



## THE PROPOSED ACQUISITION OF 39.4% SHAREHOLDING IN JUHUDI KILIMO COMPANY LIMITED BY NMI FUND IV KS.

1. The Competition Authority of Kenya has approved the acquisition of 39.4% of the issued share capital of Juhudi Kilimo Company Limited by NMI Fund IV KS unconditionally.
2. NMI Fund IV KS, the acquiring undertaking, is an company investing in financial inclusion companies seeking to build sustainable businesses in developing countries.
3. Juhudi Kilimo Company Limited, the target undertaking, is a microfinance institution offering financial solutions to rural smallholder farmers. Its subsidiary, JKL Insurance Agency Limited, offers insurance agency and brokerage services.
4. The proposed transaction involves the acquisition of 39.4% of the share capital of Juhudi Kilimo Company Limited by NMI Fund IV KS. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
5. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction, therefore, met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.



6. Noting that the parties' activities do not overlap, the Authority determined the relevant market to be considered as that of target's, which is the market for agriculture microfinance, and insurance brokerage and agency services. Given that the target entity offers its products throughout the country, the relevant geographical market was determined as national.
7. Financial institutions typically categorize agriculture as a high-risk sector, thereby leading to low financial inclusion among farmers, especially smallholders. According to the KNBS Economic Survey Report 2021, financial institutions advanced 3.9% of their total gross loans to the agriculture sector in 2020. Lending to the agriculture market is through, among others, commercial banks, Government credit agencies, cooperatives, and *chamas*.
8. Based on the net domestic credit (Ksh. 93.4 Billion) advanced to the agriculture sector as of December 2020, Juhudi Kilimo had an insignificant market share of less than 1%. Additionally, the target faces competition from various players, including emerging entities in the digital lending market.
9. In Kenya, insurance is sourced through agents, brokers, or directly from insurance companies. JKL Insurance Agency is both an insurance agent and broker. According to the Insurance Regulatory Authority, the total commissions for insurance business as of December 2020 was Ksh. 11.6 Billion. Based on this, the target's subsidiary has a market share of less than 1%. Post-merger, this market



share will not change. Additionally, the merged entity will face competitive restraint from other market players.

10. Premised on the foregoing, it is the Authority's view that the proposed transaction is unlikely to substantially lessen or prevent competition in the agriculture microfinance and insurance brokerage and agency markets in Kenya.

11. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns which the Authority considers include;

- i. extent to which a proposed merger would impact employment opportunities;
- ii. impact on competitiveness of small and medium enterprises (SMEs);
- iii. impact on particular industries/sectors; and
- iv. impact on the ability of national industries to compete in international markets.

12 The parties submitted to the Authority that they do not intend to change the business structure of post-merger and that no loss of employment will occur as a result of the transaction. Therefore, it is the Authority's view that the transaction will not raise any public interest concerns.



**13. Based on the foregoing, the Authority approved the proposed acquisition of 39.4% of the issued share capital of Juhudi Kilimo Company Limited by NMI Fund IV KS unconditionally.**