

INSIDE THIS ISSUE

PG. 2

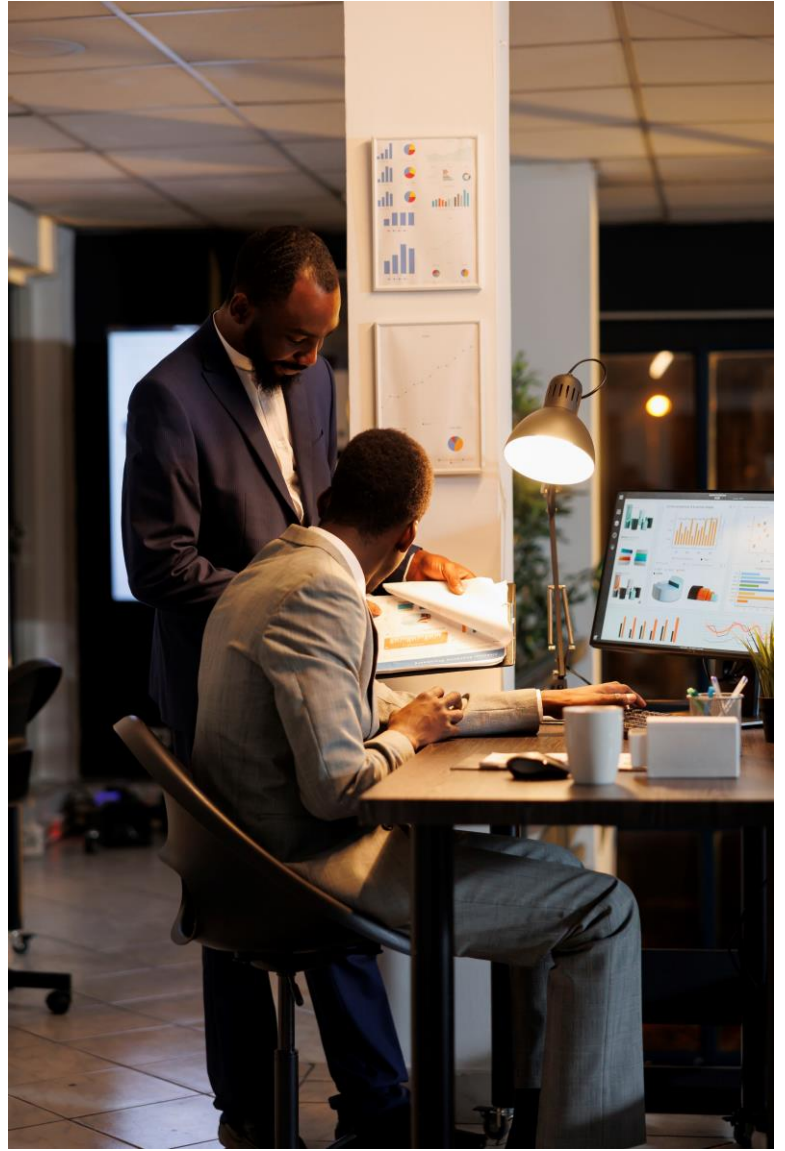
A Guide for Startups

PG. 3

A Guide for Startups

PG. 4

Business News Headlines



BUSINESS INSIGHTS

BY JANTA

DEAR JANTA COMMUNITY,

Welcome to the latest edition of Janta Kenya's newsletter, where we delve into the topic of "How to find the right funding for your startup." We are dedicated to providing you with the insights and guidance you need to navigate your financial decisions effectively.



A GUIDE FOR STARTUPS

In the ever-evolving world of startups, choosing the right capital source can profoundly influence your company's trajectory. Beyond mere financial backing, the right investors can provide invaluable expertise, networks, and strategic guidance essential for success. As we move through 2024, understanding the funding landscape is more critical than ever, especially in light of recent shifts in investor priorities.

At the recent African Pre-seed Podcast Live in Nairobi, hosted by Founders Factory Africa, industry experts shared insights into the funding challenges faced by startups. With a notable decrease in funding across African markets in 2023, panelists underscored the necessity for founders to exercise caution and strategic discernment when selecting investors. The event, themed "The Good and Bad of Funding - Choosing the Right Capital in 2024," featured notable speakers, including Rology CFO Jason Musyoka, Seedstars co-founder Bruce Nsereko-Lule, and Senga Technologies CEO June Odongo, who highlighted the importance of building sustainable businesses over chasing unrealistic growth.

The Shift in Investor Mindset

According to Nsereko-Lule, the current funding environment requires startups to ask critical questions about their growth paths. "When raising funds, consider what steps are necessary to create a sustainable, profitable business," he advises. Founders must assess whether the capital they seek can genuinely propel them toward their goals or if it might merely delay necessary adaptations.

Investors today are increasingly focused on due diligence, prioritizing ventures with solid fundamentals and realistic growth plans. "It's essential to thoroughly evaluate companies before investing to avoid unexpected surprises later," Nsereko-Lule cautions. This shift in focus reflects a broader trend among investors who now seek stability and sustainability over high-risk, high-reward scenarios.

Local vs. International Investors

One crucial consideration for founders is whether to pursue funding from local or international investors. While international investors may have deeper pockets, local investors often possess a better understanding of the local market and culture. This contextual knowledge can be instrumental in guiding startups through the complexities of their business environment.

"The beauty of local investors is their understanding of context and access to networks," Musyoka emphasizes. "They can open doors that might otherwise remain closed, providing invaluable connections to industry leaders and potential partners." This local insight can be a significant advantage for startups navigating the unique challenges of their markets.



However, founders should also define their business goals—whether they aim for lifestyle businesses or rapid scaling—and align their investment strategies accordingly. For instance, engaging local angel investors initially might provide the necessary support, followed by seeking international capital as the business matures.

Evaluating Investment Offers

The quality of the investor is paramount, as Odongo points out: “Some investors are more flexible and can bring additional value beyond capital.” It’s crucial for founders to evaluate what each investor offers and consider any trade-offs involved in accepting their investment.

When faced with multiple term sheets, Musyoka advises founders to prioritize offers with the least dilution. “This approach grants you flexibility and allows you to operate within your known business framework,” he explains. A smaller investment can sometimes be advantageous, enabling startups to recalibrate their strategies without overextending themselves.

The Importance of Timing and Strategy

Navigating the funding landscape may also require patience. As Odongo shares, Senga Technologies had to pause funding rounds in the face of fierce competition. “We initially aimed to raise money after validating our idea, but when faced with increased competition, we chose to retreat and pivot to a new niche,” she recalls. This decision allowed her company to realign its strategy and focus on long-term sustainability rather than immediate funding.

Conclusion

In the complex and competitive funding landscape of 2024, startups must prioritize strategic discernment in choosing their investors. By understanding the current market dynamics and evaluating both local and international funding options, founders can align their capital strategies with their business goals. It’s essential to focus on sustainable growth, evaluate investment offers carefully, and be willing to adapt as necessary.

Ultimately, the right funding can propel a startup toward success, but it requires thoughtful consideration and a clear understanding of the investment landscape. As you navigate this journey, remember that every decision can shape your startup’s future, so choose wisely.



BUSINESS NEWS HEADLINES

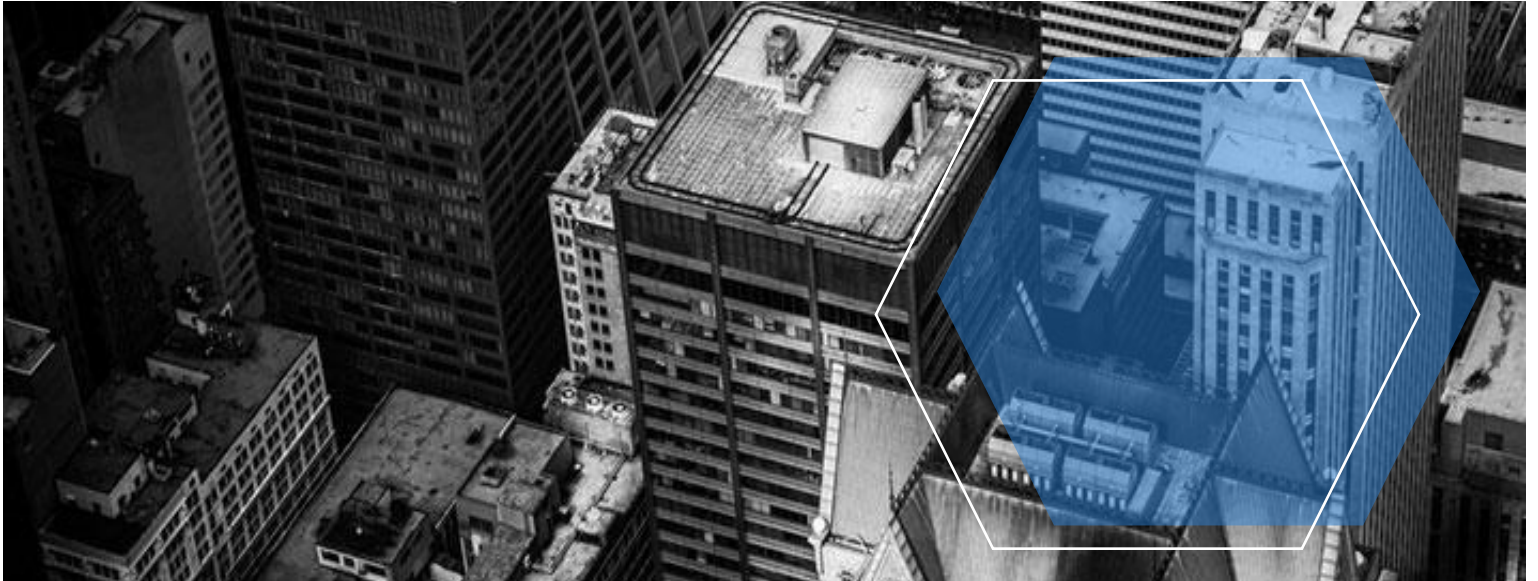
The Central Bank of Kenya (CBK) has intervened in the foreign exchange market by purchasing dollars to bolster its foreign exchange reserves, which have increased by approximately \$837 million over the past five weeks, reaching a total of \$8.2 billion—enough for 4.2 months of import cover. This move aims to mitigate exchange rate volatility, especially after significant dollar inflows from a Eurobond buyback and an infrastructure bond created an oversupply. Governor Kamau Thugge highlighted that the increase in reserves is also supported by robust remittances and tea exports. In addition, the CBK has lowered the benchmark lending rate by 0.75% to 12.00% to stimulate economic activity amid easing inflation and a slowdown in private sector growth.

Kenya is transitioning from the National Hospital Insurance Fund (NHIF) to the Social Health Insurance Fund (SHIF), part of President William Ruto's initiative for Universal Health Coverage (UHC).

SHIF aims to provide comprehensive healthcare access by expanding services to include outpatient care, preventive treatments, and specialized services such as cancer care, while ensuring affordability and improved efficiency. The shift addresses NHIF's limitations, such as high costs and inadequate coverage, by offering lower premiums and a decentralized approach to healthcare delivery. Existing NHIF members will be automatically transferred to SHIF, which promises a more streamlined, digital experience for managing health services and payments. This transformation seeks to enhance healthcare access for all Kenyans, particularly those in the informal sector.

In August 2024, credit to Kenya's private sector plummeted to a record low of 1.3%, down from 3.7% in July, primarily due to persistently high interest rates that have made borrowing prohibitively expensive. The Central Bank of Kenya (CBK) noted that this decline is also linked to exchange rate effects on foreign currency loans and the impacts of previous monetary policy tightening. As a result, commercial banks have increasingly turned to government securities, holding 44.4% of domestic debt by early October. Additionally, the ratio of non-performing loans rose to 16.7%, with significant increases noted across various sectors. In response to these challenges, the CBK implemented a 0.75% rate cut to stimulate credit growth and economic activity, aiming to make borrowing more accessible as inflation remains within target levels and the shilling stabilizes.

Oil prices surged by 9.1% last week, driven by escalating geopolitical tensions in the Middle East, particularly following Iran's missile strikes on Israel. As of Monday, Brent Crude was trading at \$79.17 per barrel, while Kenya's UAE Murban was at \$78.74. The surge comes amid fears of potential supply disruptions, especially if Israel targets Iranian oil infrastructure in retaliation. The ongoing conflict, marked by a year of war between Israel and Hamas, has resulted in a significant humanitarian crisis, intensifying concerns in global oil markets. Despite previous fluctuations in prices over the past year, recent geopolitical developments have reignited worries about stability in oil supplies. In Kenya, the impact of these price changes is affected by local factors such as taxation and exchange rates.



KEEPING YOU INFORMED AND CONNECTED TO THE LATEST BUSINESS NEWS

In this edition of Janta Kenya's newsletter, we've explored the dynamic landscape of startup funding in 2024. Founders must navigate their choices with strategic care, emphasizing sustainable growth over unrealistic expectations. Recent discussions at the African Pre-seed Podcast highlighted the significant decline in funding across African markets, urging startups to carefully consider investor profiles. Industry experts stressed the importance of aligning capital sources with business goals, whether seeking local investors for contextual insight or international ones for deeper pockets. Evaluating the quality of investment offers and prioritizing those that allow for less dilution can also provide essential flexibility for startups.

As the funding environment shifts, understanding the market dynamics and the importance of timing is critical for startups aiming to thrive. With a focus on sustainable business practices and long-term strategies, founders are encouraged to adapt their approaches as needed. By making informed decisions about their funding sources, startups can better position themselves for success in an increasingly competitive landscape, ultimately shaping their future through thoughtful investment choices.

Thank you for joining us in this edition. Stay tuned for more updates and expert insights to help you navigate your financial journey and stay informed on key developments shaping Kenya's economic landscape.



BUSINESS MONTHLY NEWSLETTER

JOIN US



www.jantakenya.com