

**Title: EMPIRICAL ANALYSIS OF THE DESIRES AND
CONCESSIONS OF IMPACT INVESTORS AND SOCIAL
ENTREPRENEURS IN KENYA**

Author: KAUNDA, NZILANI

ABSTRACT

Using a mixed methods approach, the current study finds evidence of significant rifts between the entrepreneur's desire to create social impact and the investor's expectation of financial return. Inadequate provision of non-financial support slows down the social entrepreneurs while lack of interaction between both groups presents difficulties in matching each other's desires and expectations. The study established that over 50% of the entrepreneurs businesses sampled are yet to reach the growth stage, limiting their financing options due to the risk associated with new businesses. As a result, such enterprises are entrepreneur-financed. Their low financing capacity has contributed to 73% of social enterprises having initial capital below KES 50 Million which in turn is viewed as a deterrent for impact investors looking to maximize returns. The study finds that social entrepreneurs' greatest challenges are obtaining financing, lack of information about impact investors and legal and regulatory requirements. The study finds evidence that impact investors emphasize on sustainability through generation of financial returns and are unwilling to invest at the earlier stages of business. Their required return of 16% is unattainable for over 50% of social entrepreneurs. The impact investors greatest challenges are measurement of impact, lack of investment-ready opportunities and lack of technical capacity among social entrepreneurs. These rifts can be bridged by matching impact investors and social entrepreneurs based on their impact and return objectives, investing in non-financial support to help entrepreneurs scale up and increasing interactions between both groups by creating a local impact investing network.