This Research focused on factors affecting the performance of SSEs in ASAL areas and was carried out in Hola town - Tana River District of Coast Province. There has been a lot of funding to small scale enterprises in ASAL areas by the GOK and NGO's. It had however been noted that despite this GOK positive trend, the small enterprises in ASAL areas - Hola town still showed massive failures with no available information as to why it was so. The purpose of this study therefore was to investigate and identify the factors affecting the performance of small scale enterprises in ASAL areas - Hola town - Tana River district. The relevant literature related to this study was reviewed covering infrastructure, education and training, capital, skills policy, markets and technology. A cross-sectional survey research design and stratified random sampling procedures were used. A closed ended and open ended questionnaire was administered to a sample of 110 SSEs from a population of 350 registered/licensed enterprises in Hola. Data collected was quantitative and qualitative. Qualitative data was analyzed using contents analysis and quantitative data was analyzed using descriptive statistics. Data Presentation is by use of Bar charts, tables and pie-charts. The study found that small scale enterprises are affected by lack of management training and experience, inadequate capital, low levels of education and training, lack of market information, low technology adoption, and inadequate infrastructure such as lack of power, raw materials and water with other challenges posed by competition, policies and regulations, political activities and security levels. Other factors identified to affect the performance of small scale enterprises were profits levels, inadequate book keeping with poor records keeping and low staff levels. The study concludes that small scale enterprises in ASAL areas need to be provided with friendly business policies and incentives, a conducive operating environment, improvement in infrastructure, enhanced stable political climate and security for high performance targets such as quality of products, profits and employment generation to be achieved. There are recommendations that emerged from the study. First, the government could consider giving cheap loans to small scale enterprises without collaterals; improvement in infrastructure such as provision of electricity, water supplies and road systems are necessary. Other recommendations include management workshops and seminars for entrepreneurs, encourage more women participation in the small enterprise sector, Provision of premises/shades to the entrepreneurs; Emphasis on technology adoption for quality products by the small scale enterprises. Government should curb dumping into the country of cheap foreign products to protect the small scale enterprises.