

Smart finance for Kenyan MSMEs

FSD Africa Investments (FSDAi), the investing arm of FSD Africa, has today announced a £3m investment into [IMFact](#), an expanding fintech company that uses supply chain financing to provide working capital to micro, small and medium enterprises (MSMEs).



Source: [Pexels](#)

As a “pooled receivables” factoring business, IMFact purchases bulk invoices from MSMEs for a mix of upfront cash and deferred payments. This gives the sellers access to cash without the need to follow up or wait for invoices to be paid, freeing up capital to buy new inventory, pay suppliers, and grow the business.

IMFact’s “pooled receivables” model differs from the pre-existing invoice-discounting practice where the best receivables or invoices are cherry-picked by the financing company meaning the rest of the receivables pool cannot be used as collateral. It also provides faster access to working capital than the invoice discounting usually offered by banks because it does not require an upfront deposit or guarantees.



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2 Aug 2021



FSDAi’s funding, the first external equity investment in IMFact, comes at a critical time, with Covid-19 having placed undue pressure on MSMEs in many sectors, most notably in the healthcare sector. IMFact’s innovative solution is particularly timely owing to its ability to release additional cashflow that hitherto was locked up.

Under current plans, and subject to further fundraising, ImFact is projected to provide funding totalling £475m to around 570 business over the next five years and support around 5,600 jobs.

Support for suppliers of medical equipment and pharmaceuticals

Many of the MSMEs expected to benefit are family-owned businesses including those that distribute medical equipment and pharmaceuticals to public and private organisations. However, IMFact will also be working with supply chain businesses in other industries.

Among the first to partner with IMFact is ABC Pharmacy, which supplies pharmaceutical products to pharmacies, hospitals, and clinics across the country but had faced challenges due to inadequate working capital. Through IMFact's financing, ABC Pharmacy is now making a transition in its business model by extending its credit terms to clients. With the increase in capital available, the company has been able to increase sales and grow its business.



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30 Nov 2021



Dr John Muturi, CEO of ABC Pharmacy said: "The financing from IMFact will be a game changer for our future business operations."

FSDAI's ultimate objective in making the investment is to encourage the development of technology-enabled, "pooled receivables" financing across Africa. Our analysis shows Africa lags behind global averages for this kind of financing representing less than 1% of global volumes. On the continent, only South Africa has a markedly developed factoring model while the penetration in Kenya stands at less than 2%.

IMFact's early beginnings

IMFact was established in 2019 by [Cardano Development \(CD\)](#) - an incubator and fund manager based in Amsterdam, The Netherlands - with financing from KfW on behalf of the [German Ministry for Economic Cooperation and Development \(BMZ\)](#). It received initial capital from Rockefeller Foundation and Convergence. IMFact Kenya is the first regional hub to become operational and was developed by CD with funding support from [Total Impact Capital \(TIC\)](#) advisors.

"We are pleased to be working with IMFact to support the rapid financing of MSMEs in Kenya at a time when many are struggling to get access to working capital from traditional lending institutions. We particularly look forward to seeing the impact the investment has on Kenya's medical and pharmaceutical sector and hope to encourage further scaling of fintech solutions to solve the funding gap among smaller businesses," Anne-Marie Chidzero, chief investment officer, FSD Africa Investments, said.

Innovation in finance

Peter Fiala, chief investment officer, IMFact adds: "IMFact is extremely pleased to have passed the extensive scrutiny of FSDAI's due-diligence process which has paved the way for them to become a cornerstone investor in IMFact following the successful financial close of our third-round capital raise. This investment paves the way for further capital investors, including debt, which will support further deployment of capital to our fast-growing list of clients."

Joost Zuidberg, chief executive officer, Cardano Development, said: "We are delighted to welcome FSDAI into IMFact in support of our early growth in Kenya and expansion to other African markets. We are passionate about financial-services

innovation, and believe that IMFact will prove to be a step-change in broad access for Africa's MSMEs to working capital. With its innovative approach in using the pooling of debtors to mitigate risk, IMFact has a very competitive product that directly addresses the barriers for Africa's MSMEs to access formal and affordable finance."

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