



## A CASE STUDY FOR UNDERSTANDING THE STARTUP ECOSYSTEM IN KENYA

This case study was researched by **Kenyatta University** and compiled by **Maitri Capital** as part of a report on the Understanding the Startup Ecosystem in Kenya, together with Kenyatta University and other partners, funded by UK Aid

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**1MILLIONSTARTUPS**

# ABOUT FlexPay

FlexPay Technologies is a company that offers an automated platform that enables merchants and their customers to manage flexible payments for goods and services across mobile money and bank transfer platforms. FlexPay helps customers break down their payments for purchases into smaller chunks that can be paid over time.

FlexPay targets the unbanked and underbanked in developing economies who do not have the financial adequacy to pay for most goods or services on a one-off basis. By providing an online and offline payment gateway, FlexPay enables merchants to offer interest-free targeted savings to their customers in Africa. Through FlexPay, merchants give their customers the freedom to choose how and when to pay for high-value goods and services.

Shoppers get to spread the cost over time (pay in instalments) increasing flexibility and spending power.

Merchants can choose to integrate FlexPay as a checkout option online or offer offline in-store flexibility.

As the CEO and founder of FlexPay, Richards has led the company to its successful execution for the last four years. Richard has more than seven years of diverse experience in FinTech, entrepreneurship, developing, scaling startups, and building innovations across Africa. Richard is also an established visual artist and product designer.



**Save now, buy later  
and earn cash  
rewards.**



# HOW IT STARTED

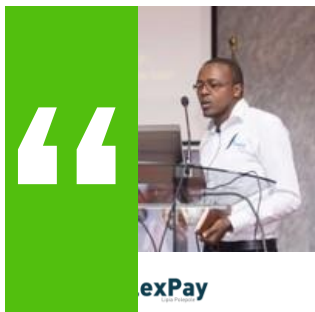


FlexPay was founded in 2014 by Richard Machomba, Johnson Mwangi, Martin Maina, Dennis Karanu and Moses Gathecha but became fully operational in 2017. The founders found it difficult for campus students to make one-off payments for essential items like laptops and fridges due to financial inabilities. The manual layaway option was a tedious exercise as not most students had a balanced time for class and many trips to merchants to make payments.

From this, the FlexPay idea spurred the need to automate the process and make it simple and convenient both for the users and merchants. FlexPay was incubated at Chandaria Business Innovation and Incubation Center (CBII) at Kenyatta University in Nairobi.

As the only automated savings aligned with people's behaviors today, FlexPay supports more than 250 merchants and has more than 100,000 customers transacting more than USD 2.5M every year. FlexPay have managed to grow their GMV 5x over the past year.

For merchants, the model increases sales of inventory, resulting in higher profit and goods/services sold. For the customer, it provides a cheap, convenient and simple payment option to own goods they cannot afford.



**JOHNSON GITUMA,**  
**CO-FOUNDER, FlexPay**

"The idea was born when we faced difficulties raising money to buy essential household electronic items. This gave us the idea to develop a platform that would provide the low-end segment of the market with a piecemeal payments gateway"



# PARTNER ORGANISATIONS

To gain more traction and scale up operations, FlexPay works with some of the largest retailers and merchants in Kenya, including supermarkets (Naivas, Tuskys) and electrical appliance manufacturers ( Hotpoint, LG). A list of all partners of FlexPay is presented.



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## SECTOR: Retail

Naivas Supermarket, "Naivas". Naivas partnered with FlexPay to provide an option to customers with the ability to using the companies platform



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## SECTOR: Banking

Barclays Africa(now ABSA) collaborated with nine fintech companies to rapidly explore promising new technology-based solutions that could prompt significant improvements for consumers and in bank services provided to them



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## SECTOR: Retail

A second tier supermarket which like Naivas, allows the integration of FlexPay services as a checkout option for customers when they shop



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## SECTOR: WebService

AWS services, have enabled FlexPay to create multiple instances of their platform hence enabling them to have different environments for staging and development

## OTHER PARTNERS



# FlexPay FUNDING: HOW MUCH HAS BEEN RAISED AND WHO ARE THE INVESTORS,

FlexPay's pre-seed capital came from the Barclays Accelerator powered by Techstars in 2017. They have since raised more capital in various rounds with the latest being in 2022

FlexPay raised funding from Google, Kepple Ventures, Breegafund and Techstars after being one of the few select startups to attend Techstars & Barclays and Google launchpad, world-class business accelerator programs in Cape town and Lagos, Nigeria, in 2017 and 2018, respectively. FlexPay raised a USD 185,000 pre-seed round from these investors.

2017  
&  
2018

2022

FlexPay raised an undisclosed amount of seed funding from the Cairo Angels Syndicate Fund (CASF) and Quadpay. FlexPay was also among the 60 startups to receive part of KES 479.2m from Google Blackfounders. They received a USD 100,000 grant.



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# KEY LEARNINGS: CHALLENGES, RECOMMENDATIONS

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## WHAT MAJOR CHALLENGES HAVE YOU FACED ?

FlexPay, just like other startups, has faced challenges in its growth from inception to its current stage. Like other entrepreneurs, founders at FlexPay point out some of these challenges they have either experienced or seen in the ecosystem.

**1: Mentors** - The COO of FlexPay, Mwangi, points out the lack of adequate mentors in the ecosystem as a challenge. There is an insufficient number of mentors willing to support upcoming startups. Mentors are either too busy with their daily 9 to 5 jobs or unwilling to support startups. There is also the unwillingness aspect of the already successful startups training the sprouting ones.

**2: Capital** - Among the top challenges for startups is raising funds and attracting suitable investors to the business. FlexPay faced a similar problem at the onset of its ideation stage as most investors were unwilling to invest especially given the nature of their startups.

**3. ICT Bill** - The recent changes to the ICT Bill requiring that anyone who practices must be a holder of a valid certificate



“There is an **insufficient number of mentors** willing to support upcoming startups. Mentors are either too busy with their daily 9 to 5 jobs or unwilling to support startups.”

present many challenges in innovation, especially for self-taught programmers. This may hinder the development of innovation by university students who aren't in tech-oriented courses.

## HOW CAN THE ECOSYSTEM BE MADE BETTER ?

In dealing with some of these challenges, FlexPay suggests two ways of improving the operation of the startup ecosystem.

**1. More Mentors** - There should be a more targeted approach to mentoring young entrepreneurs by the already successful ones. Government and agencies should channel more support towards them, not only in terms of offering to fund but also in regulatory and policy issues.

**2. Practical Curriculum** - FlexPay suggests the introduction of more practical curricula to institutions of higher learning, especially universities, as they form startup founders' pipeline. The curriculum should address the constantly changing needs of the market and the country.





# IMPACT, FUTURE OUTLOOK: WHAT NEXT FOR FlexPay



## ENCOURAGING STARTUPS

Mwangi has been working on several pathways to develop the sector and the ecosystem:

**Developing Partnerships** - with the young nature of the startup ecosystem, businesses have not scaled up across different markets across the country. In light of this challenge, FlexPay has partnered with external entrepreneurs such as Barclays Bank South Africa, a company that aided in their mentorship and Training. Mwangi also dedicates time to guiding and educating young entrepreneurs on things such as legislation and sharing experiences.

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## GROWTH

FlexPay anticipates an easier market penetration in East Africa from a technological perspective since these are all developing countries facing similar challenges.

FlexPay is additionally seeking international support and investments to expand to other commercial segments such as healthcare (hospitals, pharmaceuticals), education (schools and universities) and travel segments as well as expand their footprint through other countries.

The focus is to enhance and strengthen the credit scoring mechanism within their tech.

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