a mezzanine tool. SEM output is shown in Table 2.

Table 2: Structural Equation Model of Fintech Investment Financing and Performance of Investment Firms

<table>
<thead>
<tr>
<th>Firm performance</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIF1</td>
<td>.186</td>
<td>.074</td>
<td>2.515</td>
<td>.012**</td>
</tr>
<tr>
<td>FIF2</td>
<td>.441</td>
<td>.125</td>
<td>3.521</td>
<td>.002**</td>
</tr>
<tr>
<td>FIF3</td>
<td>-.102</td>
<td>.078</td>
<td>-1.309</td>
<td>.190</td>
</tr>
<tr>
<td>FIF4</td>
<td>.167</td>
<td>.058</td>
<td>3.224</td>
<td>.004**</td>
</tr>
<tr>
<td>FIF5</td>
<td>.200</td>
<td>.083</td>
<td>2.395</td>
<td>.017*</td>
</tr>
<tr>
<td>FIF6</td>
<td>.034</td>
<td>.036</td>
<td>.929</td>
<td>.353</td>
</tr>
</tbody>
</table>

Squared correlation .639

**Significant at 0.05

Figure 2: Structural Equation Model between Fintech Investment Financing and Performance of Investment Firms

Where
FIF1 is Peer-to-peer lending practices.
FIF2 is Equity crowd funding practices.
FIF3 is Crowd investing
FIF4 is Crowd lending platform
FIF5 is Credit and factor scoring Fintech services
FIF6 is Innovative factoring solutions platforms

Crowd investing technique is helping finance firm’s operations while exchanging some ownership right is negatively statistically insignificant with performance of investment firms (β=-.102, P>0.05). The study failed to reject the hypothesis that equity crowd funding practices has no significant influence on performance of investment firms in Kenya since the p-value .190>0.05 and conclusion made that Crowd investing technique does not influence performance of investment firms. Crowd investing (also referred to as investment-based crowd funding) denotes the Internet-based investment in startup firms by the crowd with the intention to obtain some residual claim on future cash flows of a firm. Crowd investing is injection of relatively small capital into a business in exchange of some ownership right. In crowd investing, investors get a share of equity or some stake in the firm. The income generated through crowd investing is a source of revenue to the firm. While in the past transaction costs made it unlikely that so small amounts would be offered to the general public, the Internet now provides opportunities to accomplish just this. As a consequence, crowd investing has become a viable alternative form of entrepreneurial finance, even for firms that are excluded from venture capital, angel finance, government programs or friends and family. Crowd investing offerings in the form of equity, debt or mezzanine finance typically involve financial securities and are thus subject to securities regulation. According to Hornuf and Schwienbacher (2016), firms that rely on crowd investing may eventually exhibit different characteristics due to their funding source and thus evolve differently in the future. Crowd lending platform is helping finance startup business enterprises is positively and significantly related (β=.167, P<0.05). Thus, units change in crowd lending platform results to .167 unit increase in performance of investment firms. The hypothesis that crowd lending platform has no significant influence on performance of investment firms in Kenya was rejected since the p-value is .004<0.05 and conclusion made that crowd lending platform influences performance of investment firms. Further, the statement that credit and factor scoring fintech services is helping in extending credit facilities to enterprises without recourse to the crowd has a positive and significant (β=.200, P<0.05) relationship with performance of investment firms implying that a unit change of credit and factor scoring fintech services results to .200 unit increase in performance of investment firms. The hypothesis that credit and factor scoring has no significant influence on performance of investment firms in Kenya was rejected since the p-value is .017<0.05 and conclusion made that credit and factor scoring influences performance of investment firms. In an interview with firm managing directors; one participant noted;

“Credit and factor scoring has helped predict credit worthiness of a customer seeking financial support. The use of crowd funding and crowd investing helped finance investment projects” Managing Director 2[Key Informant, 2019]

Credit and factor scoring fintech services offer credit to private investors and enterprises at no recourse to the group. Fintech services offer innovative factoring solutions, for instance selling claims online. Loans are often awarded over short-term period through cell phones. The more the loans given online, the more the interest income generated boosting overall performance of the firm. The results are also in line with Huynh (2016) that crowd funding enabled financing of critical projects in a firm. According to Romdhane (2013) investment financing mechanisms predicts a positive impact of IT investments on firm performance.

Innovative factoring solutions platforms are sprouting up as a
result of selling claims online is positively but insignificantly related with performance of investment firms (β = 0.034, P > 0.05). The study failed to reject the hypothesis that innovative factoring solutions platforms have no significant influence on performance of investment firms in Kenya since the p-value is 0.353 > 0.05 and conclusion made that innovative factoring solutions platforms does not influence performance of investment firms. The use of innovative technologies in investment business ensures a high level of competitiveness in the market and further expansion of the client base. Fintech services offer innovative factoring solutions, for instance selling claims online.

5. Conclusion and Recommendations

The paper concludes that fintech financing facilitated the performance of investment firms by supporting investment projects. Fintech financing mechanisms that include crowd funding, crowd investing, crowd lending, credit and factoring stimulated the growth of investment firms. Peer-to-peer lending practices have a positive and significant relationship with performance of investment firms, equity crowd funding practices revealed a positive and significant relationship with performance of investment firms whereas crowd investing techniques is negatively and statistically insignificant with performance of investment firms. It was also established that crowdfunding platform has a positive and significant relationship with performance of investment firms, credit and factor scoring fintech services also revealed positive and significant relationship with performance of investment firms whereas innovative factoring solutions platforms revealed a positive but insignificant related with relationship with performance of investment firms. Peer-to-peer lending can also involve platforms similar to micro financing in that individuals directly provide capital to other individuals. Government and corporate accelerators offer a variation of peer-to-peer lending by helping entrepreneurs gain access to modest initial amounts of funding together with mentoring support. Further, crowd funding as a business model allows individuals to invest in a firm, typically a start-up or early stage business, in exchange for shares of that firm. Digital funding via initial coin offerings (ICOs) and crowd funding platforms; internet-based international trades with virtual currency swaps, and buyer-led supply chain financing; all have changed the financial playbook, disrupting the banking sector to its core. Source of financing investment projects traditionally has been from physical financial institutions that are full of unnecessary bureaucracies. Small investment firms with little assets of financial capability find it hard to receive support from traditional financial institutions that require certain nature of collaterals before issuing financial support. The study recommends for the adoption of online financing mechanism that include crowd investing and crowd funding in supporting investment project ideas. Investment financial institutions may employ the use credit and factor scoring in predicting credit worthiness of customer seeking financial support. Fintech investment financing mechanisms has influenced the way businesses and commerce is conducted with several benefits. However, growth of fintech investment financing mechanisms in Kenya has been marred with policy and regulatory barriers. The country lack necessary infrastructure and human capital to spur the growth of fintech services in the country. The Central Bank of Kenya (CBK) in conjunction with Treasury and investors has been participating in policy talks on how to spur fintech growth by implementing appropriate policy guidelines. Policy recommendations need to be created by Ministry of Communication and technology in collaboration with Communication Authority of Kenya and fintech investors to support the creation of fintech infrastructural requirements. Appropriate legislation and regulations need to enacted to ensure that such innovations are operationalized, accordingly so as to enhance market confidence. The CBK is seeking advice from external firms about how to legislate around new fintech. For the fintech sector, these policies appear to be beneficial. The Business Regulatory Reform Unit, an arm of the ministry of finance tasked with simplifying business licensing to consider reviewing its business licensing guidelines to be simple and favorable to investors.

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Acknowledgement
I wish to acknowledge my able supervisors Dr. Peter Wang’ombe Kariuki and Dr. Samuel Nduati Kariuki for their support and guidance while writing this paper. They have also been influential in ensuring that this scholarly work has achieved its set objectives in the field of knowledge. I wish to thank also my classmates in the University of Embu, for the assistance offered during this process of writing this paper. Above all to the almighty God for his protection and provision of good health.